

Vietnam

Small deficit for 10M/12 Vietnam posted a small trade deficit of US\$357mn for 10M/12, reversing a surplus of US\$143mn over 9M/12, with October's deficit at US\$500mn. Exports were US\$93.5bn over 10M/12 while imports were US\$93.8bn.

View: Broadly balanced trade could continue Trade was broadly balanced in Vietnam over 10M/12 and the tiny deficit, accounting for less than one percent of GDP, is not a cause for concern. The balanced trade is mainly a function of falling demand for imports given the economic slowdown and a currency decline which has made imports more expensive in VND terms. Vietnam has run low single digit trade deficits in recent years.

Cambodia

Chinese garment manufacturer expands Hodo Group of China is expanding its garment manufacturing business in Sihanoukville's special economic zone, for a total investment of US\$320mn.

View: Growth outside of garment sector is needed The garment sector represents the bulk of manufacturing and exports in Cambodia, and continued growth in the sector is good for Cambodia in the short term. However, long-term development of the country will require more diversification of the manufacturing base into higher value added sectors. Non-garment manufacturers are starting to arrive in Cambodia, but so far they are few in number compared to the garment sector.

Laos

Laos mega mall on hold The construction of Laos' largest mall has been stopped after the China-Taiwan-Singapore-HK developers ran out of funds, even after taking prepayment from retailers.

View: Loss of advance rent will discourage retailers The level of demand for the mall remains unclear, but if completed it would benefit from a lack of major competitors in the higher end segment targeting Laos' small, but growing, upper income segment, tourists and expatriates. However, if the retailers are not able to reclaim their rent prepayment, it will discourage others from being involved in the project in the future.

Myanmar

6M/12 gas exports at US\$1.7bn Myanmar saw gas exports of US\$1.7bn in first half, and targets US\$3.5bn for the full year, with gas exports historically more weighted to second half.

View: Myanmar-China pipeline to drive gas exports If the current full year target is reached, gas exports would be up just 1.1% yoy from US\$3.46 in 2011. Currently Myanmar's gas exports mainly go to Thailand, but China is expected to become a major customer with the development of a Myanmar-China pipeline. This week saw the completion of a bridge that is an essential link in this pipeline, keeping the project on track to start by next year. The project has both an oil pipeline with a 22mn tonne/year capacity, and a gas pipeline with a capacity of 12bn cubic metres/year.

Index	Value	% chg
Thailand	1,297.4	0.18
Vietnam	389.9	-1.40
Laos	1,067.3	1.84
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	9.9	1.6
Laos	5.6	0.8
Cambodia	18.5	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	-0.16
Dong (VND)	20,850	0.00
Kip (LAK)	8,002	0.08
Riel (KHR)	4,039	-0.01
Kyat (MMK)	851	-0.01

Source: Bloomberg

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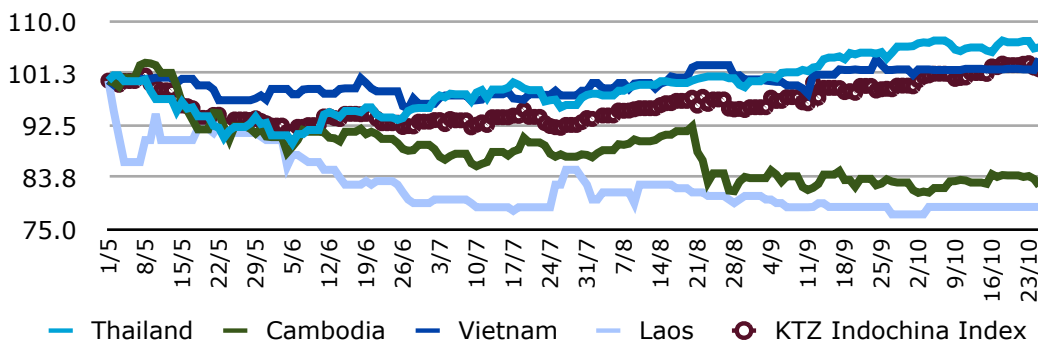
Indochina Markets

HCM down 1.4%: The HCM had a weak session, falling 1.4% to a three-week low of 389.9, with 69 stocks up, 152 falling, and 62 flat. One of the star performers of the index in recent months, Vietnam Dairy Products, was limit down on the day.

Laos up 1.8%: The LSX saw its strongest day in over a month, with the index up 1.8% to 1,067.3 with BCEL up 0.7% to LAK7,450 and EDL-Gen up 2.0% to LAK5,000 after holding for three and half weeks at LAK4,900.

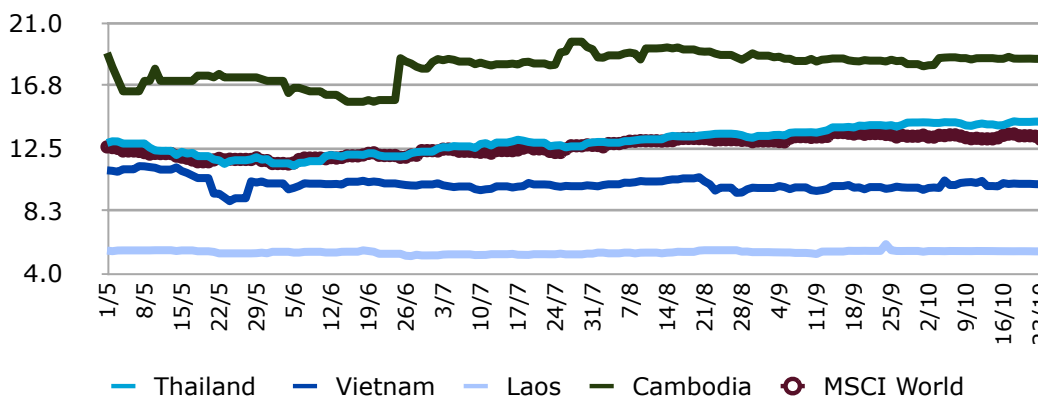
CSX flat: The CSX was flat at 677.4 with single listed stock PPWSA trading at its IPO price of KHR6,300.

Figure 2: Indochina markets relative index performance



Source: Bloomberg

Figure 3: Indochina markets price to earnings ratio



Source: Bloomberg

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