

The Market

Indochina index dropped with light volume as investors stayed on the sidelines

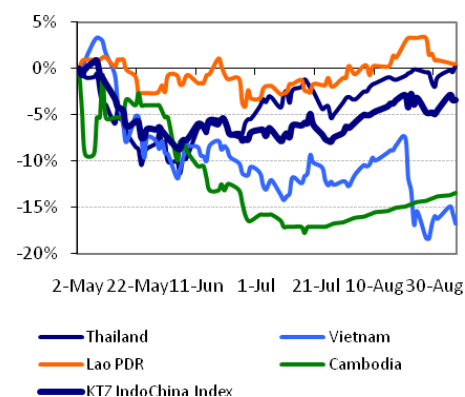
The VN index dipped by 5.51 points or 1.38% to 393.41 points against regional bourses on concerns over the banking system and slowing economic growth. A total of 33.44 million shares worth 541.74 billion dong were traded, or USD 25.98 million. Prices of 69 stocks went up, 153 stocks plunged while 86 stocks remained unchanged. Furthermore, SBT, HSG, MBB, HAG and OGC were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index finished unchanged at 1027.60 points on trading volume of 90,378 shares worth 479 million kip (USD 60,000). Both BCEL and EDL-Gen remained stable at 7,300 kip (USD 0.91) and 4,800 kip (USD 0.60) respectively. The Cambodian CSX index closed flat at 682.8 points on trading volume of 2,898 shares worth 18.40 million KHR (USD 4,549), with the PPWSA steady at 6,350 KHR (USD 1.57).

The News

- **Cambodia** – Cambodia sees slight decrease in rice exports in 7 months due to price competition
- **Myanmar** – Singapore Airlines to start daily service to Myanmar in October
- **Vietnam** – Vietnam risks biggest East Asia IMF rescue since 1990s

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	566.77	-0.20	-0.0%
Singapore	2,405.46	3.55	0.1%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,617.99	-23.02	-1.4%
Indonesia	4,102.86	27.51	0.7%
Philippines	5,150.11	-0.70	-0.0%
Vietnam	393.41	-5.51	-1.4%
Lao PDR	1,027.60	0.00	0.0%
Cambodia	682.80	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.22	-0.00	-0.2%
Dong	20,855.00	-5.00	-0.0%
Kip	8,011.90	-0.25	-0.0%
Riel	4,061.90	-0.20	-0.0%
Kyat	871.00	0.99	0.1%

Per Baht	Last	Chg	(%)
Dong	668.11	1.02	0.2%
Kip	256.68	0.45	0.2%
Riel	668.11	1.02	0.2%
Kyat	27.90	0.08	0.3%

Source: Bloomberg

KT Zmico Research
Research@ktzmico.com
66 (0) 2695-5000

Cambodia – Slight decrease in rice exports in seven months due to price competition

Cambodia had exported 89,800 tons of milled rice in the first seven months of this year, a 2.6% drop from 92,200 tons at the same period in a year ago, showed the statistics from the Ministry of Commerce's Camcontrol Department on Thursday. However, the revenues from exports had increased by 23% to 63.4 million U.S. dollars during the January-July period this year thanks to rising rice prices in the international market. Officials said that the decline in export quantity was due to tough competition in prices with other countries. "The decline in exports is due to tough price competition in the global market. We notice that the prices of Vietnamese and Indian rice are cheaper than us," said Khuon Savuth, chief of the Camcontrol Department's statistics division. Nonetheless, he expected that rice exports would see growth again this year thanks to a newly signed rice agreement of at least 100,000 tons a year between Cambodia and Indonesia. *Cambodian rice has been exported mainly to European markets, the United States, South Korea, Japan and China. Last year, Cambodia exported some 170,000 tons of milled rice. The country is aiming at exporting one million tons of milled rice by 2015. However, the market for Cambodian rice this year is not very good because India has sold off about 4 million tons of its rice stocks. The Southeast Asian nation produced some 8.25 million tons of paddy rice last year. With that amount, it's estimated that there is around 2.5 million tons of milled rice left over for export this year.*

Myanmar – Singapore Airlines to start daily service to Myanmar in October

Singapore Airlines (SIA) said Wednesday it will start a daily service to Yangon in October to meet growing business and tourist demand for flights to Myanmar's largest city. The announcement by one of the world's top airlines comes amid growing international interest in once-isolated Myanmar, which launched political reforms after ending nearly half a century of military rule last year. "Demand has been growing strongly for both business and leisure travel to Myanmar, and Singapore Airlines looks forward to serving the country for the first time," SIA executive vice president Mak Swee Wah said in a statement. SIA will take over seven of the 16 flights run every week by its regional wing SilkAir from October 28, using 323-seat Boeing 777-200 aircraft to boost the group's weekly seat capacity to Yangon by 55 percent. *In addition to SIA, five other international airlines have been allowed to extend flights to Myanmar in October; these include EVA Air, KAL, ANA, Dragon Airline and Qatar Airways. This indicates growing international interest for investment opportunity in the country.*

Vietnam – Vietnam risks biggest East Asia IMF rescue since 1990s

Vietnam risks becoming the biggest East Asian economy to seek an International Monetary Fund rescue loan since the region's financial crisis more than a decade ago as it moves to support a faltering banking system. The nation may need IMF aid to recapitalize banks and must act quickly to clean up bad debt or risk "prolonged stagnation," the National Assembly's economic committee said in a Sept. 4 report published on its website yesterday. The financial system needs an injection of 250 trillion dong (\$12 billion) to 300 trillion dong, according to the 298-page report that included recommendations to address economic risks. Prime Minister Nguyen Tan Dung's government is struggling to regain confidence in Vietnam after the arrest of a banking tycoon last month highlighted the frailty of a financial system hobbled by Southeast Asia's highest bad debt levels. Growth slowed to 4.4 percent in the first half of this year from 8.5 percent in 2007 as lending stagnated, damping state revenue and crimping the country's ability to rescue banks. "Vietnam is now at a point where it really does have to explore ways of recapitalizing and restructuring the foundation for its banking system," said Peter Ryder, the Hanoi-based chief executive of fund manager and property developer Indochina Capital. "However, for the Vietnamese, particularly given their history of fierce independence, to go to the IMF before exhausting all other alternatives would be very surprising." The National Assembly committee's report also recommended other funding sources such as selling government bonds with three-to-five-year maturities, trimming state spending and drawing funds or investments from foreign companies. *With huge numbers of borrowers defaulting on their loans, the total bad debt at Vietnamese banks now stands at 10%, up from 6% in 2011. Bad debts were less than 3% in 2008. The problem has contributed to GDP growth sliding to 4.4% in this year's first half from an average of 7.7% from 2003 to 2008.*