

Vietnam

EU becomes Vietnam's largest export market The European Union surpassed the US in 2012 to become Vietnam's largest export market, worth US\$20.3bn, up 13.5% yoy, comprising mainly; telephones (US\$5.3bn), garments and footwear (US\$4.0bn), computers (US\$1.6bn), coffee (US\$1.3bn) and seafood (US\$1.3bn).

View: Risks in key export markets Vietnam faces risks of slowing key export markets heading into 2013; 1) the EU and the US (combined comprising 30% of exports), are already seeing slow growth, while 2) growth in ASEAN and North Asia (40% of exports) is faring better, but still faces downside risk.

Cambodia

Cambodian inflation averages 3% in 2012 Cambodia inflation averaged 3.0% for 2012, down from 4.9% in 2011, and has generally followed a declining trend following a bout of 20%+ inflation in 2008.

View: Inflation likely to remain low in early 2013 We expect that inflation will remain low in early 2013 as global deflationary pressures continue to offset historically unprecedented money printing by the world's major economies. However, the risk of high inflation longer-term continues to grow. Food inflation, the largest risk for Cambodia (as it comprises the largest proportion of CPI) has remained relatively low over the last two years.

Laos

China a large source of FDI, trade in 2012 Chinese investment in Laos reached nearly US\$4bn in 2012, with major projects in the power and real estate sector, while China-Laos bilateral trade was US\$1.5bn, up 34% yoy, with Laos importing US\$838mn from China, up 108%, and exporting US\$728mn to China, down 5%.

View: China third largest trading partner We expect that China will continue to be Laos's third largest trading partner after Thailand and Vietnam in 2013, while the country has been a relatively new, but increasingly important, source of large levels of FDI since 2011.

Myanmar

Official and black market exchange rate converge The official and black market exchange rates in Myanmar have nearly converged in late January, with the Central Bank's US\$ rate at Kyat 858 versus Kyat 855 in the black market, a 1% difference.

View: Managed float since early 2012 This is a major improvement on a previously opaque exchange rate regime with a massive gap between the official and black market rates. The disparity was largely corrected in April 2012 when the country began a managed float in April 2012, which saw the Kyat plummet from an official rate of US\$1:Kyat 6 to US\$1:Kyat800, but the post-float gap has continued to narrow since.

Index	Value	% chg
Thailand	1,434.1	-0.44
Vietnam	442.9	-1.10
Laos	1,428.4	-1.26
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	13.3	2.2
Vietnam	10.1	1.7
Laos	8.0	1.5
Cambodia	18.4	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	29.7	-0.03
Dong (VND)	20,845	-0.02
Kip (LAK)	7,972	-0.25
Riel (KHR)	3,995	0.00
Kyat (MMK)	858	-0.22

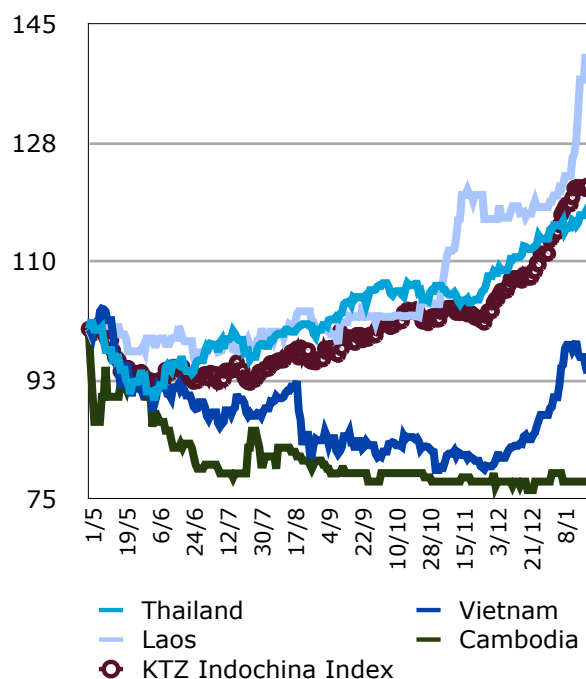
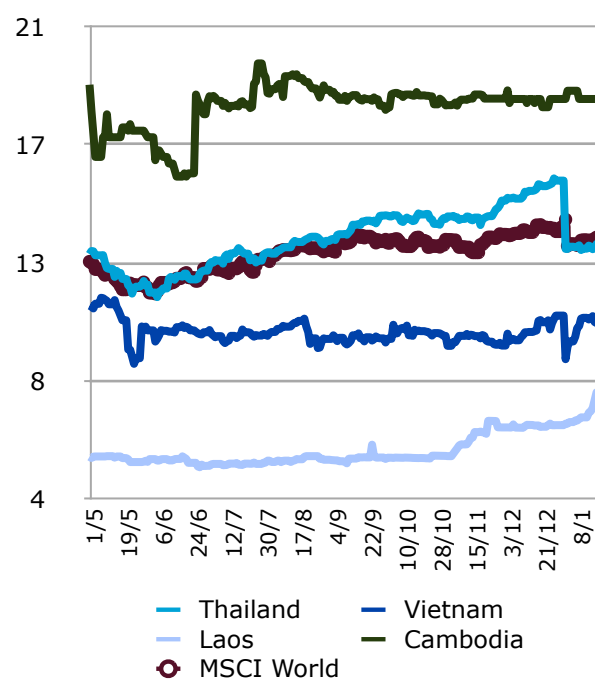
Source: Bloomberg

Graeme Cunningham, CFA
 KT ZMICO Indochina Research
 Head of Indochina Research
graemec@ktzmico.com
 66 (0) 2695 - 5942

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)	443	-1.1%	64,670	48,614	39,501	32,462
Vietnam (HNI)	60	-2.7%	77,242	47,448	25,547	19,079
Laos (LSX)	1,428	-1.3%	82	96	71	65
BCEL*	8,100	0.0%	0	21	0	19
EDL*	6,900	-1.4%	82	75	71	46
Cambodia (CSX)	667	0.0%	5	40	8	77
PPWSA*	6,200	0.0%	5	40	8	77

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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