

Vietnam

Moody's downgrades Vietnamese banks and debt Moody's has downgraded the local and foreign currency deposit ratings of eight Vietnamese banks, and the local and foreign currency Vietnam government debt to B2 from B1.

View: Reflects current problems in the financial system Given; 1) the sudden deterioration in NPLs in 2012, and 2) the recent uncovering of corporate malfeasance at some financial institutions (and the subsequent arrest of some top executives in the sector), and 3) the potential negative effects on government revenue from a financial sector slowdown, the downgrades appear justified in our view.

Cambodia

Tourist arrivals to Siem Reap up 30% yoy for 8M/12 Arrivals to Siem Reap (representing nearly half of the Cambodia's arrivals) were up 30% yoy to 1.34mn for 8M/12. Total 8M/12 countrywide arrivals have not been reported, but they rose 26% for 7M/12.

View: Growth in receipts may not match arrivals rate Although tourist arrival growth has been extremely strong, the growth rate in tourist receipts may not match the arrivals growth rate. Cambodia has been undergoing a major shift in the mix of its arrivals towards neighboring Vietnam, China and Laos over the last few years, and from Thailand in 2012. Arrivals from these countries tend to have lower duration trips and spend less per day.

Laos

WTO process completed, official approval likely this month Laos's membership terms for the WTO have been agreed upon; the country should officially become a member on October 26.

View: End of long process; effects could be moderate The effects of WTO accession could be relatively moderate for Laos; 1) the country already has some degree of free trade with its neighbors, 2) industries to now be opened to foreign capital may well have seen foreign partners encouraged to enter to supply technology and expertise even without WTO accession, and 3) the gains from access to new export markets may be minimal.

Myanmar

PTT to expand into Myanmar oil retailing Thailand's state oil firm PTT has announced that it will enter the oil retailing business in Myanmar through a local partner. This follows an announcement in July by the company that it would invest US\$3bn in Myanmar for a 150k bbl/day refinery, coal mines, and a power plant.

View: PTT continues to expand Indochina footprint PTT already operates in Laos and Cambodia and the move into Myanmar is in keeping with its target to become a major Indochina operator. The company's exploration and production subsidiary, PTTEP, already has extensive operations in Myanmar's upstream oil and gas sector.

Index	Value	% chg
Thailand	1,299.7	0.07
Vietnam	386.6	-1.53
Laos	1,039.8	-0.87
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.1	2.2
Vietnam	9.8	1.4
Laos	5.4	0.7
Cambodia	18.0	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.8	-0.13
Dong (VND)	20,881	-0.02
Kip (LAK)	8,057	0.84
Riel (KHR)	4,078	0.84
Kyat (MMK)	865	0.76

Source: Bloomberg

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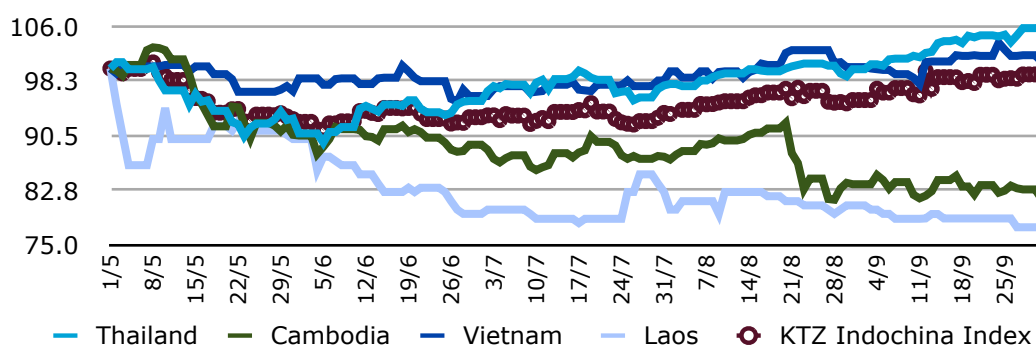
Indochina Markets

Vietnam down 1.5% on financials: The HCM index fell 1.5% to 386.6, with several financial stocks seeing major declines, including BaoViet Holdings, Petro Vietnam Finance, Vietinbank, Sacombank and Vietcombank.

Laos down 0.9% The LSX fell 0.9% to 1,039.8, with very limited volume of 5,355 shares. EDL declined 1.0% to LAK4,850 and BCEL held flat at LAK4,900.

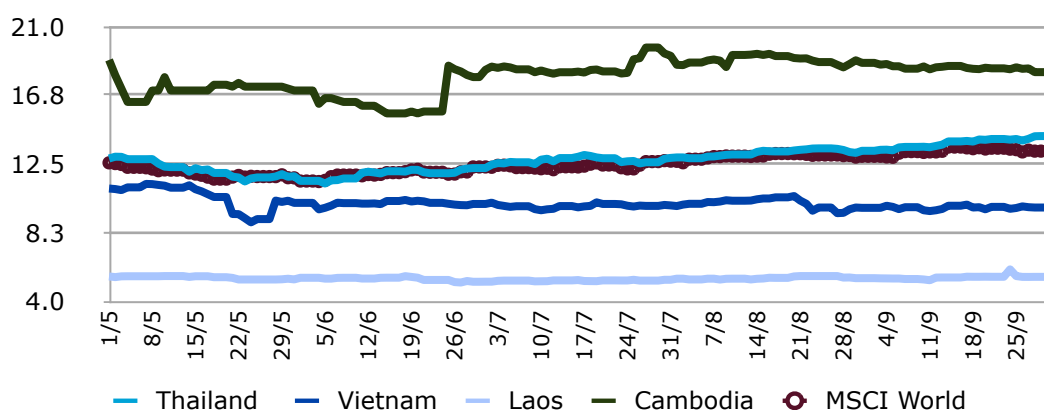
Cambodia flat for third straight session: Cambodia remained flat for the third consecutive session at 666.7, with the single listed stock PPWSA holding at KHR 6,300.

Figure 1: Indochina markets relative index performance



Source: Bloomberg

Figure 2: Indochina markets price to earnings ratio



Source: Bloomberg

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