

The Market

Indochina index dipped sharply after investors attempted to reduce their risks

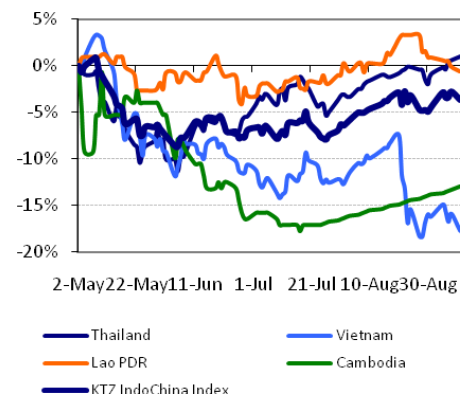
The VN index fell by 8.63 points or 2.17% to 388.88 points on concerns over the arrest of two people at financial firms. A total of 48.78 million shares worth 833.06 billion dong were traded, or USD 39.95 million. Prices of 33 stocks went up, 216 stocks plunged while 59 stocks remained unchanged. Furthermore, MSN, GAS, SBT, PGD and HSG were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index slumped by 5.08 points or 0.50% to 1016.40 points on trading volume of 71,454 shares worth 342 million kip (USD 43,000). BCEL climbed 200 kip to 7,200 kip (USD 0.90) but EDL-Gen dropped 50 kip to 4,750 kip (USD 0.60). The Cambodian CSX index was unchanged at 677.42 points on trading volume of 18,020 shares worth 113.52 million KHR (USD 28,080), with the PPWSA steady at 6,300 KHR (USD 1.56).

The News

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Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	574.63	2.19	0.4%
Singapore	2,436.21	-0.83	-0.0%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,621.04	-3.51	-0.2%
Indonesia	4,160.66	16.98	0.4%
Philippines	5,190.81	-10.51	-0.2%
Vietnam	388.88	-8.63	-2.2%
Lao PDR	1,016.40	-5.08	-0.5%
Cambodia	677.42	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.09	0.00	0.0%
Dong	20,865.00	15.00	0.1%
Kip	7,951.65	-59.30	-0.7%
Riel	4,031.35	-30.40	-0.7%
Kyat	864.44	-6.46	-0.7%

Per Baht	Last	Chg	(%)
Dong	670.42	2.53	0.4%
Kip	255.68	-0.96	-0.4%
Riel	670.42	2.53	0.4%
Kyat	27.80	-0.10	-0.4%

Source: Bloomberg

Cambodia – Cambodia's arrivals improve in July

Cambodia's Statistics and Tourist Information Department, Ministry of Tourism, reported 284,282 international visitors in July, improving 18.7% year-on-year. The slower growth in July (increasing over 20% for the first six months) pulled the average growth rate down from 26.8% at the end of June to 25.6% at the end of July. Arrivals from the top three suppliers --Vietnam, Korea and China -- showed improvement in July though not drastically at +24.1%, +11.1% and +23% respectively. By region, all markets reported growth except Africa, which represents a very small share. Growth from Asia Pacific, accounting for a 78.5% market share, contracted from 33.8% in June to 22.2% in July (223,189). Accumulated arrivals for January to July stood at 2,040,862 with Laos ranking the fourth (+88.5% YoY), Thailand ranking the fifth (+88.8% YoY) and Australia ranking the ninth (-6.1% YoY). Over the seven-month period from January to July, arrivals from Thailand and Laos improved 88.8% and 88.5% respectively. They ranked fifth and fourth in terms of suppliers to Cambodia's tourism industry. *The growing trend of tourists into Cambodia has been in line with Thailand, with international tourist arrivals having recovered strongly by 8.66% YoY to 14.3mn in the first eight months of this year. It is possible that the development of the AEC in 2015 will further strengthen the tourism industry in the region due to the closer connectivity.*

Laos PDR – China, Laos agree to bolster relations

Laotian President Choummaly Sayasone and Liang Guanglie, the Chinese defense minister and state councilor, agreed here Friday to promote the development of relations between their two countries. Sayasone, also the general secretary of Laos' ruling Lao People's Revolutionary Party, said during a meeting with Liang that China is his nation's close, trusted friend and strategic partner. Laos and China have seen remarkable achievements in their defense and security cooperation, the president said. He also said Laos appreciates Beijing's long-term support and assistance, adding that his country would like to advance bilateral military ties with China. Liang said China and Laos have seen continuous development in political, economic, military and cultural exchange and cooperation since the establishment of diplomatic ties 51 years ago. China would like to work with Laos in boosting bilateral cooperation in the defense sector so as to promote the ties between the two countries and their armed forces to even higher levels, Liang said. Liang also met Friday with Laotian Defense Minister Douangchay Phichit and the two discussed inter-military ties and international and regional security situations. Liang arrived here Thursday on an official visit, the last leg of a three-nation Asia tour that also took him to Sri Lanka and India.

Myanmar – Reformed Myanmar ready for foreign investment

Myanmar's parliament has adopted a much anticipated foreign direct investment law that is crucial to the government's ambitious plans for economic expansion in one of Asia's poorest countries. The law drops several provisions in the original draft that had raised fears it could deter investors. The law, passed on Friday, was seen as one of parliament's most urgent tasks and was passed on the last day of its current session. One proposal dropped from the law would have required a \$5 million minimum initial investment outlay. The final version also allows foreign parties to hold a 50 percent stake in joint ventures rather than limiting them to a proposed 49%. Elected President Thein Sein launched economic and political reforms when he took office last year after almost five decades of military rule, foreign sanctions and restrictive laws that kept the economy stagnant. Myanmar has an inefficient agricultural sector and small industrial base, and most of its export earnings come from extractive industries, especially natural gas. Western nations earlier this year eased economic sanctions instituted against the former military regime, lifting another barrier to foreign investment. Reforms to the financial system, especially the jettisoning of an onerous dual exchange rate system, were also made to encourage investors. Another progressive aspect of the new law allows foreign investors to lease land for an initial period of 50 years with an option to renew, compared to 35 years under old rules. *Although the new law is considered a major step forward, Myanmar still needs to strengthen its legal framework, bolster institutions and improve infrastructure such as communications and transportation in order to further upgrade the investment climate. Allowing 50% foreign equity in joint ventures is also conducive to attracting foreign investors, who might be wary if the law tilted in favor of too much protection for local entrepreneurs.*

Vietnam – Thai businesses upbeat on expanding investment in VN

Despite the current economic slowdown and high inflation in Vietnam, large Thai corporations remain confident about expanding their investment in the country in view of its market size and expected stronger purchasing power. **CP Vietnam Corp** plans to expand the production capacity of its processed-food plant, where 80-90% of the output is currently allocated to feed meal, given that the firm expects Vietnam to experience stronger economic growth and be better placed to serve as a springboard for expanding investment to Laos, Cambodia and southern China. **Vina Kraft Paper, part of SCG Group**, said Vietnam offered strong demand for many products. The group now has an integrated business in the country covering paper, petrochemicals, cement/construction materials trading and distribution. SCG has 17 companies registered in Vietnam, with total assets of Bt11billion. **Thai Corp International (Vietnam), a joint venture between Berli Jucker and Mongkol Group**, said the company planned to establish a modern retail outlet in Vietnam within the next five months in order to increase the distribution channels for Thai products in the market, as well as help Thai small and medium-sized enterprises to explore opportunities in the country. About 70% of the products in the department store will be Thai-made. The Vietnam JV assets international asset division of **PTT Exploration and Production (PTTEP)** said the company planned to explore for oil and invest in Vietnam via four projects involving upstream to downstream investment. Vietnam intends to allow more foreign firms to explore for petroleum reserves to serve local fuel demand, which averages some 400,000 barrels of oil a year. With the country offering a greater opportunity for fuel exploration and operations, PTTEP is negotiating an exploration deal on the northeast coast. *In addition to Vietnam's large domestic market size, relatively strong economic growth and purchasing power should be the key factors that will continue attracting foreign direct investment into the country. It should be noted that the government has targeted GDP growth between 5.5% and 6.0% for this year. Next year, Vietnamese authorities have a target of 6.0%-6.5% growth. However, the market consensus forecast sees the economy growing about 5.2% this year, while next year it is estimated to pick up and grow 5.9%.*