

Thailand Equity Research

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Morning Brief

3 September 2009

Company BBL (Buy) - Being appointed as the sole yuan clearing house will enhance BBL's long-term competitiveness.

News Commerce (Overweight) - Commerce Ministry will reconsider RWBA draft

Spotting Trends Steel Spotlight

Where Fundamentals and Timing Converge

Fundamentally 'BUY' rated with technical stop loss & break out signals							Fundamentally 'SELL' rated with technical resistance & stop loss warnings					
#	Stock	Current Price	Fundamental Target	Technical Support			#	Stock	Current Price	Fundamental Target	Technical Resistance	
				Stop Loss	Upside target	Breakout if above					Resistance	Downside target
1	PTTEP	138.50	194.00	will update	158, 163	149						
2	DELTA	17.50	17.30	will update	18.3, 20.7	-						
3	TSTH	1.84	2.00	will update	2.08-2.10, 2.7	-						
4	PTTAR	21.80	22.70	19 (closing)	26.25, 28	-						
5	CENDEL	3.72	4.34	will update	4.24-4.26	4						

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information known to us then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice.

Report Summary

BBL (FP Bt125.00, Buy)

Being appointed as the sole yuan clearing house will enhance BBL's long-term competitiveness.

- ▶ China has granted BBL a license to serve as an exclusive yuan clearing house in Thailand. In addition, BBL is looking to start operating its 4 foreign branches in China as local branches on 1 Jan. 2010. We expect this to significantly enhance BBL's long-term competitiveness, especially among corporate customers. We also expect it to spur higher FX income.
- ▶ We reiterate our Buy rating on BBL. Key positives are: 1) As the largest bank in the country, the economic recovery should benefit BBL more than most; 2) China's recovery will benefit BBL due to its high exposure to the country relative to other banks; 3) BBL has the highest level of surplus loan-loss reserves; 4) Expected gain from the sale of ACL shares.

For more details please see Company Focus

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Commerce (Overweight)

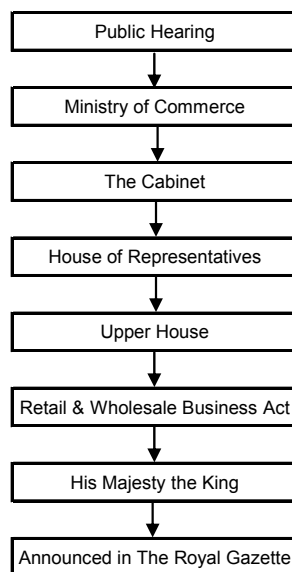
Commerce: Commerce Ministry will reconsider RWBA draft

According to reports in the Thai press, the Commerce Ministry will hold public hearings in Bangkok, Ubonratchathani, Pisanulok, Trang, Chonburi, Suphanburi and Suratthani before submitting its draft of the Retail and Wholesale Business Act (RWBA) to Cabinet within two months. The four issues that will be discussed at the public hearings are: 1) the types of modern trade operations to be covered by the act, 2) the approval process, 3) measures to help traditional retailers; and 4) penalties.

KS Comments

- ▶ This news has negative implications for the Commerce sector.
- ▶ Based on the old draft, it was clear the RWBA would apply to hypermarket operators such as TESCO, BIGC, MAKRO and CARREFOUR. It was uncertain whether it would apply to convenience-store operators and DIY operators.
- ▶ If the old draft of RWBA is implemented as law, it will hurt modern-trade operators' ability to open new stores and affect their opening times.
- ▶ We think the government will need around 6 months to consider the new draft of the RWBA once Cabinet accepts it from the Commerce Ministry. We still believe that CPALL and HMPRO will be less affected than MAKRO and BIGC. Our top picks in this sector are CPALL (Buy) at a fair price of Bt19.70/share and HMPRO (Outperform) at a fair price of Bt7.70/share.

Figure 1: Approval process for the RWBA



Source: KS

Steel Spotlight

Thailand
 3 September 2009

- Spreads for long steel producers have recovered in the past two weeks after Turkish rebar exporters raised their prices for Far East delivery. Global prices, however, will come under pressure this week from the domestic market in China, where the average HRC price has declined 15% from its peak at the beginning of August while the rebar price has fallen 19%. These lower domestic prices should make Chinese export products more competitive overseas. With high levels of inventory in stock, the outflow of Chinese products will increase, further dampening regional prices.

- TSTH's spread continues to improve WoW as the rebar price gains strength. The HRC price, meanwhile, has corrected while major raw material prices have remained firm, negatively impacting GSTEEL and SSI's spreads.

- PBVs have not changed WoW, with integrated mills trading at 1.4x, mini-mills at 0.8x, and local steel producers at 0.5x.

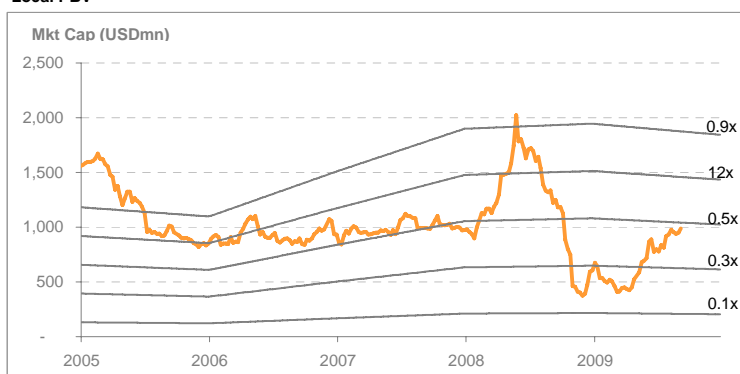
Units : USD/tonne

	Current	% WoW	QTD	% QoQ	YTD	% YoY	KS Assumption	Implication to forecast
Rebar	545	1.9	511	11.5	471	-42.1	614	Lower
Wire Rod	560	0.0	541	14.4	492	-39.9	617	Lower
HRC	568	-2.2	565	27.4	477	-43.4	636	Lower
Billet	505	2.0	470	12.4	422	-46.1	590	Lower
Slab	490	0.0	462	26.6	398	-51.9	624	Lower
Scrap	363	0.7	337	23.2	289	-43.7	387	Lower

Spread

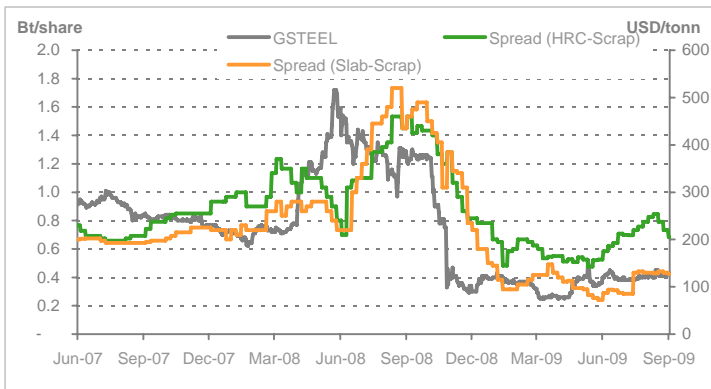
Rebar-Scrap	183	4.3	174	-	5.8	182	-39.5	227	TSTH+
HRC-Scrap	205	-6.8	229	34.1	188	-43.0	249	GSTEEL-	
HRC-Slab	78	-13.9	103	31.2	79	384.9	12	SSI-	

Local PBV

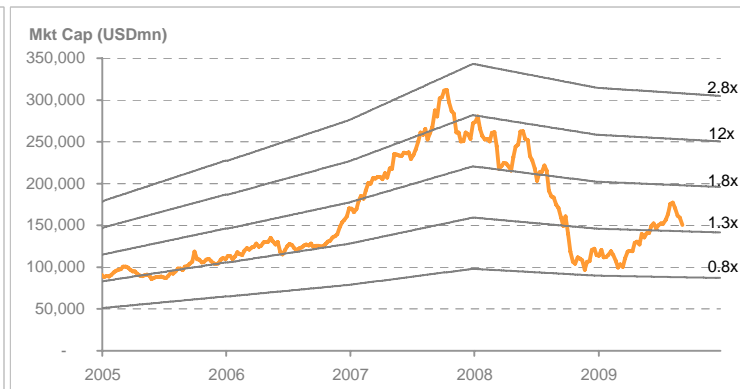


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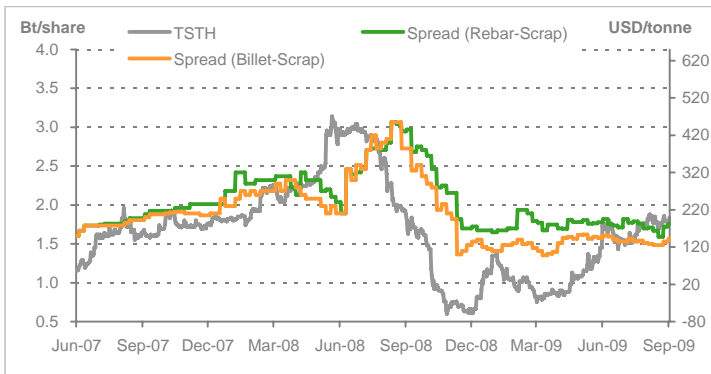
GSTEEL price performance and spread



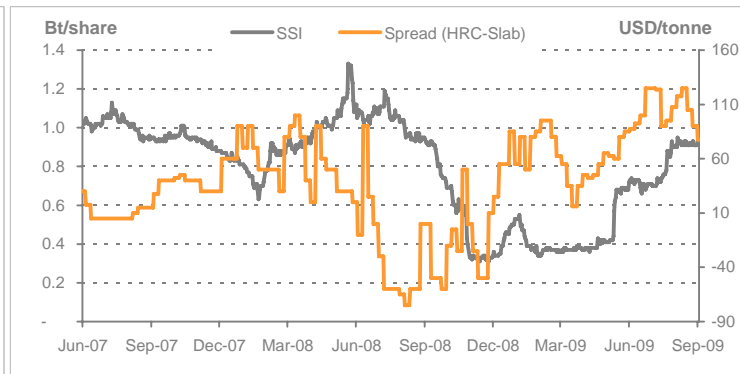
Regional (integrated mills) P/BV



TSTH price performance and spread



SSI price performance and spread



Data as of 2 September 2009

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