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SECTOR REVIEW

MONTHLY MORNING MEETING MAR 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

SOUTH EAST ASIA

THAILAND – 3.5 STARS (ATTRACTIVE)

- CPI rose to 4.1% y-o-y in Jan 10 after a 3.5% y-o-y increase in Dec 09 on rising food and transportation prices
- Jan 10 consumer confidence advanced to 71.9 from 70.4 in Dec 09
- Thai posted a 4Q 09 GDP growth of 5.8% y-o-y, 3.6% q-o-q on higher government expenditure, increased exports, and improved industrial sectors
- Customs exports grew by 30.8% y-o-y in Jan 10 after a 26.1% y-o-y growth in Dec 09 on stronger demand for agriculture and industrial products
- Political tension is accelerating upon court verdict on Thaksin's 76bn baht asset. Nevertheless, we view that any possible riot will be short-lived and any market weakness offers buying opportunity

MARKET OUTLOOK

Thailand's inflation rate jumped by 4.1% year-on-year in January 2010 on higher food and transportation prices. The sharp rise was partly due to last year's low base when prices fell due to global recession. Consumer confidence rose to 71.9 in January 2010 from 70.4 in December 2009. Exports continue to trend upwards with a 30.8% year-on-year increase in January 2010, boosted by key markets' orders for agriculture and industrial products.

According to the National Economic and Social Development Board (NESDB), annual GDP for 2009 contracted by 2.3% year-on-year, less than the earlier forecast of 3.0%. The country posted a GDP growth of 5.8% year-on-year and 3.6% quarter-on-quarter in fourth quarter of 2009 on higher government expenditure, increased exports, and improvement in industrial sectors, especially food and vehicle productions. Production capacity utilization in the industrial sector increased from 62.5% in 3Q 2009 to 67.2% in 4Q 2009. Private consumption growth turned positive for the first time since 4Q 2008 with a 1.9% year-on-year growth.

We believe that consumers and investors are still cautious about spending and investing as political uncertainties remain a grave concern. Political tension is rising upon court seizure of former prime minister, Thaksin Shinawatra's 76 billion baht asset on February 26. Investors are worried of possible riot by pro-Thaksin group and we believe that short term volatility in equity market is unavoidable. However, we view this short term weakness as a buying opportunity. We believe that Thailand's economic fundamentals remain unchanged. As an export-oriented economy, Thailand is set to benefit from a rebound in global demand. Positive prospect in private consumption and external trade should bode well for Thai economy.

Consensus earnings growth estimates for Thailand are 17.7%, and 10.9% for 2010 and 2011 respectively. This translates to a forward PE ratio of 13.2X and 11.9X for 2010 and 2011 respectively (as at 25 February 2010).

**RECOMMENDED FUNDS:
ABERDEEN THAILAND EQUITY FUND (CPFIS REGISTERED)**