

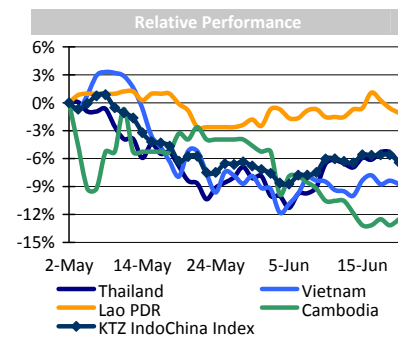
The Market

VNX Little Changed in Thin Trade; LSX fell on EdL Gen's XR; CSX Rebounded

VN Index edged lower to close at 431.14, down 0.4% on Thursday, despite easing inflation in both Hanoi and HCM city. The nation's biggest listed banks i.e. Vietinbank (CTG) and Vietcombank (VCB) held in a positive territory, adding 0.96%, and 0.34% respectively. Foreign investors turned into net buyers worth VND 16.6 billion (USD 700,000) in HCM market while the market turnover was low for the second day at VND 687 billion (USD 32.8 million).

LSX Index fell for the third consecutive day to close at 1,011.19, down 0.53%. The market led by EdL Gen, which fell 1.04% further to close at LAK 4,750 with low turnover of LAK 144.9 million (USD 18,100) following the announcement of its capital exercise. BCEL was unchanged at LAK 6,950, for the fourth consecutive day. Total market turnover was low at LAK 170.8 million (USD 21,300). Meanwhile, CSX Index rebounded from its all time low level to close at 715.05, up 0.76%. The total market turnover was thin at KHR 157 million (USD 38,500). Foreign investors net selling was sharply lower to KHR 7.8 million (USD 1,900).

We still keep our positive view on the Vietnam blue chips as we believe they will outperform the markets. The VN Index's 3-month performance was down 2.07% but numbers of blue chip stocks beat the market. Vietinbank (CTG), Developer Vingroup (VIC) and technology services provider FPT Corp (FPT) rose 6.3%, 5.2% and 5.1% respectively during the period. LSX Index outperformed Indochina peers, adding 6% during the last 3 months, led by BCEL which added 5.3%. Cambodia market is expected to remain sluggish.



	Last	Chg	(%)
FTSE ASEAN	540	-7	-1.3
Singapore	2,830	-26	-0.9
Thailand	1,159	-14	-1.2
Malaysia	1,601	-3	-0.2
Indonesia	3,902	-42	-1.1
Philippines	5,109	-37	-0.7
Vietnam	431	-2	-0.4
Lao PDR	1,011	-5	-0.5
Cambodia	715	+5	+0.8

Source: Bloomberg as of June 21

Per USD	Last	Chg	(%)
Baht	31.69	+0.18	+0.57
Dong	20,920	-20.00	-0.10
Kip	8,003.00	+2.00	+0.02
Riel	4,093.65	+19.90	+0.49
Kyat	849.93	+5.14	+0.61

Per Baht	Last	Chg	(%)
Dong	660.09	-4.69	-0.71
Kip	252.52	-1.49	-0.59
Riel	128.00	0.00	0.00
Kyat	26.82	-0.00	-0.01

Source: Bloomberg as of June 21

The News

- **Vietnam** - Vietnam Needs \$10 Billion for Developing Electricity Transmission Network: Expert
- **Vietnam** - Dip in Global Prices Allows Another Fuel Price Cut in Vietnam
- **Lao PDR** - Govt Targets 8.3% Economic Growth Next Fiscal Year
- **Thailand** - BoT: GMS Countries Keen on Using Local Currencies in Reciprocal Trade Deals
- **Myanmar** - Western Countries to Become Burma's Top Investors

Upcoming Market Holiday:

Thailand

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

Corporate Action:

Lao PDR

1) EdL Gen's Right Offering (RO)

- June 21: Ex-Right Date (XR)
- June 22: Record Date
- June 26-July 6: Subscription Period
- July 31: New Shares Listing Date

2) EdL Gen's Public Offering (PO)

- Subscription Period to be Informed Later

Thanawat Patchimkul
Global Strategist
Email: thanawatp@ktzmico.com
Tel: + 66 2 695 5451
Assisted by
Denruthai Krishnamra

Vietnam - Vietnam Needs \$10 Billion for Developing Electricity Transmission Network: Expert

Luu Viet Tien, head of Investment Department of the National Power Transmission Corporation said total investment capital needed for developing electricity transmission network by 2020 is \$10 billion. Electricity transmission projects can access only \$4 billion funded by ODA and commercial sources and the rest \$6 billion has not been arranged. Tien also said average price of electricity transmission in Vietnam was 6.58% in 2008-2012, much lower than the average price in the world. He proposed the government to raise electricity transmission prices to 10-12% of electricity prices from over 6% in 2011-2012 as "the current electricity transmission prices are not enough to meet investment in the future", he stressed. It is estimated that electricity demand will rise 14.1% in 2011-2015 therefore Vietnam needs to develop electricity capacity of 43,000MW in 2015, meanwhile, electricity transmission capacity for 220kV-500kV of the National Power Transmission Corporation cannot catch up the power generation development pace. *We believe Vietnam is in an urgent need to invest into its transmission network. Currently, the country is expected to face huge transmission losses of over USD 700 million a year due to the old transmission lines, overloading, locking connectors, distribution wires, and old substations. The electricity loss ratio was 11% during the first 5 months of this year compared with the regional average of around 4-5%.*

Vietnam - Dip in Global Prices Allows Another Fuel Price Cut in Vietnam

Vietnam cut petroleum retail prices for the fourth time this year as global oil prices dropped to their lowest in eight months. The price of 92-RON gasoline, the most common grade of fuel in Vietnam, was reduced by 3.2% to VND21,900 a liter, local media reported, citing a decision from the Ministry of Finance. Other fuel products, including diesel and kerosene, had their prices cut by between VND300 and VND400 per liter. The new prices took effect at 4:00 p.m. Thursday. Fuel prices were cut twice in May and then reduced again earlier this month. The reduction of VND700 per liter of gasoline came after local media reported that fuel traders were making hefty profits due to falling global prices. Petrolimex, the country's largest fuel distributor, however, said the profit was only around VND600 per liter, according to news website VnExpress. *We believe this is positive to the market as local investors would expect the lowering fuel prices would provide further support to the country's easing inflation. Thus, affirming their views on further interest rate cut.*

Lao PDR - Govt Targets 8.3% Economic Growth Next Fiscal Year

The government is speeding up development of the agriculture and industry sectors, hoping these will be the mainstay of economic growth next fiscal year. Minister of Planning and Investment Mr Somdy Duangdy told the National Assembly session on Wednesday the government was speeding up the development of the agriculture sector, aiming for a 3.3% increase in output. This would contribute to efforts to secure GDP growth of 8.3% next fiscal year. The government is also accelerating growth in industry, aiming for a 15.5% in output next year. Development in both these sectors has been slow this year due to the effects of flooding last year, which forced the government to revise its GDP growth target from 8.3% to 8% this fiscal year. Mr Somdy said that to secure 8.3% economic growth in the next fiscal year, which begins in October, the government needs to mobilise investment funding of 26,800 billion kip (US\$3.3 billion), accounting for 33.2% of GDP. *We believe the Lao economic growth would be strong in the range of 7-8% in the coming years. That Lao is expected to join WTO by this year would help expanding its market reach and spur foreign investment. We have seen major regional companies and Japanese corporation relocating their production bases into Lao PDR to take advantage of its cheap labor costs.*

Thailand - BoT: GMS Countries Keen on Using Local Currencies in Reciprocal Trade Deals

The Bank of Thailand (BoT) has indicated that the countries of the Greater Mekong Sub-region (GMS) are interested in using local currencies in reciprocal trade agreements as a measure to prevent risk from the volatile currency exchange rate. BoT Governor Prasarn Trairatvorakul said at the Euromoney's Greater Mekong Investment Forum that GMS countries are considering direct use of local currencies for trade purposes without a need for a third-party currency, such as the dollar, in hopes of reducing the risk from the volatility of the global monetary market. In order for this idea to materialize, Mr Prasarn proposed that central banks in GMS countries should lend a hand to build confidence for the private sector. Citing a recent currency agreement between Thailand and China, he said the pact has encouraged Thai entrepreneurs to carry out business deals with their Chinese counterpart using the Chinese yuan. His recent discussions with officials from the central bank of Myanmar also suggested the latter's interest to sign a currency agreement with Thailand, he added. *We believe this is a good progress to the Indochina economic development and would reduce risks to business operators. Normally, the Indochina currencies are moving into the same direction (against USD). The currency fluctuations are majorly led by the USD movements in the global markets.*

Myanmar - Western Countries to Become Burma's Top Investors

Western countries will make up the top investors in Burma after a new investment law is signed by the government, following the removal or suspension of sanctions by many countries, senior officials of the Ministry of National Planning & Economic Development told the New Myanmar Investment Summit in Rangoon on Wednesday. Mizzima Media is a media partner of the summit. "Western countries will be the top investors in Myanmar in the coming years," said Dr. Kan Zaw, the deputy minister for Ministry of National Planning & Economic Development, replacing China and Thailand, currently the top investors. Total foreign investment in Burma reached US\$ 40.699 billion in 458 projects as of March 2012, since the country opened to foreign investments in late 1988, according to official figures. "Until 2012, China stands as the top investor in Myanmar with about \$30 billion in investments," Kan Zaw said. Other top countries are Hong Kong and South Korea. "In the coming years, Singapore is expected to be another large investors," he said. *We believe Thailand would continue to benefit from the improving prospects in Myanmar. Higher investment from Western countries would spur domestic consumption where Thailand's products are popular among Myanmar people. Recently, Saha Group, Thailand's largest consumer products conglomerate, will set up two trading firms in Myanmar this year to handle distribution and logistics there for its consumer goods and fashion and cosmetics product.*