

Vietnam

Interest rate cut recommended The National Financial Advisory Committee in their November report has recommended that the government lower the prime lending rate to 8% from 9%.

View: Risk of inflation declining Prime interest rates have declined from 17% in 2011, when the government had to rapidly increase rates following a surge in inflation that which peaked in August 2011 at 23%. Inflation has declined consistently since and stood at 5.0% as of August 2012. Continued sluggish economic growth this year continues to dampen inflation expectations and may give the government some room to move in terms of interest rate reduction.

Cambodia

Electricity shortage warning State-owned power firm Electricite Du Cambodge announced that from December 2012 to June 2013 it may have difficulty meeting demand, with two major hydropower dams, Kamchay and Kirirom, expected to be undersupplied with water as the country enters the dry season. Blackouts are expected for the provinces receiving electricity supply from these dams; Phnom Penh, Kandal and Kampong Speu.

View: Improvements in progress, but not online until 2016 Cambodia has major hydropower projects and a major expansion of the electricity grid underway. However, these projects will not be complete until at least 2016 on the current timeline.

Laos

ABD financing of US\$83mn The government has signed agreements with the ADB for US\$83mn in loans and grants, with US\$41mn for development of towns along a Thailand-Vietnam highway, and US\$37mn for flood and drought risk management.

View: Previously announced projects These projects had previously been announced. Loans and grants like these are crucial to development in Laos, with foreign financing accounting for 100% of the government budget deficit. The US\$83mn would have represented about 34% of Laos' total US\$244mn in 2011 combined project loans, grants, and foreign project financing.

Myanmar

Siam Cement to build plant in Myanmar Thailand's Siam Cement Group (SCG) plans to start construction on a cement plant in Tenasserim province in Southern Myanmar by 2013. SCG also plans to open retail four retail outlets, including locations in Yangon, Mandalay and Naypyitaw. SCG is already a major exporter of cement to Myanmar.

View: Room for large capacity expansion Myanmar still has room for considerable expansion of cement capacity, given an estimated demand of between 4.5mn-6.0mn tonnes (estimates vary widely between sources) versus domestic production capacity of just 2.0mn-3.5mn tonnes, from 15 cement factories.

Index	Value	% chg
Thailand	1,330.1	-0.21
Vietnam	385.7	0.94
Laos	1,196.4	0.00
Cambodia	666.7	0.81

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.8	2.3
Vietnam	9.8	1.7
Laos	6.6	0.8
Cambodia	18.4	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	-0.03
Dong (VND)	20,845	-0.02
Kip (LAK)	7,992	-0.14
Riel (KHR)	3,995	0.00
Kyat (MMK)	851	0.09

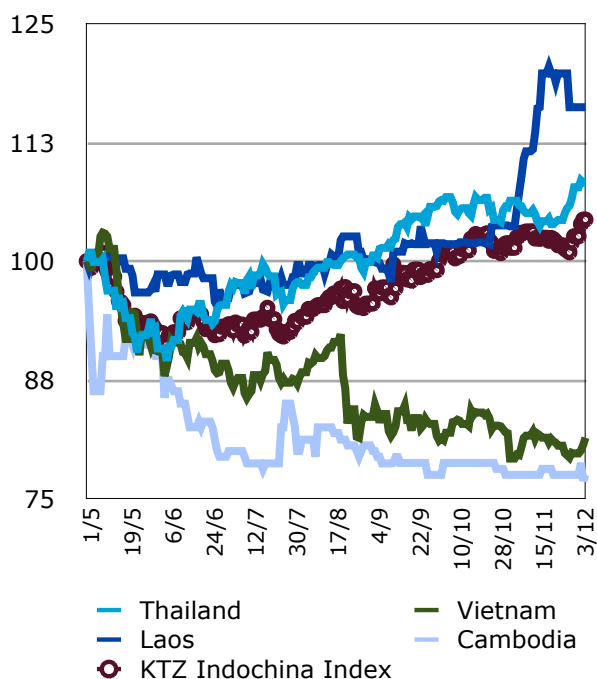
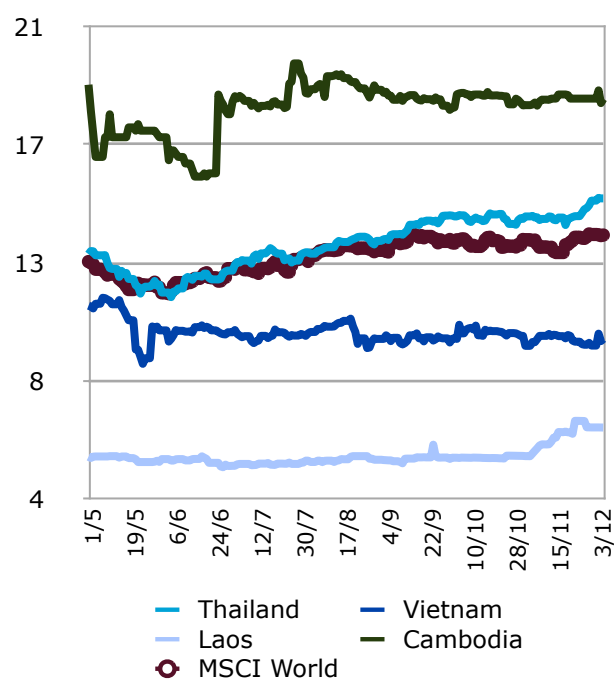
Source: Bloomberg

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Figure 1: Indochina Markets

	Index/ Price*	% chg	Volume('000)	YTD avg daily volume ('000)	Value (US\$ '000)	YTD avg daily value (US\$ '000)
Vietnam (HCI)	386	0.9%	35,452	47,139	17,961	32,013
Vietnam (HNI)	52	1.2%	38,251	44,586	10,173	18,698
Laos (LSX)	1,196	0.0%	8	103	7	69
BCEL*	7,500	0.0%	7	23	6	21
EDL*	5,700	0.0%	1	79	1	48
Cambodia (CSX)	667	0.8%	14	46	21	88
PPWSA*	6,200	0.8%	14	46	21	88

Source: Bloomberg *Laos- LAK, Cambodia - KHR

Figure 2: Relative performance*

Figure 3: Market price to earnings ratio


Source: Bloomberg, KT Zmico estimates, * from May 1, 2012

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