

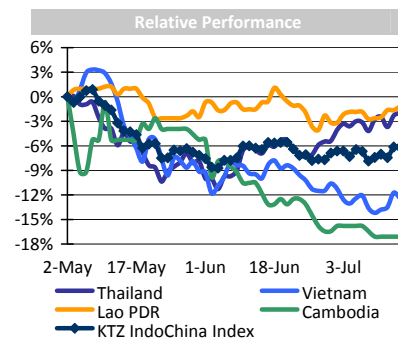
## The Market

### VN Index Down Albeit Foreign Buy; Lao's BCEL Hit Nearly 7-Mth High; CSX Flat

VN Index edged lower to close at 413.98, down 0.72%. Among 30 blue chips in the VN30 Index, Vietinbank (CTG) and Sacombank (STB), gained 2.9% and 0.45% respectively, despite the market concerned on banks' earnings following their lending rate cut to 15% as per the central bank's guidance. Meanwhile, the HCM market turnover fell to VND 560.6 billion (USD 26.9 million), down 26.6% from Friday's figure. Foreign investors turned into net buyers worth VND 38.4 billion (USD 1.8 million) after they had sold a net of VND 101.2 billion (USD 4.9 million) last week.

LSX Index edged higher to close at 1,010.12, the highest level since June 22. The market gain was driven by BCEL which surged 2.82% to close at LAK 7,300, the highest since Dec 26 last year. EdL Gen was unchanged at LAK 4,700. The market turnover was low at LAK 158 million (USD 19,700), up 5.8% from Friday's figure. Meanwhile, the CSX Index was unchanged, for the fourth consecutive day, staying at the all time low of 677.42. The market turnover eased to KHR 136 million (USD 33,100), down 28.8% from Friday's one-month high of KHR 191.3 million (USD 46,500).

Upon the lending rate cut to 15% in Vietnam, we believe smaller banks will suffer in a greater degree than their larger peers. According to BMI report, Vietinbank (CTG) and Sacombank (STB) are among the healthy banks. Their 1Q12 NPLs are low at 0.5% and 0.3% while their 1Q12 NIMs are high at 5.3% and 4.7% respectively. We, however, remain cautious on the banks' transparency in reporting NPL figures.



Source: Bloomberg as of July 16

|             | Last  | Chg | (%)  |
|-------------|-------|-----|------|
| FTSE ASEAN  | 563   | +3  | +0.6 |
| Singapore   | 2,999 | +3  | +0.1 |
| Thailand    | 1,214 | +4  | +0.3 |
| Malaysia    | 1,636 | +10 | +0.6 |
| Indonesia   | 4,047 | +28 | +0.7 |
| Philippines | 5,298 | +83 | +1.6 |
| Vietnam     | 414   | -3  | -0.7 |
| Lao PDR     | 1,010 | +5  | +0.4 |
| Cambodia    | 677   | 0   | 0.0  |

Source: Bloomberg as of July 16

| Per USD | Last     | Chg   | (%)   |
|---------|----------|-------|-------|
| Baht    | 31.61    | +0.04 | +0.13 |
| Dong    | 20,860   | 0.00  | 0.00  |
| Kip     | 8,023.50 | -7.00 | -0.09 |
| Riel    | 4,102.00 | -9.55 | -0.23 |
| Kyat    | 878.67   | -4.54 | -0.51 |

| Per Baht | Last   | Chg   | (%)   |
|----------|--------|-------|-------|
| Dong     | 660.11 | +0.86 | +0.13 |
| Kip      | 253.90 | +0.17 | +0.07 |
| Riel     | 129.00 | +1.00 | +0.78 |
| Kyat     | 27.81  | -0.10 | -0.36 |

Source: Bloomberg as of July 16

## The News

- **Myanmar, Lao PDR** - IMF to open Myanmar and Lao offices in Thailand
- **Myanmar** - KBZ Bank Starts Thai Remittance Service
- **Lao PDR** - Govt Promotes Renewable Energy Investment
- **Lao PDR** - Laos Open for Xayaburi Inspection

### Upcoming Market Holiday:

#### Thailand

- Aug 2: Asarnha Bucha Day
- Aug 13: Substitution for H.M. The Queen's Birthday

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### Myanmar, Lao PDR - IMF to open Myanmar and Lao offices in Thailand

Thailand has been chosen by the International Monetary Fund for its technical-assistance office for Myanmar and Laos because of its strategic location in Southeast Asia and connectivity with all of its regional counterparts. IMF managing director Christine Lagarde and Bank of Thailand Governor Prasarn Trairatvorakul signed a memorandum of understanding last Thursday to open the Thailand Technical Assistance Office. The BOT said it was pleased to collaborate with and provide full support to the IMF in planning and implementing programmes for Thailand's neighbouring countries. The office will be in the BOT complex and will start operations in September. An IMF officer told The Nation that this office would be manned by one representative from the organisation, with two Thai assistants. Operational details will be finalised after discussions with Myanmar and Laos over the kind of assistance they are seeking. *We believe it is quite clear that developed countries and global organizations are increasing focus to Indochina countries due to their strong growth potential and abundant natural resources. Last week, Hillary Clinton visited Laos which is the first trip to the country by a US secretary of state in 57 years. The U.S. has recently nominated its ambassador to Myanmar. ASIAN Development Bank country director for Cambodia Putu Kamayana will visit Myanmar to open an office for this week.*

### Myanmar - KBZ Bank Starts Thai Remittance Service

Thailand's Siam Commercial Bank and Kanbawza Bank will cooperate to allow migrant workers to remit money to Myanmar, an official said last week. U Zaw Lin Htut, manager of Kanbawza Bank, said the first three months of the service will be free of charge in Myanmar to encourage its use. "We will not charge any fee from our side for the first three months as a promotion," he said. "Later we will add a transaction fee but we haven't set an amount yet. However, users will still have to pay a small fee to Siam Commercial Bank but I don't know how much that will be," he said. He added that the service had started on July 2 and 20 workers had already used it by July 10. U Zaw Lin Htut said the service is one-way only and people could not transfer money from Myanmar to Thailand. "We only have permission from the Central Bank of Myanmar to receive remittances. But I hope that we'll be able to offer outbound transfers in future," he said. The Central Bank authorised four domestic banks – Ayeyawaddy, Kanbawza, Asia Green Development and Cooperative – to begin forming agreements with foreign institutions to remit money back to Myanmar from January 1. *After then, there are numbers of movements to offers the services. Ayeyawaddy Bank moved first and established an agreement with Q-Remit to transfer money from Myanmar working in Malaysia back to Myanmar, starting on February 10. Kasikornbank joins hands with Myanmar's Asia Green Development Bank (AGD Bank) to launch a Thai-Myanmar funds transfer service in May. Cooperative Bank started offering remittance service through Malaysia's May Bank and International Management Express, on June 1. The bank was still working on its plans to offer a similar service in Singapore. Bangkok Bank has opened an office there for about 20 years. Krung Thai Bank has recently awarded a license for opening a representative office in Yangon.*

### Lao PDR - Govt Promotes Renewable Energy Investment

The Lao government is promoting investment in renewable energy development projects and the country expects that renewable energy will comprise around 30 percent of total energy use nationwide by 2025. "At present there is already a comprehensive renewable energy policy and strategy in Laos and we welcome investment in the renewable energy sector," Mr Hatsady Sysoulath, the Promotion Director General of the Ministry of Energy and Mines' Institute of Renewable Energy said. The ministry has been actively involved in various renewable energy activities, particularly in the development of solar energy, micro hydropower, bio-energy and bio-fuels. The Ministry of Agriculture and Forestry has been conducting a pilot project with small biogas processors, using fuel crops such as jatropha. *Companies investing in the area include "Lao State Fuel", "Kolao", "Sunlabob Renewable Energy", "Luang Prabang Teak Tree Import-Export", "Bio-diesel", "Lao Agro Tech" and "Electricite du Laos (EDL)". There are also a number of biofuel projects underway. "Lao Agro Tech" has commenced a palm oil project, while a jatropha project is being financed by Korea. Both projects are currently planting fuel crops in several provinces of Laos. The Ministry of Energy and Mines is cooperating with "Lao Agro-Tech", which plans to grow oil palms as a source of renewable energy, and has a similar arrangement with "Kolao". "The Lao Indochina Group Public Company" Tapioca Factory will experiment with tapioca production, using biogas to fuel the processing plant in Vientiane. "Mitr Lao Sugar Co Ltd", started supplying energy to the "EDL" power grid at the end of last year, using waste sugarcane as a fuel to generate energy. "EDL" also expects to sign a memorandum of understanding regarding electricity tariffs with a major Vietnamese sugar and energy investor in Attapeu province this month. The plant will utilise the waste sugarcane as a fuel source. "Impact Electrons Siam Co Ltd", a global electricity generator, hopes to develop a wind power project in Laos within the next five years, with the project now under study.*

### Lao PDR - Laos Open for Xayaburi Inspection

Vientiane - Laos will allow a foreign delegation to inspect the Mekong River site of a US\$3.5 billion dam project that has attracted widespread criticism, sources said Monday. "We will be taken by bus from Luang Prabang to the Xayaburi site on Tuesday for an inspection," Mekong River Commission spokesman Surasak Glahan said. "I think the tour is the result of concerns raised by some of our development partners at the MRC donor meeting last month." Technicians from the multi-governmental organisation and representatives from donors including the Asian Development Bank, World Bank and embassies of Cambodia, Thailand and Vietnam will make the trip. It will be the first time the Lao government has allowed an official visit to the project that has been criticized by environmentalists and neighbouring governments for its potential impact on downstream fisheries and the flow of sediments. "We have nothing to hide," Deputy Minister of Energy and Mines Viraphonh Viravong said. On December 8, ministers from the Mekong River Council - made up of water and environmental ministers from Cambodia, Laos, Thailand and Vietnam - called for the project to be delayed to allow further environmental research. *The dam would be the first hydroelectric project on the mainstream of the lower Mekong River. China has built four dams on the upper Mekong. The Dam inspection follows a visit by Hillary Clinton to Laos last week. She pushed the Lao government to conduct more studies on the US\$3.6 billion (THB 113.54 billion) Xayaburi Dam and its impacts before proceeding with the project. The Lao Prime Minister Thongsing Thammavong said publicly that the project would not proceed without approval from neighbouring countries. Xayaburi Power, 30% owned by CK, Thailand's third-largest construction company by market capitalisation, has signed an 85-billion-baht loan agreement with six banks and also a 29-year power purchase agreement with the Electricity Generating Authority of Thailand.*