

Vietnam

State banks grow assets, other banks contract for 7M/12

The State Bank of Vietnam (SBV) reported that total assets in the banking system grew 0.8% from end Dec 2011 to July 2012, with state commercial bank assets up by 3.7%, but the other banks segments contracting. The SBV also reported sector-wide credit growth from end-2011 to Sept 7, 2012 of 1.8%.

View: BIDV and MB Bank outpacing the sector While credit growth for the banks has been low in the context of 29% growth from 2005-2011, two have substantially outperformed the sector. BIDV grew credit 13.5%, and the Military Commercial Bank grew 10.0% from end-2011 to Aug-2012.

Cambodia

More new airport plans, this time for Phnom Penh Prime Minister Hun Sen has said that there will be a second airport built in Phnom Penh, but little detail was released. This follows a similar announcement last year for a second airport in Siem Reap.

View: Sufficient capacity if existing airports expanded It is unclear how this affects the Cambodia Airports Authority's (CAA), monopoly, and the need for the new airports is questionable. Given a target 10 mn annual arrivals by 2020 (versus 3.2 mn now), with arrivals roughly split 50% between the existing Phnom Penh and Siem Reap airports, and the CAA planning to expand both to a 5 mn capacity, this would meet the 10 mn target.

Laos

Thailand's CP Group making major investment in Laos Food processing firm CP Group plans to invest in; 1) a Bt150mn feed mill (its second in Laos) in Champasak , 2) a 120k tonne capacity, Bt200-300mn pig farm, 3) an expansion of its farm business by Bt200mn, and 4) a Bt20mn expansion of an existing food plant.

View: Expect to see Thai investment in Laos grow We expect to see Thai capital flow to Laos increase, as it is a natural investment location for Thailand given geographic and cultural proximity, and Thailand's expertise in agriculture and energy, two key growth sectors for Laos.

Myanmar

Foreign investment law to be amended by end October

President Thein Sein will send a revised Foreign Investment Law back to parliament when it reconvenes at the end of October.

View: Law looks generally supportive of foreign investment

There has been input on the law both from; 1) the President's office, which targets a liberal law which encourages foreign investment, and 2) part of the business community in Myanmar which wants to protect certain industries from foreign competition. One key part of the law that could be amended is a current 50% foreign shareholding limit (up from 49% previously), which could lead to shareholder deadlock.

Index	Value	% chg
Thailand	1,286.3	0.28
Vietnam	395.5	1.59
Laos	1,047.9	-0.10
Cambodia	677.4	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.0	2.2
Vietnam	9.8	1.4
Laos	5.5	0.7
Cambodia	18.4	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.8	-0.29
Dong (VND)	20,865	-0.05
Kip (LAK)	7,997	0.03
Riel (KHR)	4,057	0.20
Kyat (MMK)	863	0.09

Source: Bloomberg

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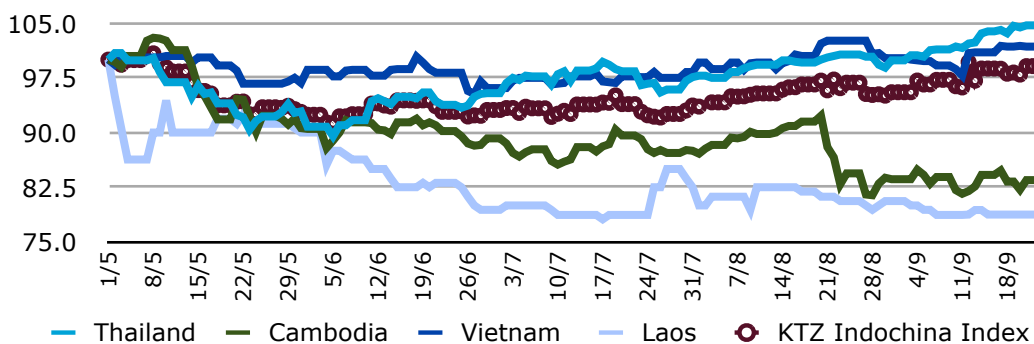
Indochina Markets

Vietnam up 1.6% as financials rebound: The HCM index rose 1.6% to 395.5, outpacing the region, with financials rebounding 1.6% (after a major decline in the previous session which was caused by the arrest of another key banking executive).

Laos down 0.1% The LSX declined 0.1% to 1,047.9 on no major news flow, with BCEL declining 0.6 % to LAK7,400 and EDL-Gen flat at LAK4,900 for a second session.

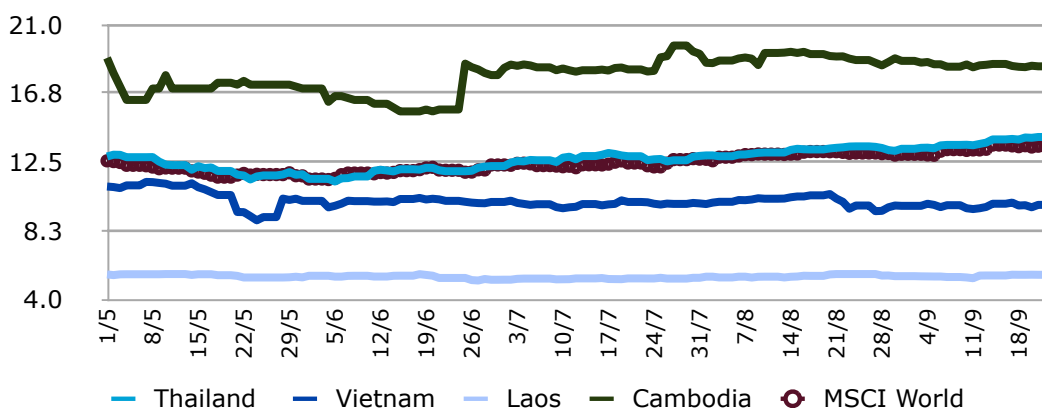
Cambodia flat for entire trading week: The CSX traded flat at 677.4 for the entire week, with PWSA holding at its IPO price of KHR6,300, and limited material news flow.

Figure 1: Indochina markets relative index performance



Source: Bloomberg

Figure 2: Indochina markets price to earnings ratio



Source: Bloomberg

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