

 Vietnam

Farmers face sugar surplus as illegal imports hurt mills Both sugar farmers and mills are facing a difficult 2012-2013 season. Sugar mills have seen competition from cheap illegal imports, leading them to demand less raw sugar input from farmers.

View: Illegally imported sugar issues likely to continue Illegally imported sugar to Vietnam can have a material effect on the market, as it is estimated at 400k tonnes, or nearly a third of the 1,500k tonnes of domestic production from the 2012-2013 sugarcane crop. Even if the government were to soon mount a strong campaign to reduce illegal imports, it is unlikely to correct the problem this season for sugar farmers and millers.

 Cambodia

PPWSA reports H1/12 results Cambodia's single listed stock, Phnom Penh Water Supply Authority (PPWSA), reported mixed H1/12 results. The company saw 9% revenue growth yoy to US \$15.6mn but costs rose 17% yoy, leading to a 6% decline in operating profit to US\$4.5mn. Net income still rose 50% yoy on exceptional items, as the company enjoyed a US\$0.7mn forex gain over H1/12, versus a forex loss of US\$1.2mn over H1/11.

View: No price reaction in the market The stock continued to hold flat following the results, and has remained at KHR6,300, its IPO price, for nearly three weeks. PPWSA trades at a moderate premium to regional water peers.

 Laos

Vietnam investment increasing yoy In a recent meeting of a Laos-Vietnam trade organization, it was announced that Vietnamese investment in Laos has increased significantly yoy, but exact figures were not released.

View: Vietnam second largest investor after Thailand We believe that Vietnam will become an increasingly important investor in Laos. It is already the second largest single national investor in Laos after Thailand, and has seen a rising share of FDI flows, from 3.0% over 2003-2007, to 7.6% from 2008-2011, and had its highest year ever in 2011, at 11.2% of total FDI.

 Myanmar

NTT opens office in Yangon Japanese headquartered NTT, one of the world's leading multinational ICT firms, has opened a branch office in Yangon to service local telecoms operations.

View: Expect growing Japanese corporate presence Japanese firms have rushed into Myanmar in the last few months, following Japan's waiver of US\$3.7bn of a total US\$6.4bn held of Myanmar debt. Japan was a less than a percent of the total approved project investment over the period from March 2003-March 2010, with Thailand and China combined representing 88.1% of the total, but we expect that Japan will factor much more prominently in these figures from 2012 forward.

Index	Value	% chg
Thailand	1,301.3	1.07
Vietnam	397	-0.55
Laos	1,049.0	0.00
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.2	2.2
Vietnam	10.0	1.4
Laos	5.5	0.8
Cambodia	18.7	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.6	-0.20
Dong (VND)	20,850	0.00
Kip (LAK)	7,954	-0.80
Riel (KHR)	4,005	-0.72
Kyat (MMK)	848	-0.71

Source: Bloomberg

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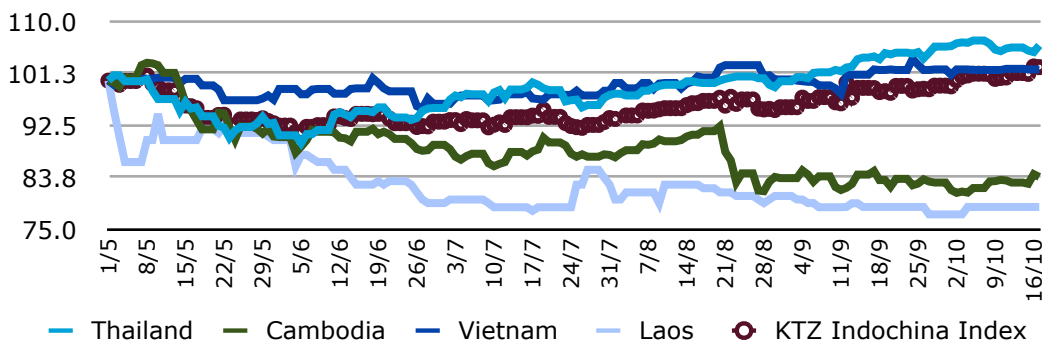
Indochina Markets

Vietnam down 0.6%: Vietnam declined 0.6% yesterday, with the index closing at 397.0, with some profit taking after a 2% jump in the previous session.

Laos flat: The LSX held flat at 1,049.0 with BCEL at LAK7,450 and EDL-Gen remaining at LAK4,900 (nearing its third full week holding at this price.)

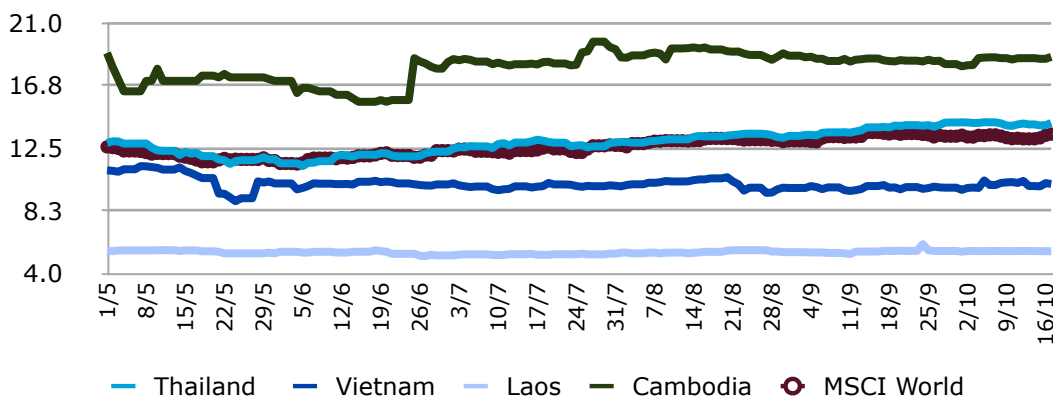
CSX closed: The CSX was not open for trading yesterday, as the country continues to mourn the passing of former leader King Sihanouk.

Figure 2: Indochina markets relative index performance



Source: Bloomberg

Figure 3: Indochina markets price to earnings ratio



Source: Bloomberg

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