

The Market

Indochina index getting better but it needs blue chips to carry on

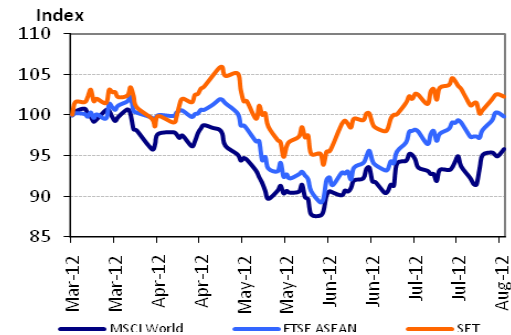
The VN index ascended slightly by 2.11 points or 0.51% to 418.21 points while Asian stock markets fell after the ECB announced it would hold interest rates at 0.75%. A total of 24.176 million shares worth 384.432 billion dong were traded, or USD 18.43 million. Prices of 101 stocks went up, 101 stocks slipped while 87 stocks remained unchanged.

For Lao PDR, the LSX Index tumbled 9.16 points or 0.89% to 1,016.40 points on trading volume of 17,573 shares worth 83.47 million kip (USD 10,440). The two listed companies closed mixed, with BCEL remaining at 7200 kip (USD 0.90) but EDL-Gen sliding by 50 kip to 4,750 kip (USD 0.59). The Cambodian CSX index climbed 11 points or 1.6% to 698.9 points on trading volume of 12,363 shares worth KHR 80.36 million (USD 19,759), with the PPWSA advancing 100 KHR to 6,500 (USD 1.59).

The News

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Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	571.65	0.33	0.1%
Singapore	2,455.60	26.65	1.1%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,635.04	1.59	0.1%
Indonesia	4,099.81	6.70	0.2%
Philippines	5,285.91	-7.49	-0.1%
Vietnam	418.21	2.11	0.5%
Lao PDR	1,016.40	-9.16	-0.9%
Cambodia	698.92	10.75	1.6%

Per USD	Last	Chg	(%)
Baht	31.48	-0.00	-0.1%
Dong	20,865.00	0.00	0.0%
Kip	8,018.00	4.00	0.0%
Riel	4,106.85	29.95	0.7%
Kyat	881.29	6.43	0.7%

Per Baht	Last	Chg	(%)
Dong	660.99	-0.86	-0.1%
Kip	254.10	-0.16	-0.1%
Riel	660.99	-0.86	-0.1%
Kyat	27.93	0.17	0.6%

Source: Bloomberg

Cambodia – Job security low as unemployment drops

The International Labour Organisation (ILO) released the latest data from its project Monitoring and Assessing Progress of Decent Work in Cambodia, showing that despite an improving environment, including low rates of official unemployment, 75% of workers are in vulnerable jobs. This includes the self-employed or 'own account' workers such as street stall holders and drivers but also unpaid family members, helping out relatives in business and at home. Over the past decade, political stability and rapid growth have resulted in the number of people living below the poverty line dropping from 36.1 to 30.1% and annual growth in labor productivity rising 4.4%. However, work is less solid, with more people working excessive hours than before. Basic wages, though they might seem high on paper – such as a garment worker's wage of \$US73 a month – could include attendance bonuses that weren't always paid, reducing the real wage. *The International Monetary Fund (IMF) predicted that Cambodia's GDP growth would reach 6.5% in 2012 based on buoyant garments exports, increasing tourist arrivals, and gradually-improving real estate and agricultural sectors. However, the lack of a skilled workforce has been one of the key constraints for Cambodia's economy. It is estimated that there are about 300,000 young Cambodians entering the labor market every year, but many of them do not have the required skills to meet the needs of the private sector. Cambodia has the youngest population in Southeast Asia, with people aged between 15-30 years old making up 33% of the 15 million population.*

Lao PDR– EDL Gen raises US\$200 million in second share offer

EDL-Generation Public Company (EDL-Gen) have raised about US\$ 200 million (about 1,611 billion kip) through the sale of 357.62 million new ordinary shares, its second share offer after US\$120 million IPO last year. This represents an increase in its registered capital from 868.60 million shares (par value 4,000 kip) to 1,226.22 million shares. The secondary offerings were comprised of a Rights Issue to existing shareholders of 210.85 million shares, and a Public Offering for 146.77 million shares at a per share price of 4,300 kip (approx. US\$ 0.54) and 4,800 kip (approx. US\$ 0.60), respectively. The Rights Issue was at a ratio of existing to new shares of four-to-one and the Public Offering was 1.7 times oversubscribed by domestic and foreign investors, due to, among other factors, EDL-Gen's strong fundamentals, strategic location, significant growth prospects and attractive dividend yield (11.0% for the fiscal year just ended). The proceeds from the offerings will be used to purchase ordinary shares in four independent hydropower plants, i.e., Theun Hinboun, Nam Ngum 2, Houay Ho and Nam Lik 1-2, which will increase the company's electricity capacity from 387 MW to 881 MW by the end of the year. BCEL-KT Securities Company Limited (BCEL-KT) acted as financial advisors and lead underwriters for the offering. *The completion of the share investment transfer of four operational IPPs in 3Q12 will be the key earnings catalysts this year. This will enable EDL-GEN to gain earnings momentum, with EPS growth of 30% in 2012. Meanwhile, strong sustainable earnings growth in '13 will be derived mainly from the full period earnings recognition of four IPPs. EDL-GEN's fully-diluted fair value in 2012 is estimated at LAK 10,227 (US\$ 1.28) based on DCF valuation. The valuation is based solely on projected cash flow generated by its existing projects and the acquisition of four operational IPP projects (including THXP), while excluding two hydropower assets currently in the construction phase as well as future expansion plans toward the achievement of 2,240 MW by 2020.*

Myanmar– Myanmar exports over 3 million tons of rice in four months

Myanmar exported 3.323 million tons of rice in the first four months (April-July) of the fiscal year 2012-13, local media reported Sunday. The exports were mainly done through border trade with China and Thailand as well as the Philippines and Indonesia. In 2011-12, Myanmar exported over 800,500 tons of rice, of which 75% were sold to Africa, Bangladesh, Indonesia and the Philippines. Myanmar has a total area of 8.1 million hectares for paddy cultivation with 17 million acres for monsoon cultivation and 3 million acres for summer cultivation. *Rice exports remain Myanmar's most crucial agricultural commodity as the country was once Asia's largest exporter of rice. Myanmar earned about US\$324 million from rice exports in 2011-12. The significant jump in the export figure was due in part to illegal trade through border trade camps to Thai and China, although authorities expect the official export figure to double to around 1.5 million tonnes as a result of the government pursuing reform to benefit overseas trade. Low quality rice mill and low crop yields are the key constraints for Myanmar's rice production.*

Vietnam – Vietnam to ease rules to lure stock investors

Vietnam plans to ease rules on equity trading and accelerate initial public offerings of state-owned companies this year to attract investors to a market that's valued almost 15 times less than Singapore's. The State Securities Commission is preparing to cut the minimum holding period for stocks. The regulator is also considering widening stock trading bands and starting an online auction system to boost volumes and speed up sales. However, an exact timeframe for the start of the new measures has not yet been specified. Vietnamese stocks are valued at \$37 billion, compared with \$552 billion in Singapore, Southeast Asia's largest market, even after the benchmark VN Index jumped 19 percent this year. The value of stocks changing hands on the Ho Chi Minh City Stock Exchange slumped 40 percent last month from June. Vietnamese companies raised about \$10 million from IPOs in the first half of this year, while Malaysia's IHH Healthcare Bhd. raised \$1.98 billion in an IPO in July. *It is believed that these are the right moves to make the market more competitive as well as attractive for investors. The VN Index has been the third-best performer in Asia this year, rebounding from a 27% loss in 2011. The gauge is valued at 9.9 times estimated profit, from a record low of seven times in January. The MSCI Emerging Markets Index traded for 10.4 times on Aug. 3.*