

The Market

Indochina index faced with banking system uncertainty

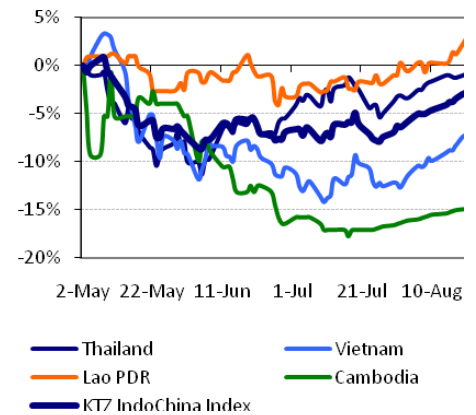
The VN index plunged sharply by 17.41 points or 4.24% to 392.82 points after investors continued to sell Bank shares on concerns over the banking system. A total of 38.82 million shares worth 679.53 billion dong were traded, or USD 32.59 million. Prices of 13 stocks went up, 256 stocks plunged while 40 stocks remained unchanged. Furthermore, MBB, DRC, GAS, VSH and DPM were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index remained steady at 1,056.10 points on trading volume of 143,792 shares worth 907.75 billion kip (USD 88,525). The two listed companies, BCEL and EDL-Gen, remained stable at 7,800 kip (USD 0.98) and 4,900 kip (USD 0.61), respectively. The Cambodian CSX index fell by 5.37 points or 0.77% to 693.55 points on trading volume of 17,616 shares worth KHR 113.62 million (USD 28,090), with the PPWSA dropping 50 KHR to 6,450 KHR (USD 1.60).

The News

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- **Myanmar** – Myanmar might open bank sector next year
- **Vietnam** – Vietnam's central bank makes rare public assurance that depositors' funds are safe

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	579.59	3.22	0.6%
Singapore	2,450.98	15.10	0.6%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,651.61	-0.64	-0.0%
Indonesia	4,162.66	2.15	0.1%
Philippines	5,202.84	50.69	1.0%
Vietnam	392.82	-17.41	-4.2%
Lao PDR	1,056.10	0.00	0.0%
Cambodia	693.55	-5.37	-0.8%

Per USD	Last	Chg	(%)
Baht	31.21	-0.01	-0.6%
Dong	20,920.00	75.00	0.4%
Kip	7,973.95	-9.60	-0.1%
Riel	4,048.15	-2.45	-0.1%
Kyat	870.01	-1.23	-0.1%

Per Baht	Last	Chg	(%)
Dong	664.05	-0.07	-0.0%
Kip	255.50	1.14	0.4%
Riel	664.05	-0.07	-0.0%
Kyat	27.88	0.12	0.4%

Source: Bloomberg

Cambodia – Japanese bank to sign cooperation deal with Cambodian bank

Sumitomo Mitsui Banking Corporation (SMBC), one of the leading banks in Japan, will sign a memorandum of understanding with Cambodia's leading Aceda Bank on Friday for business cooperation this weekend, according to a press release from Aceda on Thursday. Under the agreement, both banks will provide mutual support for their respective clients, in addition to their economic cooperation in such activities as loans, deposits, money transfer, cash management, and other trade finance services. Both banks will mutually exchange general information on their own country's economy, industry, financial products, banking and finance markets, foreign trade, systems and regulations on the banking and finance industry as well as clients' credit information. The Japanese bank opened a representative office in Cambodia in mid-February this year, after an absence of 45 years. *The agreement should help to improve investment and trade from Japan to Cambodia. Aceda is the biggest bank in Cambodia, while SMBC is one of two Japanese mega-banks that have officially opened a representative office in the country. The limited number of Japanese customers had led SMBC to decide not to open a branch in Cambodia.*

Myanmar – Myanmar might open bank sector next year

Myanmar's government is unlikely to let foreign banks set up full-fledged operations this year, the central bank's deputy governor said, but it is studying ways to allow them to expand their presence possibly as early as next year. Foreign banks are allowed only representative offices in Myanmar, where some 19 private local banks and three state-owned banks handle all banking services. Speaking in an interview in Yangon earlier this week, Deputy Gov. Maung Maung Win said the likelihood of changing that situation this year "is very, very low," in part because authorities are concerned about the impact on local financial institutions. "Our private banks cannot compete with the foreign banks in terms of capacity, and capital," he said. "We don't want to get some kind of negative impacts" by letting foreign banks rush in too quickly. Authorities are studying ways to let in foreign banks to help improve the country's rudimentary financial system, which has only a few ATMs, no corporate bond market and no long-term mortgage lending. "Possibilities include allowing international banks to form joint ventures with local banks or take equity stakes in them. We think the best one is joint ventures," Mr. Maung Maung Win said. *Myanmar's government has already enacted wide-ranging political and economic reforms over the past year. Work is continuing on a law to make the central bank more independent. Establishing the bank's independence is seen by many analysts as crucial to making the economy and financial sector more stable. Such a law is unlikely to be enacted during the current parliamentary session, but it's possible it could be passed in a subsequent session before the end of the year.*

Vietnam – Vietnam's central bank makes rare public assurance that depositors' funds are safe

Panicky Vietnamese are withdrawing money from a major bank founded by arrested tycoon Nguyen Duc Kien, state media reported, prompting the central bank to make a rare public assurance that their funds are safe. Monday's arrest of Nguyen Duc Kien sent shockwaves through the communist-run country, triggering a 9.2% slide in Vietnam's stock market this week and causing a run on deposits at Asia Commercial Bank (ACB), one of Vietnam's biggest lenders, which Kien helped found in 1994. The official Tuoi Tre newspaper said that depositors began withdrawing money on Tuesday when the arrest was made public. "But thanks to advance preparation we still ensured good repayment," ACB deputy chief executive officer Do Minh Toan was quoted by the newspaper as saying. The State Bank of Vietnam, the central bank, said it and the entire banking sector "will commit to standing ready to provide funding support to ACB to ensure it meets its obligations for repaying deposits". The central bank pumped 13 trillion dong (US\$624mil) in short-term funds into the banking system through open market transactions on Wednesday, more than double its injection of five trillion dong on Tuesday, its data showed.

Shares of ACB have lost nearly a fifth of their value this week. Yesterday they fell 6.7% to 21,000 dong. Economists were already worried about the fragility of Vietnam's banking system and some Vietnamese have quickly turned to the traditional safe haven of gold; bankers said demand has jumped from Monday, pushing up the retail price by about 5%.