

The Market

Indochina index boosted by blue chips

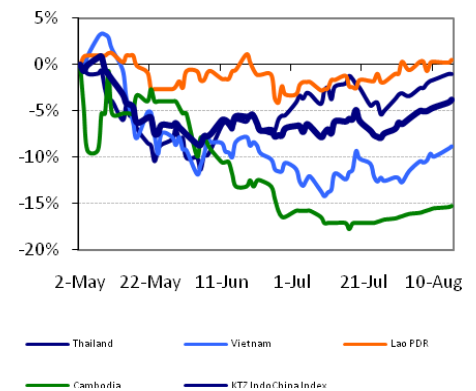
The VN index climbed by 1.3 points or 0.3% to 430.77 points against Asian bourses after blue chips continued to ascend while the market waited for supporting news. A total of 39.644 million shares worth 968.61 billion dong were traded, or USD 46.45 million. Prices of 85 stocks went up, 119 stocks plunged while 105 stocks remained unchanged. Furthermore, MBB, DPM, VSH, GAS and HSG were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index finished up by 3.06 points or 0.30% to 1,027.60 points on trading volume of 196,826 shares worth 1.08 billion kip (USD 134,000). BCEL advanced 150 kip to 7,300 kip (USD 0.91) but EDL-Gen was unchanged at 4,800 kip (USD 0.60). The Cambodian CSX index closed flat at 709.7 points on trading volume of 6,350 shares worth KHR 41.91 million (USD 10,361), with the PPWSA remaining unchanged at KHR 6,600 KHR (USD 1.63).

The News

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Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	577.45	-2.44	-0.4%
Singapore	2,449.49	-28.91	-1.2%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,653.78	0.88	0.1%
Indonesia	4,141.99	20.43	0.5%
Philippines	5,266.66	0.72	0.0%
Vietnam	430.77	1.30	0.3%
Lao PDR	1,027.60	3.06	0.3%
Cambodia	709.68	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.55	0.00	0.4%
Dong	20,845.00	-5.00	-0.0%
Kip	8,028.55	-4.90	-0.1%
Riel	4,068.05	15.15	0.4%
Kyat	874.00	0.56	0.1%

Per Baht	Last	Chg	(%)
Dong	661.17	-2.42	-0.4%
Kip	254.47	-1.21	-0.5%
Riel	661.17	-2.42	-0.4%
Kyat	27.70	-0.10	-0.3%

Source: Bloomberg

Cambodia – Cambodia's riel stabilizes against dollar

The stabilization of the riel over the first half of this year is a reflection of increased confidence in using riel in the economy as well as improvements in the agricultural sector, according to economists and the National Bank of Cambodia (NBC). The riel appreciated 0.36% as of the end of June to 4,112 riel against the greenback, compared to last June's value of 4,127. Cambodia's projected economic growth is about 7% this year and the inflation rate stands around 5%, according to daily data from the Ministry of Commerce, compared with the 3.5% expected for the global economy, down from 3.9% last year. The European economy is projected to contract compared to non-EU states, while the US economy is expected to grow by 2.1%. The NBC governor said that the government was trying to stabilize the exchange rate between the riel and the dollar in order to maintain stable consumer prices. "The circulation of the riel increased but that of American dollars also increased significantly because the Cambodia economy is expanding," Khin Pisey, senior researcher for the Economic Institute of Cambodia, said. The main factor fomenting the increasing use of the riel is the improvements in the agricultural sector, while the establishment of the Cambodia Securities Exchange also played a part in promoting the use of the local currency. *The dollar is the main currency for conducting business in Cambodia, with the NBC's statistics showing that more than 90% of transactions in Cambodia are conducted in dollars. The slowdown of the US economy has led to the depreciation of the dollar against other currencies, which has also been a contributor to the appreciation of the riel this year. Cambodia's economy is highly dollarised, so the stabilization of the exchange rate is indispensable to promoting the use of the local currency.*

Myanmar – Baker & McKenzie expands Myanmar practice

Baker & McKenzie has appointed its first Myanmar-qualified lawyer to its Bangkok-based Myanmar centre, which was launched at the beginning of this year. Saw Yu Win joins the firm as a senior counsel from Yangon-based Myanmar Thanlwin Legal Services, which is in association with the Southeast Asian law firm DFDL Mekong. Three other Thai partners are leading the Myanmar initiative, while the firm will recruit two to three more Myanmar-qualified lawyers to expand the practice. "There is so much potential in Myanmar given all the changes happening in the country. It is open to foreign investors and is making amendments to its laws and regulations to facilitate the new opportunities," one Baker & McKenzie lawyer said. The firm is still waiting for more legal and political certainty before it considers opening an office in the country. *Earlier this year, the EU and US, along with other countries, agreed to suspend sanctions against Myanmar in recognition of "historic changes" following the formation of a new government in the spring of 2011. This has opened the country's doors to an influx of foreign investment. The country's admission to the ASEAN Economic Community, effective from 2015, is expected to bring more investment opportunities to the country and the region.*

Myanmar & Vietnam – KTB keen to open branches in Myanmar, Vietnam

Krung Thai Bank believes that it will have enough financial muscle to serve non-Thai customers such as state agencies in Myanmar and Vietnam through future branches there. "Krung Thai Bank wants to expand its business in the Asean Economic Community via branches rather than representative offices to offer a full range of financial services, not just currency services," Kittiya Ttodhanakasem, a senior executive vice president of KTB said yesterday. In Myanmar, KTB is opening a representative office, but wants to upgrade it into a branch when regulations there permit it. With representative offices, Thai banks are limited in the services they can provide in Myanmar. The Central Bank of Myanmar is expected to amend its regulations to allow foreign banks to set up branches after studying the financial regulations in the region. "We expect Thai customers and their partners will need credit for cross-border trade, while KTB, which is a state-run bank, can play a role in providing loans to state agencies in each country in Asean," Kittiya said. The Bank of Thailand recently approved KTB's request to open a branch in Vietnam as the firm is applying for a branch license to the Vietnam's central bank. The model in Vietnam is similar to Myanmar in that the branch will extend credit services to Vietnam's state agencies including the central bank if they want to borrow from a Thai bank. *We expect banking business opportunities in Myanmar to increase significantly after the new investment law is finished in the next couple of months, given that many foreign investors are eager to expand business there. Meanwhile, KTB's expansion in Vietnam could be a good opportunity, with many Vietnamese banks now facing stability risk given the concern about the financial reporting system and compliance with international accounting standards being in doubt.*