

The Market

Indochina index rose on hope that bank risks are under control

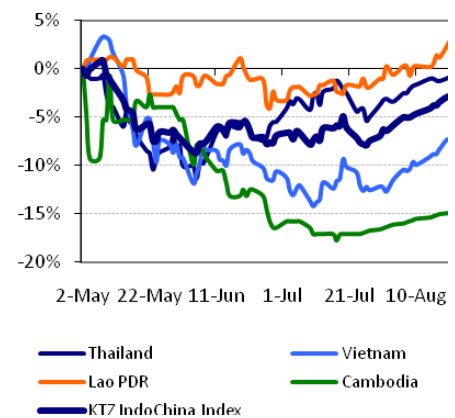
The VN index rebounded by 7.28 points or 1.89% to 393.06 points as investors felt more comfortable after the S&P indicated that bank risks would not spread. A total of 41.59 million shares worth 582.42 billion dong were traded, or USD 27.93 million. Prices of 206 stocks went up, 36 stocks plunged while 67 stocks remained unchanged. Furthermore, GAS, DPM, IJC, TDC and SBT were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index increased by 1.02 points or 0.10% to 1038.81 points on trading volume of 301,703 shares worth 2.1 billion kip (USD 263,000). BCEL climbed 50 kip to 7,850 kip (USD 0.98) but EDL-Gen was stable at 4,800 kip (USD 0.60). The Cambodian CSX index ascended by 5.37 points or 0.79% to 688.17 points on light trading volume of 1,627 shares worth KHR 10.41 million (USD 2,574), with the PPWSA jumping 50 KHR to 6,400 KHR (USD 1.58).

The News

- **Cambodia** – Top U.S. trade official heads to Southeast Asia for talks
- **Lao PDR** – Laos agrees with Thailand on proposal
- **Myanmar** – ADB urges Thailand to build cross-border route to Dawei
- **Thailand** – Thai exports fall 4.46% in July as global demand slips

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	569.62	-3.24	-0.6%
Singapore	2,428.01	0.81	0.0%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,645.58	-1.53	-0.1%
Indonesia	4,093.17	-49.68	-1.2%
Philippines	5,195.72	20.10	0.4%
Vietnam	393.06	7.28	1.9%
Lao PDR	1,038.81	1.02	0.1%
Cambodia	688.17	5.37	0.8%

Per USD	Last	Chg	(%)
Baht	31.34	0.00	0.1%
Dong	20,860.00	5.00	0.0%
Kip	7,994.95	-30.75	-0.4%
Riel	4,061.35	-16.20	-0.4%
Kyat	871.47	-3.46	-0.4%

Per Baht	Last	Chg	(%)
Dong	665.57	-1.36	-0.2%
Kip	255.09	-1.32	-0.5%
Riel	665.57	-1.36	-0.2%
Kyat	27.81	-0.15	-0.5%

Source: Bloomberg

Cambodia – Top U.S. trade official heads to Southeast Asia for talks

U.S. Trade Representative Ron Kirk will discuss how the United States can deepen trade ties with fast-growing nations in Southeast Asia in talks this week in Cambodia. Kirk will join trade ministers from the 10-nation Association of Southeast Asian (ASEAN) at their annual meeting on Thursday and take part in the inaugural ASEAN-U.S. Business Summit focusing on innovation and the digital economy. His trip is also likely to include a stopover in Vietnam. The United States is negotiating a regional free trade agreement, known as the Trans-Pacific Partnership (TPP), with 10 other countries in the Asia-Pacific region, including four from ASEAN: Malaysia, Singapore, Brunei and Vietnam. However, it lacks a robust vehicle to engage ASEAN as a region, unlike China, Japan and South Korea which are negotiating the so-called ASEAN+3 pact. Kirk should use the meeting to discuss ways to reinvigorate a forum known as the U.S.-ASEAN Trade and Investment, which has been "moribund" for years. The United States sees the TPP as a path to a long-envisioned Free Trade Area of the Asia Pacific, including all 21 members of the Asia Pacific Economic Cooperation (APEC) group. Indonesia, Thailand and the Philippines are closely following the TPP negotiations, which could wrap up some time in 2013. *The visit sends an important signal that President Barack Obama's administration is following through on promises to increase economic engagement with the region. The 10 nations of ASEAN represent the fourth-largest trading partner of the United States. Meanwhile, trading between ASEAN countries with the US still shares only about 10-15% of total trade.*

Lao PDR – Laos agrees with Thailand on proposal

Asean is organizing cooperation throughout the region in an attempt to prop up rice prices and strengthen member states' bargaining power in the global trading system. Laos is the latest rice producer to agree to join the cooperative, along with Thailand, Cambodia, Myanmar and Vietnam. In bilateral talks during the Asean Economic Ministers' Meeting (AEM) being held in Siem Riep, Cambodia, Thai Commerce Minister Boonsong Teriyaphirom yesterday proposed this idea to Nam Viyaketh, industry and commerce minister of Laos. The cooperative plan, which is in the draft phase, will be announced during the Asean Summit in Phnom Penh in November. According to the plan, Thailand will support the Laotian rice industry by helping the country develop its farms, harvesting techniques and milling. *It is believed that successful cooperation will strengthen the Asean region's competitiveness in the rice market as well as help stabilizing the export market price.*

Myanmar – ADB urges Thailand to build cross-border route to Dawei

The Asian Development Bank has advised the Thai government to invest in transport and infrastructure development in Myanmar to make international investors and financiers feel more comfortable about taking part in the massive Dawei project. Craig Steffensen, the ADB's Thailand country director, yesterday said in addition to the motorway planned between Nonthaburi's Bang Yai district and Kanchanaburi province, the Thai government should look at running a road or railway across the border to improve access to Dawei. He was speaking at the Thailand Focus 2012 forum being held in Bangkok yesterday. The ADB has provided technical assistance for the public-private partnership overseeing the Bang Yai-Kanchanaburi route, the 45.9-billion-baht, 98-kilometre motorway project. Another 70-km section leading to the Phu Namron border checkpoint is now under a feasibility study, while design work has been completed on the final 160-km route from Phu Namron to Dawei. The main problem regarding Dawei is it needs a massive injection of US\$8 billion for Phase 1 development and \$50 billion for the entire project, though these funds are still unaccounted for, said Mr Steffensen. While the ADB has been in discussions with Italian-Thai Development Plc, the Dawei project's developer, the Thai contractor has not made an official request for any loans from the bank.

Thailand – Thai exports fall 4.46% in July as global demand slips

Thailand's exports fell 4.46% in July from a year before as the eurozone debt crisis weakened demand just as factory output was returning to normal after the worst floods in 50 years that struck in October 2011. "Factors including the euro crisis and a slowdown in demand for rubber, electronics, plastics and chemicals were behind the drop in exports, but the outlook was still positive. Export figures in Q3 will likely rise to between US\$19 billion and US\$20 billion," said Deputy Commerce Minister Poom Sarapol. Last week the Commerce Ministry revised its export growth figure for the year to 9% from 15% earlier. But the central bank governor told reporters on Wednesday that exports could grow less than the bank's forecast of 7% this year, given the signs of a global economic slowdown. A further loosening of monetary policy might be needed if the global economy slips into recession. Exports to China fell 7.5% in July from a year earlier while exports to the EU dropped 21.4% in July from 2011. In the first seven months of the year, total exports were down 0.40% from the same period in 2011. Imports rose 13.73% in July from a year earlier, still reflecting restocking and re-equipping of factories after last year's floods, leading to another big trade deficit. *Although full-year export growth could have some downside from KTZ's forecast of about 7%, this may have a limited impact on the overall GDP growth projection at 5.4% due to still solid domestic consumption and investment.*