

The Market

Indochina index moves in a tight range, waiting for new positive factors

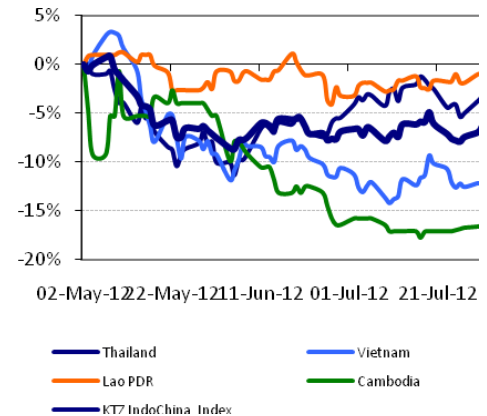
The VN index closed down slightly by 0.52 points or 0.13% at 414.48 points against Asian stock markets. A total of 25.401 million shares worth 417.134 billion dong were traded, or USD 20 million, with the possible rise of fuel prices hurting investor sentiment. Investors may stay on the sidelines after trading volume was light. Prices of 109 stocks went up, 101 stocks plunged while 78 stocks remained unchanged. Furthermore, VNS, HBC, MBB, SJS and VCB were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index was unchanged at 1,012.32 points on trading volume of 59,958 shares worth 288 million kip (USD 36,000). The two listed companies, BCEL and EDL-Gen, remained stable at 7,000 kip (USD 0.87) and 4,750 kip (USD 0.59) respectively. The Cambodian CSX index continued to plunge by 11 points or 1.5% to 709.7 points on trading volume of 27,000 shares worth KHR 178.60 million (USD 43,882), with the PPWSA declining KHR 100 to KHR 6,600 KHR (USD 1.62).

The News

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Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	573.88	5.17	0.9%
Singapore	2,363.87	-35.89	-1.5%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,631.60	-0.75	-0.0%
Indonesia	4,142.34	43.22	1.1%
Philippines	5,307.66	29.76	0.6%
Vietnam	414.48	-0.52	-0.1%
Lao PDR	1,012.32	0.00	0.0%
Cambodia	709.68	-10.75	-1.5%

Per USD	Last	Chg	(%)
Baht	31.49	-0.00	-0.3%
Dong	20,870.00	5.00	0.0%
Kip	8,013.00	3.50	0.0%
Riel	4,078.60	-31.35	-0.8%
Kyat	874.25	2.03	0.2%

Per Baht	Last	Chg	(%)
Dong	662.88	1.89	0.3%
Kip	254.54	0.84	0.3%
Riel	662.88	1.89	0.3%
Kyat	27.77	0.14	0.5%

Source: Bloomberg

Cambodia – Local production struggles

Weak domestic production and rising demand led to a 28% year-on-year increase in imported foods and beverages to a total of US\$94.7 million during the first six months of the year, according to data from the Ministry of Commerce. This continued to widen the shortfall in the country's ability to meet domestic demand and also raises questions about the safety of local products. "It proves that our domestic production has not responded to the rise in demand, which could be due to the poor quality of local products. Domestic producers must step up not only quantity, but quality in order to capture the market", said Nguon Meng Tech director general of the Cambodia Chamber of Commerce. Robust economic growth and booming retail sales accounted for the rise in imported goods. Lower prices abroad – and easing inflation seen across the region – also led to more imports from neighboring countries. *Cambodia has however seen some notable progress on product exports this year. Cambodia Beer, produced by Khmer Brewery, recently announced that it would export to Japan. Cambodia's GDP per capita has improved during the last few years. However, it is still relatively low when compared with other countries in the region.*

Laos – Don't miss investment express, TDRI

Thailand should board the new train of investment in double-track and high-speed railways to transport its economy to a higher plateau, according to the Thailand Development Research Institute. As the government plans to upgrade the country's railway system and extend it to other Asian countries, the institute suggested that the country should not only import technology, locomotives and parts from foreign suppliers, but also look into the possibility of producing some parts of the trains itself. Thai, Chinese and Laotian governments should hold talks on linking up their rail networks, e.g. a route from Kunming in Southern China to Vientiane and on to Nong Khai. A rail line already reaches from Nong Khai to Thanalaeng in Laos and the two sides have recently agreed to extend it to Vientiane. Construction is expected to commence in a few months. However, the rail link with China has yet to take off due to the slow negotiations between China and Laos. *It is estimated that the developing transportation network to connect Kunming, China-Northern Laos and Bangkok, Thailand, would cut logistics costs and time by 60% and 45% (to 70 hours) during the development period of 2000-2015. This would lead to improving competitiveness and efficiency. In the 10 years from 2011-21, total border trade with Laos is expected to increase to Bt248.12 billion from Bt69.42 billion, while trade volume would multiply to 6.45 million tonnes from 1.8 million tonnes. Trade with Vietnam is estimated to increase to Bt6.82 billion and to 177,000 tonnes in volume from 37,000 tonnes last year, while border trade with China is forecast to jump to Bt34.95 billion from Bt8.59 billion and to 908,000 tonnes by volume from 223,000 tonnes. The TDRI views that bullet trains and rail linkages with Asean countries will boost border trade, especially with Laos via Mukdahan and Nong Khai in Northeast Thailand.*

Myanmar– India's Myanmar fascination

India's electricity supply is highly insecure; nearly 35% of its population does not have access to electricity while those that do suffer periodically from chronic power outages. In a recent report it was surmised that the acute shortage of electricity supply could stem primarily from inefficient generation of electricity – which in itself is due to a severe shortage of energy sources such as coal and natural gas. The present electricity generation mix is obviously grossly inadequate to meet the population's demand. It is thus imperative that options be explored for developing India's energy sources to an optimal extent. Natural gas is one source of electricity generation that is still vastly underdeveloped and one whose potential has yet to be explored adequately. While indigenous resources are limited, the nearby state of Myanmar could present an extremely important source of natural gas supply – gas which could be imported in the form of LNG or via a transnational gas pipeline from the fields of Myanmar into India for the long-term. *Myanmar has abundant oil and natural gas reserves. The visit of India's prime minister to Myanmar in May focused on cooperation in security, energy, connectivity and agriculture as the top item on the agenda. Investment from Indian companies in Myanmar's oil and gas sector as well as downstream projects in the petroleum industry would be encouraged, said Myanmar's president.*

Thailand – Lower gear for economic engine

The Bank of Thailand's (BoT) latest monthly economic indicators show clearer signs of an economic slowdown in Thailand. Besides private investment, nearly all of the economic readings have shifted to a lower gear. Given the deepening problems in the Eurozone and potential damage from the upcoming fiscal cliff in the US, we have revised down our 2012 export forecast to 8% YoY while cutting the consumption growth prediction to 5%. This results in a lower GDP growth forecast of 5.4% YoY from 5.9% previously (see full details in our upcoming report). With the stronger economic headwinds and softening inflation, there is an increasing chance that the BoT might start to consider providing a further monetary boost. We however think that this would not happen sooner than late this year or early 2013.