

The Market

Indochina index plunged sharply after well-known banker was arrested

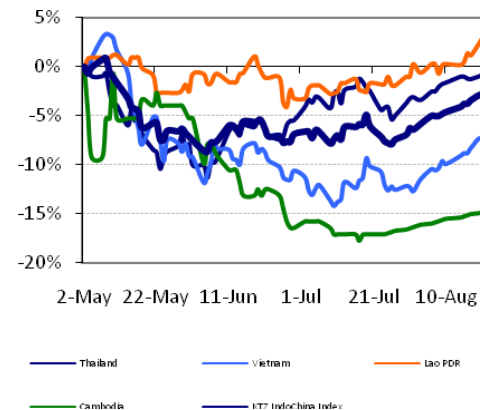
The VN index sank significantly by 20.44 points or 4.67% to 416.84 points as investors dumped Bank shares on concerns over a well-known banker's arrest. A total of 70.05 million shares worth 1.23 trillion dong were traded, or USD 59.24 million. Prices of 15 stocks went up, 257 stocks plunged while 37 stocks remained unchanged. Furthermore, MBB, HSG, DPM, CSM and GAS were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index soared by 4.08 points or 0.39% to 1,056.10 points on trading volume of 90,210 shares worth 536.51 million kip (USD 66,834). BCEL rose 200 kip to 7,800 kip (USD 0.97) while EDL-Gen was flat at 4,900 kip (USD 0.61). The Cambodian CSX index was unchanged at 698.9 points on trading volume of 12,973 shares worth KHR 84.32 million (USD 20,847), with the PPWSA remaining stable at 6,500 KHR (USD 1.61).

The News

- **Cambodia** – Obama's chief trade advisor to meet ASEAN ministers in Cambodia
- **Cambodia** – Hydro plans carry steep costs
- **Myanmar** – Mitsubishi Corporation establishes Nay Pyi Taw office
- **Vietnam** – Vietnam faces serious power shortage

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	575.78	0.02	0.0%
Singapore	2,442.85	-8.44	-0.3%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,649.79	-0.30	-0.0%
Indonesia	4,160.51	18.52	0.4%
Philippines	5,206.81	-12.70	-0.2%
Vietnam	437.28	3.83	0.9%
Lao PDR	1,052.02	17.29	1.7%
Cambodia	698.92	-5.38	-0.8%

Per USD	Last	Chg	(%)
Baht	31.51	0.00	0.0%
Dong	20,845.00	7.00	0.0%
Kip	8,034.25	17.30	0.2%
Riel	4,045.00	-6.95	-0.2%
Kyat	875.88	7.32	0.8%

Per Baht	Last	Chg	(%)
Dong	661.54	0.21	0.0%
Kip	254.98	0.63	0.2%
Riel	661.54	0.21	0.0%
Kyat	27.80	0.24	0.9%

Source: Bloomberg

Cambodia – Obama's chief trade advisor to meet ASEAN ministers in Cambodia

The United States Trade Representative Ron Kirk, President Obama's Chief Trade Advisor, will be visiting Cambodia's Siem Reap province on August 30-31 to participate in the 44th ASEAN Economic Ministers' meetings and the ASEAN-US Business Summit. Kirk's schedule will include a meeting of the ASEAN-US Trade and Investment Framework Arrangement (TIFA) Council, an informal meeting of the East Asia Summit Economic Ministers, and the first ever ASEAN-U.S. Business Summit. The summit will provide an opportunity for business representatives from the United States and ASEAN to exchange views on promoting economic growth and innovation, and to convey their shared recommendations in direct dialogue with the ASEAN trade ministers. Kirk will also meet separately with Cambodian leaders and other participating ministers to discuss bilateral trade issues and objectives for regional partnerships, including the Trans-Pacific Partnership (TPP) and the Asia-Pacific Economic Cooperation (APEC) forum. The 44th ASEAN Economic Ministers Meeting will discuss topics relevant to trade liberalization and economic cooperation among the ten ASEAN countries as well as the meetings between ASEAN economic ministers and dialogue countries including China, South Korea, Japan, Australia, New Zealand, India, the United States, Canada and Russia. *The upcoming AEC in 2015 should put ASEAN, a highly-competitive region with strong economic growth, into the spotlight for investment opportunity. Even with the global economic slowdown, it is estimated that ASEAN will sustain economic growth of about 5% in 2012 and recover to 5.5% in 2013 (versus only 2.8% and 3.3% for global growth) from strong regional demand, which has continued improving to 25% of total trade.*

Cambodia – Hydro plans carry steep costs

The Cambodian government has committed to the construction of two dams along the Mekong River in order to meet huge demand for electricity, but environmental groups warn that severe repercussions loom for this strategy. Four dam projects have been approved so far in Cambodia, with one already operational. All are being developed by Chinese companies on build-operate-transfer agreements, said Ame Trandem, South East Asia programme director for International Rivers. "Right now it is relatively catastrophic for the power situation in the country. Currently, 91% of Cambodia's power plants are fuelled by imported light diesel and heavy fuel oil. The country has high potential for renewable energy such as wind and solar farms," said Alexander Ochs, the director of climate and energy at the Washington-based Worldwatch Institute. Partnerships, "the Mekong River Commission", have been established between the countries through which the Mekong runs in order to prevent over-harvesting of the river's resources. However, China is not a signatory to the 1995 Mekong Agreement, and can effectively build these projects independently from downstream countries. The dams in Cambodia are being financed by Chinese investors. *The Mekong River runs through six countries, including China and Vietnam, most of which are planning construction of hydroelectric dams. Conservation groups view that dams will block fish migration routes, alter flows, and change aquatic habitats, so these projects are also likely to have an adverse effect on Cambodia's fisheries. Cambodia has one of the lowest electrification rates in Southeast Asia, estimated at only 24%, according to the Asian Development Bank (ADB). Cambodia aims to raise the national electrification rate to 70% by 2020 by expanding the grid and sourcing more than half of the needed electricity from the Mekong River. Other sources of electricity come from off-grid or micro-grid diesel generators and this is very inefficient and costly.*

Myanmar – Mitsubishi Corporation establishes Nay Pyi Taw office

Mitsubishi Corporation has announced that it will establish a new office in Nay Pyi Daw, the capital city of Republic of the Union of Myanmar (Myanmar), on 1st September 2012. The firm has established its first office in Yangon since in 1954, thereby contributing to the local economy through the trading of a range of products such as fibers, food provisions, steel and machinery. By establishing the Nay Pyi Taw Office, Mitsubishi Corporation will strengthen its information gathering function, together with the Yangon Office, with an aim to further contribute to Myanmar's industrial development and sustainable growth by focusing on infrastructure development projects funded through international yen loans and other sources. *Myanmar's population of approximately 62 million has high potential for a growing consumer market. This move by Mitsubishi Corporation affirms the positive view from international investors toward the improving investment climate in the country.*

Vietnam – Vietnam faces serious power shortage

Vietnam will soon face a serious power shortage if it fails to come up with increased power generation. Nguyen Anh Tuan of the Institute of Energy said at a power conference in HCM City last week that the power grid had reached only 69% of the target in the four years to 2010 "due to lack of funding, red tape, increasing cost of fuel and other inputs, difficulties in land acquisition and investors' lack of capability". The shortage will continue despite an annual increase in demand of only 13.7% due to the recession. The shortage will be most serious in the south in 2015 where the demand will increase the most but with no additional sources. A total of 2,900MW was added to the national grid last year, of which plants in the south contributed only 650MW. Vietnam imported about 1,000MW or 5 billion kWh from China, accounting for 3-4% of domestic power production. Meanwhile, the country planned to import more electricity through its investment in several power plants in Laos and Cambodia, but they were reportedly behind schedule. Besides the difficulties in bringing new power sources on line, installation of power lines and transformer stations for the electricity grid has been held up by bottlenecks in finance and difficulties in land acquisition and compensation for residents. The existing 500-220kV and 110kV line in HCM City is already seriously overloaded, yet demand was expected to increase at 12.9% a year. The city planned to build and upgrade grids until 2015 with an estimated investment of VND21 trillion (US\$1.2 billion). Hydropower now accounts for 35% of supply, thermal electricity for 23% and gas plants for 31%. *Despite the current economic difficulty, it is still expected that Vietnam will be one of the fastest growing economies in the region over the next 5-10 years. This plus stronger demand from households (total population is about 90mn) should support electricity demand growth, estimated at about 11% per annum during 2010-20. Part of this demand growth will benefit Lao PDR as a potential net exporter. EdL-Gen (fair value of LAK 10,227) will remain the prime beneficiary as the owner and operator of a growing portfolio of power generation assets, both wholly-owned and under development, as well as from investment in future IPP/SPP projects. Bright power demand prospects will support its business plan to increase generation assets and equity MW from 381 MW in 2011 to 2,224 MW by 2020, or 22% CAGR.*