

Vietnam

Some banks facing liquidity issues The National Financial Supervisory Committee (NFSC) has reported that; 1) some banks continue to offer deposit rates above the 12%-13% cap set by the government, as they struggle to maintain sufficient liquidity and 2) there has been a significant drop in interbank market transactions.

View: Negative banking news flow continues Negative news flow on the banks continue, with system wide NPLs soaring from below 5% last year to estimates above 10%, while there have been arrests of key banking executives over the last few months. Until there is more clarity on the true extent of bad loans in the system, we expect sentiment on the sector to remain negative.

Cambodia

ADB cuts GDP forecast Asian Development Bank (ADB) has cut their real GDP forecast for Cambodia for 2012 to 6.4% from 6.5% previously, in contrast to the IMF which has just this week announced an increase of its forecast to 6.5%-7.0% from 6.2%.

View: Contrasting policy bank views As we noted yesterday in our comment on the IMF forecast, we view the declining growth rate in garment exports to just 9% over 9M/12 as a concern, given 30%+ growth rates over for 2011. ADB also cites this a key concern in reducing their forecast, with the bank expecting that general economic malaise will continue in the US and EU, Cambodia's two key markets for garment exports.

Laos

Laos airlines expands China and Korea routes Laos' national airline, Laos Airlines, will offer new routes to South Korea (both Seoul and Busan) by November 2012 and China (to Guangzhou) by December 2012, in response to growing demand for Laos-bound flights from these destinations.

View: China, South Korea are major source of FDI, tourists China and South Korea are a major source of both FDI and tourist arrivals for Laos (and the Korean Stock exchange also established the LSX), so we expect that there is a high probability that these new routes will prove lucrative for Laos Airlines.

Myanmar

Myanmar developing tourism master plan Myanmar is developing a tourism master plan to develop infrastructure in the sector with ADB and Norwegian government financial support.

View: Significant reversal of tourism policy This move is a sharp turn around for the Myanmar tourism industry which has seen limited development given the country's relative isolation over the last twenty years; arrivals were just 0.8mn in 2011. This contrasts with the tourist investment boom of the last two decades in Thailand (with 21m arrivals expected for 2012) and soaring arrivals in other Indochina frontier markets; Cambodia and Laos both expect over 3mn arrivals this year.

Index	Value	% chg
Thailand	1,306.6	-0.07
Vietnam	384.5	-0.22
Laos	1,049.0	0.00
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.2	2.2
Vietnam	10.2	1.4
Laos	5.5	0.7
Cambodia	18.6	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.6	-0.26
Dong (VND)	20,883	-0.03
Kip (LAK)	7,989	-0.28
Riel (KHR)	4,019	-0.98
Kyat (MMK)	856	-0.42

Source: Bloomberg

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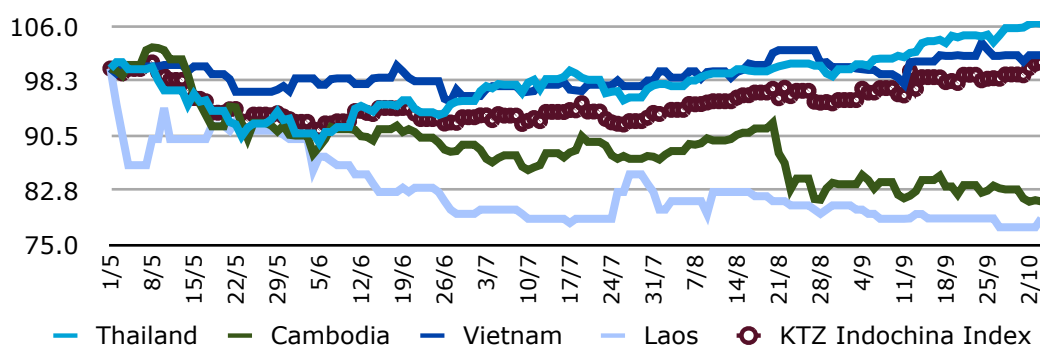
Indochina Markets

Vietnam down 0.2%: The HCM index fell 0.2% to 384.5, with nearly all sectors declining, and basic materials seeing the largest decline, down 1.0%.

Laos flat for third session The LSX was flat for a third session, with BCEL holding at LAK7,450 and EDL at LAK4,900.

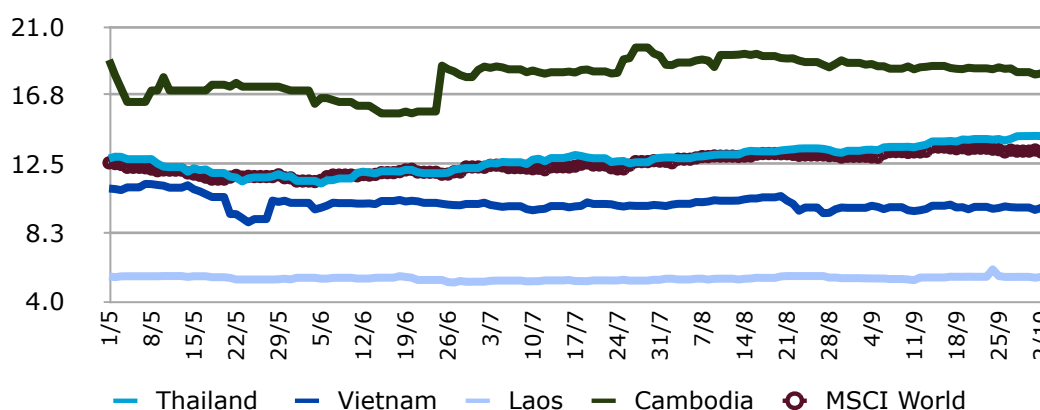
Cambodia flat: The CSX held flat at 677.4, with the single listed stock PPWSA holding at KHR6,300 for two sessions on historically high volume of 43,114.

Figure 1: Indochina markets relative index performance



Source: Bloomberg

Figure 2: Indochina markets price to earnings ratio



Source: Bloomberg

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