

Vietnam

Vietnam inflation remains low Inflation in September for Vietnam's largest cities continues to remain relatively low at 4.9% yoy in Ho Chi Minh city and 6.6% in Hanoi.

View: Inflation likely to remain benign Inflation in Vietnam was above 20% at this time last year; it peaked at 23.0% in August 2011, and remained high at 22.4% and 21.6% in September and October of 2011, respectively. However, inflation has declined since to the currently manageable levels. We expect that a combination of; 1) moves by the central bank to rein in credit expansion, and 2) a general economic slowdown, are likely to continue, and have disinflationary effects.

Cambodia

Fish catch may decline with limited seasonal flooding The Ministry of Agriculture reports that Cambodia's fish catch this year may fall, as below average seasonal river flooding gives fish fewer areas to find food and fewer passages for migration. The fishing component is 8% Cambodia's GDP and 34% of total agricultural GDP (agriculture comprises 22% of total GDP).

View: Strong rice crop could offset fishing decline This lack of flooding is contrast to last year, where the problem in agriculture was non-seasonally severe flooding of the rice crop. However, this year's rice crop is reportedly strong so far and should help offset the decline in the fishing sector.

Laos

New Mekong dams announced Laos has two major hydropower projects planned for the Mekong river; 1) the US\$1.9bn, 1,300 MW Pak Beng dam, which is awaiting final government approval; and 2) the 410MW, US\$1.0bn, three dam Xe-Namoy plant.

View: Political risk in dam construction The key risk surrounding the dams is less that of sufficient demand (neighbors Vietnam, Thailand and China are expected to readily absorb Laos' production), and more of a political issue. This is because with the dams' blocking of the Mekong could potentially cause environmental issues downstream in Cambodia and Vietnam.

Myanmar

International credit card use approved The Myanmar government has officially approved use of international credit cards from Visa, Mastercard, ChinaUnion and the Japan Credit Bureau, although no start date for usage was released.

View: Should facilitate growth in several areas We expect that approval of credit cards combined with last month's launch of the first debit cards (previously cash was needed for all transactions), will benefit several sectors; 1) Tourism: Credit card use will encourage more visitors, 2) ATMs: We expect ATM availability will likely soar in the next several years, as we have seen in Cambodia/Laos, 3) Retail: Longer-term we expect to see retail outlets benefit from the use of point of sale systems.

Index	Value	% chg
Thailand	1,295.0	-1.18
Vietnam	395.5	-0.57
Laos	1,047.9	-0.10
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	10.0	1.6
Laos	5.5	0.8
Cambodia	18.5	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)	7,995	0.00
Riel (KHR)	4,038	0.02
Kyat (MMK)	852	0.15

Source: Bloomberg

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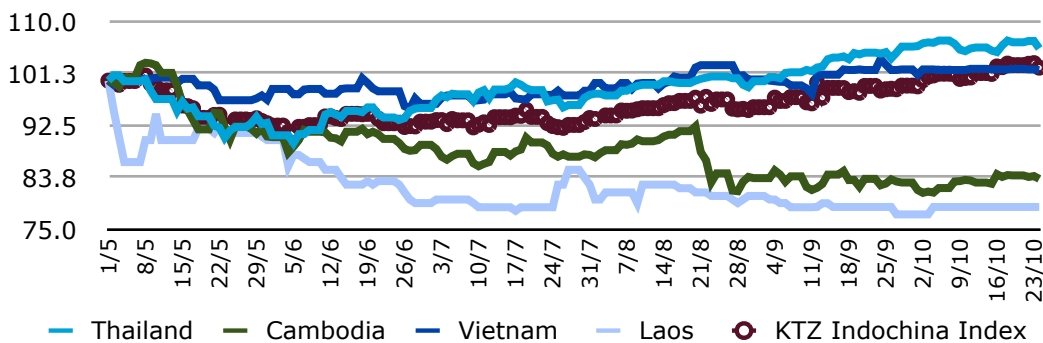
Indochina Markets

HCM down 0.6%: The HCM shrugged off low September inflation figures, falling 0.6% yesterday to 395.5, on mixed trading, with 80 stocks up, 124 falling, and 78 flat. Foreign investors continued to be net buyers.

Laos down 0.1%: The LSX fell 0.1% to 1,047.9, with BCEL down 0.7% to LAK7,400 and EDL-Gen nearing its fourth week flat at LAK4,900.

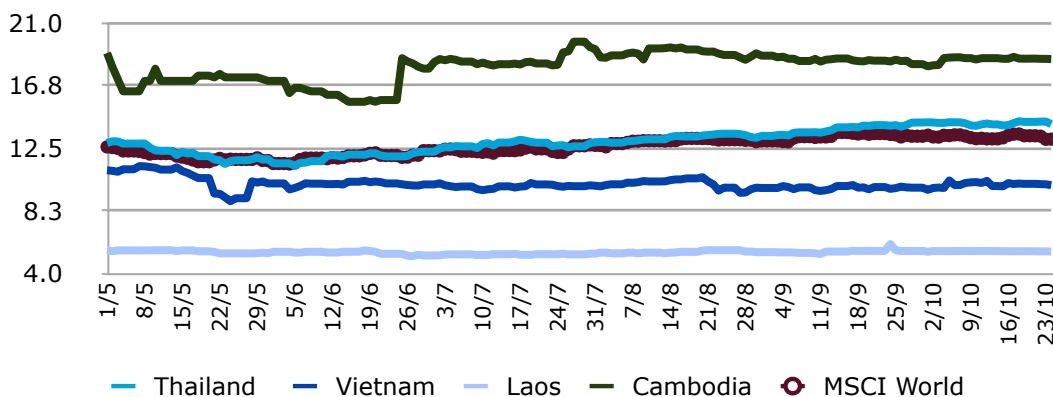
CSX flat: The CSX was flat at 677.4 with single listed stock PPWSA trading at its IPO price of KHR6,300.

Figure 2: Indochina markets relative index performance



Source: Bloomberg

Figure 3: Indochina markets price to earnings ratio



Source: Bloomberg

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