

Vietnam

New project investment down 37% yoy Foreign direct investment was US\$10.5bn for 10M/12, with new project investment worth US\$6.8bn, down 37% yoy, while capital in existing projects rose 12% yoy to US\$3.8bn.

View: Cyclical decline in foreign investment Foreign investors remain concerned about Vietnam's short term to medium term macroeconomic issues, especially current weakness in the banking system. However, we believe that long term the country's improving infrastructure, low labour costs and sustainable advantage in agriculture will continue to attract strong foreign direct investment.

Cambodia

MFI sees loans rise 25%, deposits 96%, for 9M/12 The Cambodia Microfinance (MFI) Association reported that 9M/12 MFI loans rose 25% from end-2011 to US\$645mn while deposits increased 96% to US\$225mn. Non-performing loans in the sector ticked up to 0.3% as of end 9M/12, up from 0.2% in December 2011, but remain very low.

View: Indicator of growth in rural areas Microfinance is a main funnel for distribution of capital in rural areas, and the rapid loan growth suggests that development outside of the major cities continues to strengthen. MFI loan growth rates have only been moderately below the 30%+ banking loan growth over 9M/12.

Laos

ItalThai-Lao Machine to expand in southern provinces ItalThai-Lao Machine, the supplier of Volvo heavy equipment in Laos (including excavators, wheel loaders and compactors) announced that it will expand its operation in the south of the country. The company has operated in Laos since mid 2011 and has operations in Vientiane, Sayboury and Hongsa provinces.

View: Growing demand for heavy equipment Heavy equipment demand is rising in Laos with the agriculture, mining, energy and manufacturing industries in Laos all going through major early growth phases.

Myanmar

Thailand, Myanmar meet on Daiwei Officials from Thailand and Myanmar met this week to confirm plans to proceed on the US \$50bn Daiwei special economic zone, with a target date of April 2013 set for the start of construction. US\$4bn in investment will be required for the first phase of the project.

View: Funding source yet to confirmed The feasibility of Daiwei had been in doubt in June this year, when 25% shareholder Max Myanmar pulled out. However, since that time given that the governments of both countries have intervened to push the project forward, and we expect that government funding for Daiwei, especially from the Thai side, is a possibility.

Index	Value	% chg
Thailand	1,293.7	-0.46
Vietnam	385.6	1.23
Laos	1,140.5	1.72
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	9.9	1.7
Laos	5.9	0.8
Cambodia	18.3	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	0.10
Dong (VND)	20,840	-0.05
Kip (LAK)	8,034	0.46
Riel (KHR)	4,014	-0.83
Kyat (MMK)	853	0.37

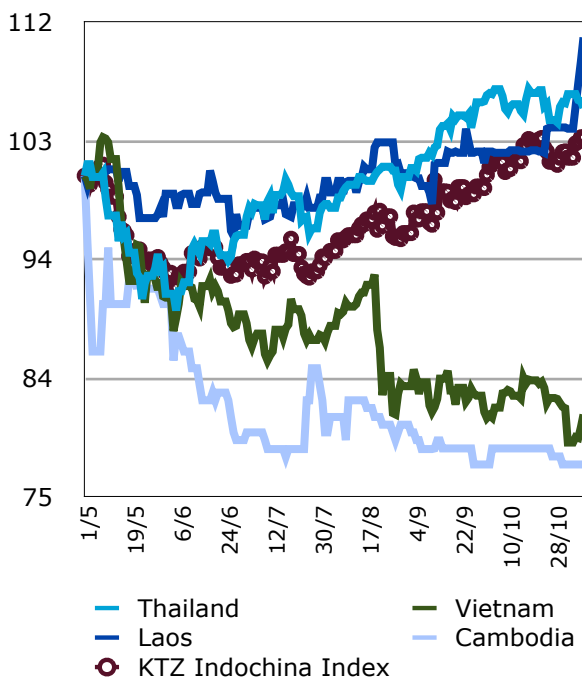
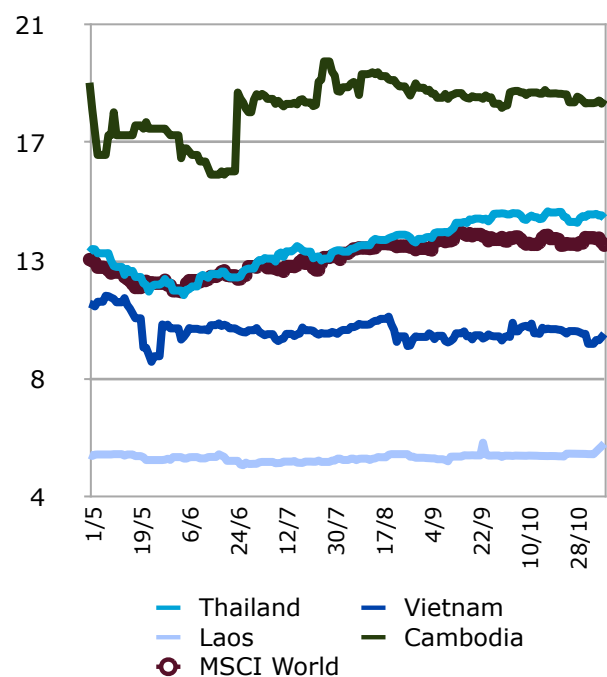
Source: Bloomberg

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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	1.2%	20,668	49,473	14,022	33,779
Vietnam (HNI)	51	-1.0%	21,170	46,725	5,785	19,840
Laos (LSX)	1,141	1.7%	84	107	58	71
BCEL*	7,450	0.7%	6	25	6	22
EDL*	5,400	1.9%	77	82	52	49
Cambodia (CSX)	667	0.0%	14	50	21	96
PPWSA*	6,200	0.0%	14	50	21	96

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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