

Vietnam

SBV reports 18% m-o-m decrease in bad debt The State Bank of Vietnam (SBV) has reported an 18%, or US\$1.7bn, m-o-m decrease in systemic bad debt in October 2012, to US\$9.6bn (or 8.6% of total outstanding debt), the result of debt restructuring.

View: Bad debt still at high levels Even with the reported progress m-o-m, debt levels are still at historically very high levels. Some of the gains are the result of the delay of payments, and we could see some of these reclassified loans relapse into non-performing loans (NPL) if the economy continues to stagnate. Even if NPL levels are currently peaking, bad debt issues will likely continue to attenuate economic progress into 2013.

Cambodia

MFONE sued for unpaid debts Norwegian electronic equipment supplier is suing wireless telecom MFONE (owned by Thailand's Thaicom) for US\$3.7mn, after it failed to pay for services. Two other telecom companies, Axiata and Latelz, are also considering suing MFONE for missed payments, while Phnom Penh Municipal Court has issued an injunction against the company.

View: MFONE had planned to exit the market MFONE had announced last year a plan to exit the Cambodian wireless market, where eight major operators engaging in price wars have slashed profitability for the industry. MFONE's profits declined by half yoy for H1/12, making it increasingly difficult to service its debt.

Laos

Laos to submit SSEZ law to National Assembly by year end The Laos government expects to submit a law on special and specific economic (SSEZ) to the National Assembly by the end of 2012. There are currently 10 special and specific economic zones in Laos, with half based near the capital city Vientiane.

View: SSEZs should encourage foreign investment The SSEZ's offer tax exemptions and reductions for foreign manufacturers, and coupled with Laos's 'least-developed-country' status, which allows duty-free exports to many developed nations, we expect to see more firms consider basing operations in Laos.

Myanmar

Myanmar Airlines adds to fleet Myanmar Airways International (MAI) has added a leased Airbus320-200 to its fleet, bringing its total aircraft to six.

View: Air travel demand rising Demand for air travel in Myanmar has risen considerably, and many international carriers have initiated new routes to the country. Although there are seven airlines in Myanmar, MAI is the main international carrier (the other airlines are mainly domestic focussed, although some fly to Thailand), and should be well positioned to benefit from growing demand. The airline is 80% owned by domestic private bank Kanbawza and 20% owned by the Myanmar government.

Index	Value	% chg
Thailand	1,298.9	0.34
Vietnam	388.4	-0.37
Laos	1,068.3	0.00
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	9.9	1.6
Laos	5.5	0.8
Cambodia	18.3	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	-0.07
Dong (VND)	20,850	0.02
Kip (LAK)	7,993	-0.09
Riel (KHR)	4,024	-0.30
Kyat (MMK)	850	-0.09

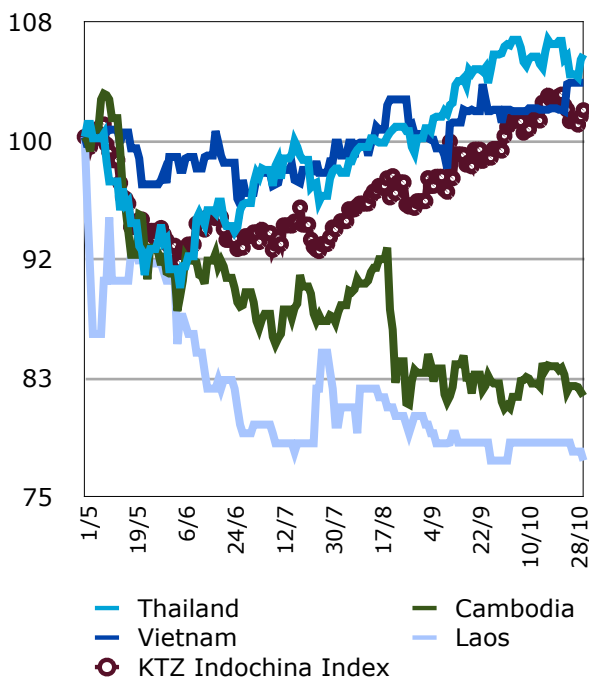
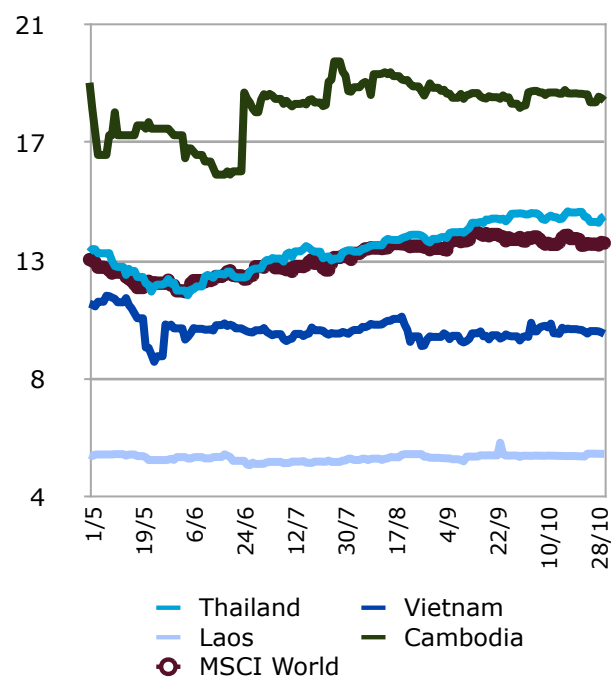
Source: Bloomberg

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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)	388	-0.4%	19,926	49,907	12,676	34,178
Vietnam (HNI)	53	-0.2%	20,943	47,126	6,120	20,127
Laos (LSX)	1,068	0.0%	52	109	36	72
BCEL*	7,500	0.0%	12	25	11	22
EDL*	5,000	0.0%	40	84	25	50
Cambodia (CSX)	667	0.0%	16	52	24	100
PPWSA*	6,200	0.0%	16	52	24	100

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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