

The Market

Indochina index closed mixed with unclear direction

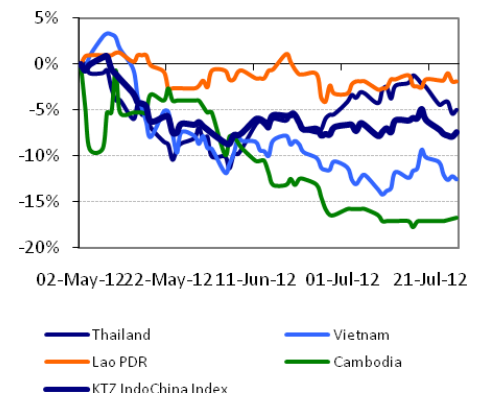
The VN index tumbled against Asian stock markets even as the ECB president said it will do everything possible to protect the euro and prevent the collapse of the Eurozone. Meanwhile, some listed companies posted worse-than-expected earnings. The VN index dropped 1.64 points, or 0.4%, to 413.16 points on trading volume of 38.34 million shares worth 620.18 billion dong, or USD 29.74 million. Prices of 78 stocks went up, 150 stocks plunged while 54 stocks remained unchanged. Furthermore, MBB, HAG, DPM, HBC and OGC were the top five stocks in terms of foreign investor buying, respectively.

For Lao PDR, the LSX Index finished flat at 1,003.33 points with a total of 49,578 shares worth 245 million kip (USD 31,000). The two listed companies remained stable at 7,000 kip (USD 0.87) for BCEL and 4,700 kip (USD 0.59) for EDL-Gen. The Cambodian CSX index ended up 21.50 points or 3.03% to 731.18 points on trading volume of 63,110 shares worth KHR 428.72 million (USD 104,311), with the PPWSA climbing up KHR 200 to KHR 6,800 KHR(USD 1.65).

The News

- **Lao PDR** – Laos inches closer to expected WTO membership in November
- **Lao PDR** – World Bank extends support to improve roads for Lao PDR
- **Vietnam** – Vietnam plans to expand Arabica area, double output by 2020
- **Vietnam** – Banking woes are burdening Vietnam

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	562.18	5.59	1.0%
Singapore	2,402.25	0.32	0.0%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,624.94	1.03	0.1%
Indonesia	4,084.21	79.44	2.0%
Philippines	5,219.55	66.99	1.3%
Vietnam	413.16	-1.64	-0.4%
Lao PDR	1,003.33	0.00	0.0%
Cambodia	731.18	21.50	3.0%

Per USD	Last	Chg	(%)
Baht	31.52	-0.00	-0.3%
Dong	20,880.00	0.00	0.0%
Kip	8,014.50	-6.00	-0.1%
Riel	4,093.50	-16.75	-0.4%
Kyat	868.99	-1.66	-0.2%

Per Baht	Last	Chg	(%)
Dong	661.78	1.36	0.2%
Kip	254.17	0.51	0.2%
Riel	661.78	1.36	0.2%
Kyat	27.56	0.02	0.1%

Source: Bloomberg

Laos PDR – Laos inches closer to expected WTO membership in November

The Lao government has approved preparations to ascend to membership in the World Trade Organization (WTO), local media reported Thursday. According to the state run newspaper Vientiane Times, the application is expected to be confirmed before the Asia-Europe Meeting (ASEM) which is scheduled to be held here in November. Laos' process to join the WTO, which began in 1997, is now in its final stages of negotiation. To join the WTO, prospective members are required to create agreements with other members via a working party through a process of negotiations. Should Laos join, it is expected to benefit economically from lowered trade tariffs around the world, an important development for one of the poorest nations in Southeast Asia. In order to gain final approval, the completed process will have to be submitted to the WTO General Council. If a two-thirds majority of WTO members vote in favor, then Laos can accede to the organization. *The WTO currently has about 153 country members and covers 90 percent of world trade. Becoming a WTO member will mean that Laos can enjoy the same benefits as other member countries in exporting and importing goods. Joining the WTO will help to improve the business environment in Laos and hence promote trade and investment.*

Laos PDR – World Bank extends support to improve roads for Lao PDR

The World Bank Board approved US\$21 million in additional grant financing for the Lao Road Sector Project. The grant builds on the excellent progress of the original grant of US\$27.8 million, which was approved in 2010. The newly approved financing augments the Bank's support for the program which aimed at improving road services on two main national corridors and the provincial road network. The Lao Road Sector Project also works on rehabilitation of the roads damaged by Typhoon Ketsana and the establishment of a contingency fund for quick disaster response in the road sector in Lao PDR. The Lao Road Sector Project is an important part of the Lao PDR Country Partnership Strategy (CPS), endorsed by the World Bank Board in March 2012, which aims to improve connectivity of the country by a robust program of road improvement and eventual expansion with new investments in provincial infrastructure. *The World Bank support program should help strengthen Lao PDR's strategic plan as a land link under the GMS program (Greater Mekong Sub-region made up of Cambodia, the People's Republic of China, specifically Yunnan Province and the Guangxi Zhuang Autonomous Region, Lao PDR, Myanmar, Thailand, and Vietnam), which will potentially unlock and further enhance the potential development of the country.*

Vietnam – Vietnam plans to expand Arabica area, double output by 2020

Vietnam, already the world's biggest producer of Robusta coffee, 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, though industry officials said production could be even higher. The Arabica is normally sold for around double the price of Robusta. The Southeast Asian nation, the world's No.2 coffee producer after Brazil, will expand its northern and central Arabica area to 40,000 hectares (99,000 acres) over the next eight years, an Agriculture Ministry official said. Estimates on Vietnam's current Arabica area range from 32,000 to 38,000 hectares. The government said in a plan seen by Reuters that output of Arabica would rise to 96,000 tonnes by 2020, accounting for 9 percent of the country's total coffee output that year. It did not say how much would be invested in the expansion. Vietnam's Arabica output in the next 2012/2013 crop year is expected to rise 12 percent from the current season to between 55,000 and 57,000 tonnes, or 917,000-950,000 bags. *In Vietnam, half a million people earn a living by producing coffee on approximately 550,000 hectares. In the Central Highland provinces, coffee is by far the most important crop. Approximately 95% of the country's production consists of Robusta, and revenue from coffee exports contributes about three percent to the Gross Domestic Product (GDP). Its relative contribution to the economy of the major coffee producing provinces though is much higher, in some cases well above 50%.*

Vietnam – Banking woes are burdening Vietnam

Vietnam's Euromoney Country Risk score falls behind its ASEAN neighbors as confidence in the country has been shaken by weak economic growth. Down three places in ECR's global rankings since January, to 86, Vietnam continues to decouple itself from its Asean partners. And with a 2.2 point decline in its score, to 40.5, the point differential between Vietnam and the rest of the Asean-5 (Indonesia, Malaysia, the Philippines and Thailand) has widened to 12 from 10.4 in January and 7 back in September 2010. Vietnam's score of 52 in September 2010 was above the southeast Asia average, but it has since fallen 4.7 points below it. Confidence in Vietnam has been rocked in part by weak growth, dampened by declining construction. Real GDP increased by 4.4% year on year during the first six months of this year, according to the General Statistics Office, suggesting that the Asian Development Bank's forecast of 5.7% for 2012 as a whole is now looking optimistic, even though economic activity did pick up a little between Q1 and Q2. And there is concern about the impact of state-owned enterprise debt for the Vietnamese economy and banking system. Vietnam's bank stability risk is now the highest among east and Southeast Asia's emerging markets, as confidence in Cambodia's banking stability (previously the lowest-ranking) has improved. *Moody's Investor Services have downgraded Vietnam's credit rating since January, arguing that bank stability continues to be a key concern while the compliance of the financial reporting system with international accounting standards remains in doubt. The government's tightening monetary policy in order to stabilize inflation and FX reserves also may lead to asset quality deterioration.*