

The Market

Indochina index moved sideways on earning concerns

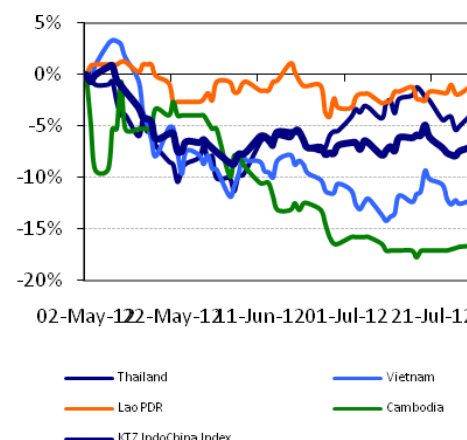
The VN index sank slightly by 0.66 points or 0.16% to 422.5 points due to investor uncertainty about the quarterly results. A total of 33.15 million shares worth 548.27 billion dong were traded, or USD 26.29 million. Prices of 77 stocks went up, 136 stocks fell while 96 stocks remained unchanged. Furthermore, VIC, DPM, IJC, MSN and HBC were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index finished unchanged at 1,025.56 points on trading volume of 216,430 shares worth 1.07 billion kip (USD 134,000). The two listed companies, BCEL and EDL-Gen, remained stable at 7,200 kip (USD 0.90) and 4,800 kip (USD 0.60), respectively. The Cambodian CSX index remained unchanged at 698.9 points, but trading volume was up to 29,757 shares worth KHR 193.42 million (USD 47,582) from the previous session at 15,200 shares, with the PPWSA remaining stable at 6,500 (USD 1.59).

The News

- **Lao PDR** – Three hydropower plants to begin producing this year
- **Myanmar** – 500 foreign firms invested in Myanmar over the last 20 years
- **Vietnam** – August coffee exports down
- **Vietnam** – Planned Vietnam refinery's financing problems ease

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	573.50	-1.53	-0.3%
Singapore	2,470.60	-5.88	-0.2%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,631.12	-8.31	-0.5%
Indonesia	4,085.58	-19.92	-0.5%
Philippines	5,284.16	-1.75	-0.0%
Vietnam	422.50	-0.66	-0.2%
Lao PDR	1,025.56	0.00	0.0%
Cambodia	698.92	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.48	-0.00	-0.0%
Dong	20,860.00	5.00	0.0%
Kip	8,014.00	2.00	0.0%
Riel	4,063.85	-13.40	-0.3%
Kyat	871.08	-2.88	-0.3%

Per Baht	Last	Chg	(%)
Dong	662.78	0.73	0.1%
Kip	254.57	0.22	0.1%
Riel	662.78	0.73	0.1%
Kyat	27.67	-0.07	-0.3%

Source: Bloomberg

Laos – Three hydropower plants to begin producing this year in Laos

Laos expected three hydropower plants to come online this year with most of the power to be exported to Thailand and Vietnam. The projects are joint ventures between the state-run Electricite du Laos and investors from China, Europe and Vietnam. "We hope that electricity generation will rise to 1,892.29 million kWh (kilowatt hours) this year," Electricite du Laos managing director Sisavath Thiravong said. The Nam Ngum 5 power station in Luang Prabang province is 92.5% completed while the Theun Hinboun project in Borikhamxay is 99.1% completed and the Xekaman 3 project in Xekong is 99.8% finished. The Theun Hinboun plant, a joint venture between Electricite du Laos and Starkraft SF of Europe, would have a capacity of 500 megawatts, 88% of which will be exported to Thailand. Xekaman 3, a joint venture between Electricite du Laos and Song Da Construction Corp of Vietnam, is to export 90% of its 250-megawatt output to Vietnam with the remainder going to Laos. Nam Ngum 5, owned by Electricite du Laos and Sinohydro Corp of China, is to supply 120 megawatts to Vietnam and Laos. *The Theun Hinboun plant will be one of four IPPs which are planed to be transferred into EDL-GEN within this year (Theun Hinboun hydropower plant (THPC) (60% holding), Nam Ngum 2 (25%), Houay Ho (20%) projects (HHPC) and 10% investment in Nam Lik 1-2). These will lift EDL-GEN's operational equity capacity from 381 MW to 881 MW. We have a "Buy" recommendation on this stock with a fully-diluted fair value in 2012 of LAK 10,227 (US\$ 1.28) based on DCF valuation.*

Myanmar– 500 foreign firms invested in Myanmar over the last 20 years

A total of 477 foreign companies came and invested in Myanmar over the past two decades, injecting US\$41.029 billion as of June 2012 since the country opened to such investment in late 1988, local media Popular News reported Tuesday. Most of the foreign companies were from Singapore, followed by Thailand, Britain, South Korea, Malaysia, China's Hong Kong, China, Japan, the United States and Australia, with investments being scattered in the sectors of power, oil and gas, mining, industrial estates, hotel and tourism, livestock and fisheries and transportation. Of the companies, 170 were engaged in the industrial estate sector, while 113 were in the oil and gas sector and 66 in mining. *The investment outlook in Myanmar has been improving after the US lifted sanctions on Myanmar last month by issuing general licenses allowing for new investment as well as the export and re-export of financial services to the country. Myanmar has recently liberalized certain business areas, i.e., agricultural, petrochemical, land leases, currency exchange and infrastructure such as power plants, while SEZs, e.g. Dawei, are being established. Interesting opportunities are in the agricultural, mining and labor-intensive industries, such as garment and manufacturing assembly, as well as services such as tourism. The country has been carefully transforming its political, economic and justice systems, with new investment laws now being considered.*

Vietnam – Vietnam's August coffee exports down

Vietnam, the world's largest producer of Robusta coffee, is forecast to export between 70,000 and 100,000 tonnes, or 1.17 million to 1.67 million bags, of beans in August, down from the 110,000 tonnes loaded last month. Falling supply two months before the new coffee crop year starts in October could help keep global prices stable despite favorable weather for harvesting in Brazil. Robusta beans stood at 43,300-43,700 dong (\$2.08-\$2.1) per kg on Tuesday in Daklak, the country's largest growing province, representing a fall of nearly 8% from a year ago, based on Reuters data. The discount to London's November Robusta contract, which ended 0.6% up at \$2,215 a tonne on Monday, is widened from \$30-\$40 a week ago to \$60 a tonne this week. Trader estimates of 110,000 tonnes for July volume bring Vietnam's shipments between October 2011 and last month - the first 10 months of the 2011/2012 season - to 1.38 million tonnes, or 23 million 60-kg bags, up 20% from a year ago. With at least 70,000 tonnes to be loaded this month, the country's export volume would reach 1.45 million tonnes by end-August. That estimate plus current stocks suggests Vietnam will have a record 2011/12 output of 1.5-1.6 million tonnes. The next 2012/2013 crop could be 10% less, as productivity often eases after bumper harvests, traders said. *Last year prolonged rains slowed cherry ripening and the main harvest started in the Central Highlands coffee belt in November, a month after the crop year began. Vietnam, the world's No.2 coffee producer after Brazil, is the world's biggest producer of Robusta coffee. Revenue from coffee exports contributes about 3% to the GDP, with about 95% of total coffee production consisting of Robusta. The country plans to expand its planting area for Arabica in a bid to more than double output of the superior-quality bean to 96,000 tonnes by 2020.*

Vietnam – Planned Vietnam refinery's financing problems ease

Plans by Japanese and Kuwaiti investors to build Vietnam's second oil refinery took a step forward Tuesday with the news that the Vietnamese government will help act as a guarantor for some liabilities, but not for any loans, of the project. The move from the Vietnamese government, despite no details being revealed, has helped resolve a financing problem that had long hampered talks with banks; previously banks had been unwilling to lend to the project without underwriting from the Vietnamese government. Thus far, the partners are working on contract details. The news about the financing of the \$8 billion-\$10 billion Nghi Son refinery is significant for international investors who have been cautious about joining state-run projects in Vietnam, some of which have run up large debts and in so doing have undermined its banking sector. Idemitsu Kosan and Kuwait Petroleum International each hold a 35.1% stake in the planned 200,000 barrel-a-day refinery to be built 180 kilometers south of Hanoi, while PetroVietnam and Mitsui Chemicals Inc. (4183.TO) own 25.1% and 4.7%, respectively. *This move by the Vietnamese government enables this second oil refinery project to go on as commercial banks will be more comfortable to provide lending for the project. The investment decision for Vietnam's second oil refinery has already been delayed at least twice due to financing problems. However, PetroVietnam said that it expects construction to begin in the third quarter of this year. Normally, an oil refinery project would consume about 4-5 years for the construction period. Vietnam needs a second oil refinery as the country now has only one, which has had repeated technical problems. Any closure may result in Vietnam having to go to the spot market to buy replacement gasoline —earlier Tuesday, Vietnamese media reported that due to cracks in a boiler at Vietnam's only refinery, the 130,000-barrel-a-day Dung Quat complex had been shut for two days.*