

Vietnam

Trade balance near zero for 9M/12 Vietnam posted a small trade surplus of US\$0.03bn for 9M/12, on exports of US\$83.79bn and imports of US\$83.76bn; and ran a small deficit in September of US\$0.20bn after three months of surplus.

View: Improved trade balance good short term The improved trade balance to virtually flat over 9M/12 is good news in the short run as the country will not run down foreign reserves covering import payments. It marks a significant decline in the trade deficit/GDP ratio to zero over 9M/12 from an average 8% of GDP from 2000-2011. However, this also means that less capital has been flowing in the country which could truncate longer-term growth.

Cambodia

Rubber prices bounce 4.2% last week The Cambodian Rubber Association reported that Cambodian rubber prices rose 4.2% last week to US\$2,500/tonne, after falling continuously for the last quarter from above US\$3,000 in June 2012.

View: Could be temporary respite from downtrend Although this is good short term news, the trend for rubber prices continues down. Using the the Bangkok FOB rubber price, rubber prices hit a most recent peak above US\$6,000/tonne in February 2011, and have declined by 50% since. Rubber is Cambodia's third largest export after garments and agricultural exports (if we include grey market rice exports to neighboring countries).

Laos

Fiscal deficit/GDP on track for 1.1% including grants The Laos government reported its financial position for fiscal 11M/12 11M/12; annualizing the figures suggest a FY12 revenue of US \$US2.08bn and US\$2.18bn in expenditures, for a deficit of US \$0.78bn, or 1.1% of fiscal 2012 GDP.

View: Deficit/GDP likely much higher without grants Although the 1.1% fiscal/deficit to GDP appears low, this figure includes a material amount of foreign grants. The grant figures for 11M/12 have not yet been released, but for comparison the deficit/GDP excluding grants has been between 5-8% in recent years.

Myanmar

Japan plans to offer Myanmar more debt assistance Japan plans to offer Myanmar a US\$900mn bridge loan to cover its current arrears to the World Bank and ADB.

View: Expect to see major Japanese corporate presence Japan is Myanmar's largest creditor, and this loan follows Japan's waiver of US\$3.7bn in debt in May 2012. We can reasonably expect that this debt assistance will be followed by a wave of Japanese corporates entering key industries which are expected to soon be opened to foreign investment. Last month, a group of Japanese firms already inked an agreement with the Myanmar government to develop a special economic zone near Yangon.

Index	Value	% chg
Thailand	1,287.4	0.24
Vietnam	391.8	0.36
Laos	1,057.1	-0.95
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	9.8	1.4
Laos	5.5	0.7
Cambodia	18.5	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.9	-0.03
Dong (VND)	20,870	0.00
Kip (LAK)	7,990	-0.44
Riel (KHR)	4,043	-0.67
Kyat (MMK)	861	-0.43

Source: Bloomberg

Graeme Cunningham

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

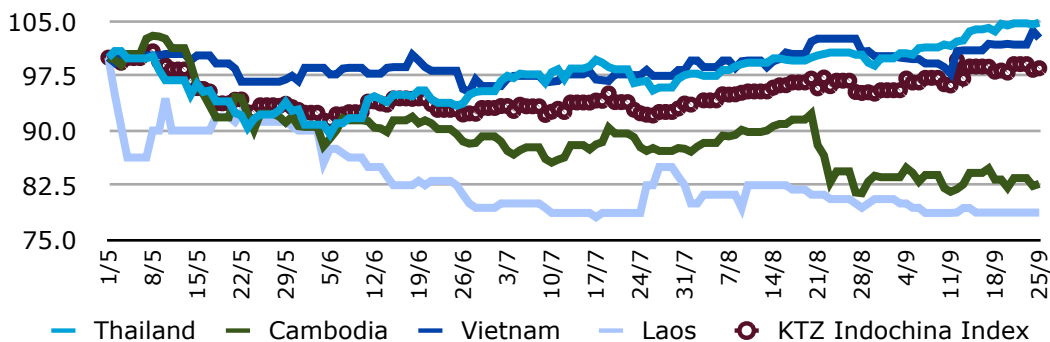
Indochina Markets

Vietnam up 0.4%: The HCM index rose 0.4% to 391.8, driven by energy, up 1.0% , diversified conglomerates up 0.5% and industrials up 0.1% with other major sectors declining. The index traded at 12-month forward PE of 9.7x as of yesterday's close.

Laos down 0.9% The LSX fell 0.9%, with BCEL down 0.6% and EDL down 1.0%. The index continues to trade well below other Indochina indices on 5.5x 12-month forward earnings, with BCEL on a P/E of 4.4x and EDL on 5.9x.

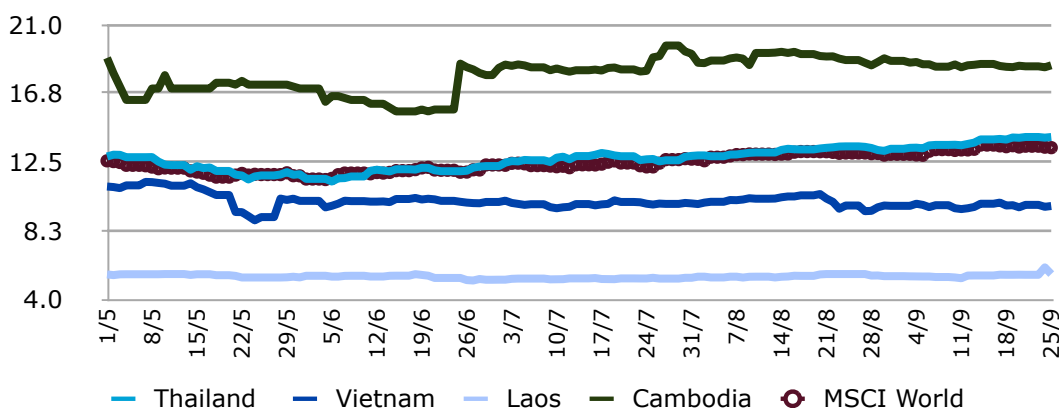
Cambodia flat: The CSX held flat at 677.4, with the single listed stock PPWSA stagnant at KHR6,300 for nearly two weeks.

Figure 1: Indochina markets relative index performance



Source: Bloomberg

Figure 2: Indochina markets price to earnings ratio



Source: Bloomberg

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.