

The Market

Indochina index inched up on expectation of increased liquidity after rule change

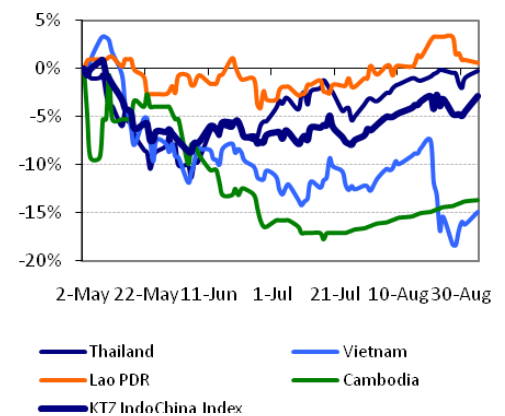
The VN index elevated by 6.06 points or 1.53% to 402.08 points as investors were able to sell shares on the morning of the third day after they were bought instead of the afternoon of the third day as previously. A total of 29.64 million shares worth 453.44 billion dong were traded, or USD 21.74 million. Prices of 140 stocks went up, 76 stocks plunged while 92 stocks remained unchanged. Furthermore, GAS, HSG, VCB, SBT and HAG were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index edged down by 1.02 points or 0.1% to 1028.61 points on trading volume of 90,256 shares worth 483 million kip (USD 60,000). BCEL dropped 50 kip to 7,350 kip (USD 0.92) but EDL-Gen was unchanged at 4,800 kip (USD 0.60). The Cambodian CSX index closed flat at 688.17 points on trading volume of 8,887 shares worth 56.54 million KHR (USD 13,980), with the PPWSA steady at 6,400 KHR (USD 1.58).

The News

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Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	571.87	-0.33	-0.1%
Singapore	2,414.26	-8.43	-0.3%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,654.11	0.21	0.0%
Indonesia	4,105.25	-12.70	-0.3%
Philippines	5,175.87	-43.21	-0.8%
Vietnam	402.08	6.06	1.5%
Lao PDR	1,028.61	-1.02	-0.1%
Cambodia	688.17	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.20	-0.00	-0.1%
Dong	20,860.00	20.00	0.1%
Kip	8,015.25	-4.90	-0.1%
Riel	4,062.15	-8.50	-0.2%
Kyat	870.04	-2.52	-0.3%

Per Baht	Last	Chg	(%)
Dong	668.53	0.49	0.1%
Kip	256.87	0.08	0.0%
Riel	668.53	0.49	0.1%
Kyat	27.88	-0.05	-0.2%

Source: Bloomberg

Cambodia – China gives Cambodia aid and thanks for ASEAN help

China has pledged more than \$500 million in soft loans and grants to Cambodia and Prime Minister Wen Jiabao thanked it for helping Beijing maintain good relations with the regional grouping ASEAN, a Cambodian junior minister said. A summit of the 10 members of the Association of Southeast Asian Nations (ASEAN) in July failed to issue a joint communique after disagreement over the wording of a section on territorial claims in the South China Sea. Cambodia, which chairs ASEAN meetings this year, was accused by some countries in the group of stonewalling in support of its ally, China. The South China Sea has become Asia's biggest potential military flashpoint. China's claim over the huge area has in particular set it against ASEAN members Vietnam and the Philippines. Four loan agreements for unspecified projects worth about \$420 million were signed when Cambodian Prime Minister Hun Sen visited China over the weekend, Secretary of State for Finance Aun Porn Moniroth told a briefing late on Monday. Another three loan agreements, worth more than \$80 million, are expected to be signed this year. Wen had also promised a grant of 150 million yuan (\$24 million) as "a gift" for Cambodia to use on any priority project. "The Chinese government also voiced high appreciation for the part played by Cambodia as the chair of ASEAN to maintain good cooperation between China and ASEAN," Aun Porn Moniroth said. *Chinese investment in Cambodia totaled \$1.9 billion last year, more than double the combined investment by ASEAN countries and 10 times more than the United States, which is trying to extend its influence in the region. Aun Porn Moniroth said Premier Wen had given "positive consideration" to Hun Sen's proposal that China provide new loans of between \$300 million to \$500 million per year for the next five years for unspecified projects. He also said a Chinese firm planned to invest \$2 billion to build a steel plant in Cambodia employing about 10,000 people and with the capacity to produce 3 million tonnes of steel a year. He gave no details so it was not possible to verify how far advanced the plans were.*

Myanmar – Myanmar investment law 'could sideline small firms'

Myanmar's plans for an eagerly awaited foreign investment law leave small domestic firms out in the cold, stunting the benefits of proposals aimed at reawakening the economy, business leaders warned Tuesday. The draft legislation risks cutting out small to medium enterprises (SMEs) by imposing onerous ownership rules, the Union of Myanmar Federation of Chamber of Commerce and Industry said. UMFCI Chairman Win Aung told a press conference in Yangon that the proposals stipulate foreign firms can hold only up to 49% of a joint venture, with a minimum investment of \$5 million -- meaning the local partner would have to find significant funds to be the majority owner. If so, the local SMEs will lose their role in the upcoming new economic setting. The investment law is aimed at regulating a flood of interest from overseas companies, which have been eyeing resource-rich Myanmar since the international community began dismantling sanctions to reward reforms. The draft law, which is currently being debated in parliament and is tipped to be passed shortly, was also criticized for not being competitive compared to Myanmar's neighbors in the Association of Southeast Asian Nations (ASEAN). *With its abundant natural resources, strategic position between China and India, and high purchasing power from a population of over 60 million people, Myanmar is seen as a potentially huge market for foreign firms as it opens up to the world after years of isolation. However, the said new investment conditions, if enacted, mean that the local partner will also be required to invest more than \$5 million for their minimum 51% shareholding requirement. This will tend to limit the new investment opportunities of the country to only a small group of wealthy people that can afford such a high minimum investment requirement of over \$5 million.*

Vietnam – Manufacturing slows in Vietnam

Adding to a broader slowdown in China and elsewhere in Asia, manufacturing activity in Vietnam continued to contract in August—though at the slowest rate in four months. HSBC's PMI for Vietnam rose to 47.9 in August from July's 43.6. A figure below 50 indicates a contraction, while one above 50 indicates expansion. "While business conditions in Vietnam remain challenging, the slowdown of the rate of manufacturing deterioration suggests that economic activities will likely gradually recover" in the fourth quarter, HSBC Asia economist Trinh Nguyen said. The data come after a slew of PMI readings released Monday showed manufacturing slowing across Asia, showing the burden of continued lackluster demand from key export markets in the U.S. and Europe. China's manufacturing sector recorded its weakest month since March 2009, HSBC's PMI estimate for August showed, and only Indonesia showed faster manufacturing growth than the month before. *Vietnam's gross domestic product growth will likely slow to 5.1% this year from 5.9% last year, but rising inflation will prevent the central bank from cutting interest rates to stimulate the economy. This means the government may need to turn to alternative measures to encourage spending.*