

The Market

Indochina index rebounded after speculation returned

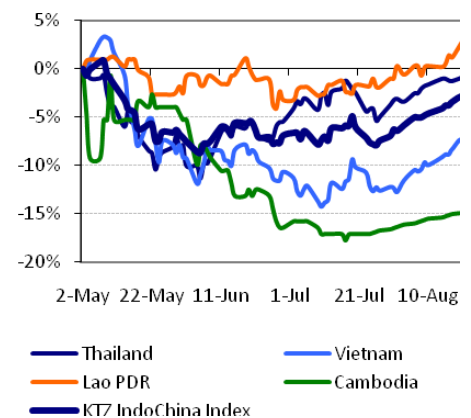
The VN index rose by 6.90 points or 1.76% to 399.72 points, snapping a three-day losing streak after Bank shares rebounded. A total of 94.63 million shares worth 1.20 trillion dong were traded, or USD 57.86 million. Prices of 168 stocks went up, 77 stocks plunged while 64 stocks remained unchanged. Furthermore, DRC, MBB, VCB, VSH and GAS were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index remained stable at 1,056.10 points on trading volume of 73,869 shares worth 554.20 million kip (USD 69,124). The two listed companies, BCEL and EDL-Gen, continued to be stable at 7,800 kip (USD 0.98) and 4,900 kip (USD 0.61), respectively. The Cambodian CSX index was steady at 693.55 points without matching orders throughout the day, with the PPWSA remaining unchanged at 6,450 KHR (USD 1.60).

The News

- **Cambodia** – Thai-Cambodian central banks sign MoU
- **Myanmar** – Myanmar to keep up rice exports
- **Vietnam** – Vietnam c. bank pumps in \$1.12 bn in four days

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	575.57	-4.02	-0.7%
Singapore	2,441.37	-9.61	-0.4%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,648.22	-3.39	-0.2%
Indonesia	4,145.40	-17.26	-0.4%
Philippines	5,143.35	-59.49	-1.1%
Vietnam	399.72	6.90	1.8%
Lao PDR	1,056.10	0.00	0.0%
Cambodia	693.55	-5.37	-0.8%

Per USD	Last	Chg	(%)
Baht	31.22	0.00	0.0%
Dong	20,905.00	-15.00	-0.1%
Kip	8,012.00	38.05	0.5%
Riel	4,068.55	20.40	0.5%
Kyat	873.13	3.13	0.4%

Per Baht	Last	Chg	(%)
Dong	668.43	4.38	0.7%
Kip	256.55	1.05	0.4%
Riel	668.43	4.38	0.7%
Kyat	27.96	0.08	0.3%

Source: Bloomberg

Cambodia – Thai-Cambodian central banks sign MoU

The Bank of Thailand (BOT) on August 25 signed a memorandum of understanding (MoU) on Exchange of Banking Supervision Information with the National Bank of Cambodia (NBC), the regulator of financial institutions in Cambodia. The MoU provides a formal basis for banking supervisory cooperation between the two authorities. It allows for supervisory cooperation between the BOT and NBC in areas of information sharing and communication during the licensing process and ongoing supervision of banks operating under their respective supervisory responsibility. The MoU, signed by Dr. Chea Chanto, governor of the NBC, and Bank of Thailand Governor Prasarn Trairatvorakul, follows several others that the BOT signed with central banks in neighboring countries. Recently, the BoT agreed to provide technical assistance to Myanmar and Laos. *While there should not be any direct implications for Thailand, this move creates the means to provide assistance to other regional central banks, which will help strengthen relationships among central banks in the region. We view that tighter relationships between regional central banks will yield benefits when the so-called "single market" comes into effect.*

Myanmar – Myanmar to keep up rice exports

Myanmar will continue exporting rice even though its production is likely to drop due to floods, the Myanmar Rice Industry Association (MRIA) said recently. This year's monsoon paddy production is expected to drop since many parts of lower Myanmar were hit by torrential rains inundating more than 200,000 hectares of rice fields. Upper Myanmar, meanwhile, is suffering from a severe drought, making it difficult to grow crops. Yet, Myanmar - which used to be one of the world's rice exporters - will be able to keep up its rice exports because it still has a large reserve, an MRIA official said. "Harsh climate can lead to low output this year, but we plan to continue exporting. Domestic rice prices are not a concern as we have a reserve and are ready to distribute in times of emergency. We also plan to make sure the price remains stable," MRIA chairman U Chit Khaing said. An official from the Commerce Ministry, meanwhile, assured rice exporters that the ministry would continue issuing export licenses, but the amount of rice to be eventually exported will be decided after negotiations between the ministry and exporters, he said. *Myanmar earned \$324 million from the export of over 844,200 tonnes of rice in the 2011-2012 fiscal year. The country plans to increase rice exports by almost a fifth to 1 million tons in the current fiscal year (2012-2013), owing partly to international help in reviving its agriculture sector. Thus far, Myanmar has exported 427,500 tonnes of rice worth more than US\$161 million (Bt5 billion) as of August 10. The 8% commercial tax has been exempted until August, with the intent to encourage an increase of rice exports. Major buyers of Myanmar's rice are West African nations, the Philippines, Bangladesh and China.*

Vietnam – Vietnam c. bank pumps in \$1.12bn in four days

The State Bank of Vietnam (SBV) has deployed Open Market Operations (OMO) to inject some VND23.31 trillion (\$1.12 billion) into the national banking system for liquidity support in the last four business days after the arrest of banking tycoon Nguyen Duc Kien. The popular interest rate is at around 8% per annum. The bank pumped some VND1.6 trillion for a 7-day term at an interest rate of 8% per annum on Friday alone, the fourth money injection session in a row this week, according to Reuters' data. The highest rate was 8.8% per annum for VND5 trillion injected via OMO on August 21, 2012 for urgent liquidity aid in response to Kien's arrest. Strong SBV intervention in the monetary market via OMO injection constitutes an effort by the central bank to support liquidity in order to help local banks in need, especially the Asia Commercial Joint Stock Bank (ACB), which faced massive withdrawals due to the arrest of Kien (who is also a shareholder and co-founder of the bank). But as of Thursday, Nguyen Thanh Toai, deputy general director of ACB, said the bank did not have to borrow money on OMO with sufficient liquidity. Earlier, ACB borrowed a total of VND11 trillion on OMO on Tuesday and Wednesday (August 21 and 22). In another development, the interest rate on the interbank market today continues to decline, with the overnight period at 6.81%, 0.33% lower than yesterday and 1% less than the peak on August 22. *Last Monday's arrest of Nguyen Duc Kien sent shockwaves through Vietnam's banking system, triggering a sharp drop in Vietnam's stock market last week and causing a run on deposits at Asia Commercial Bank (ACB), one of Vietnam's biggest lenders that Kien helped found in 1994. The State Bank of Vietnam, the central bank, said it and the entire banking sector "will commit to standing ready to provide funding support to ACB to ensure it meets its obligations for repaying deposits". The central bank has continued pumping short-term funds into the banking system through open market transactions since August 21. This situation has created more concern about the already fragile Vietnam banking system.*