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STAR RATINGS REVIEW

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

THAILAND (3.5 STARS - ATTRACTIVE)

1. Thailand's economy grew 12.0% y-o-y in 1Q10, the highest growth in 15 years. On a q-o-q seasonally adjusted measure, GDP for 1Q10 grew by 3.8% following a revised 4.0% in the previous quarter. The key supporting factor was robust expansion of goods and services exports which grew by 32.0%.
2. Exports surged by 42.1% y-o-y in May after a 35.2% gain in April, suggesting that May's political unrest has limited impact on the nation's export. External demand for all sub-sectors gained with the exception of rice and construction material exports which fell by 11.5% and 14.1% respectively.
3. Manufacturing production increased 21.3% in April despite protests erupting in the capital city, Bangkok. The increase marks an eighth consecutive months of positive y-o-y growth in manufacturing production. However, capacity utilisation fell from 75.0% in March to 62.3% in April and should provide sufficient buffer for further production growth.
4. Consumer confidence improved after falling for four straight months as worries of the political tension subsides. The consumer confidence index rose by 0.4 points to 67.6 in May, up from 67.2 in April. However, an index level lower than 100 indicates pessimism over economic conditions. Consumer confidence level will most likely remain suppressed until more clarity on the national reform is provided.
5. Inflation rose to 3.5% y-o-y in May after a 3.0% gain in April. The increase in prices comes mainly from food and energy products. Raw food prices increased 8.6% y-o-y while energy prices increased 12.1% y-o-y in May. In contrast, non food prices increased 2.8% y-o-y in May.
6. Anti-government protests which started back in April affected tourist arrivals, which fell to 1.1 million in April, down from 1.46 million in March. However, on a y-o-y basis, tourist arrivals gained 2.3% compared to April 2009, which incidentally, was affected by a protest in Pattaya which forced the nation to cancel a scheduled Fourth East Asia Summit. Tourist arrivals will likely fall further in May but should rebound in June if historical patterns post-protest persist.
7. After seeing net outflow of foreign investment in equities in April and May, the stock exchange of Thailand recorded a net inflow of 2146 million THB from foreign investors in June as of 25 June 2010. As concerns over political unrest in Thailand fades, investors are re-entering the market to capture the attractive opportunities unveiled by the market correction.
8. The actual date of proposed 2010 Thai general election remains uncertain after PM Abhisit Vejjajiva withdrew his initial offer of a 14 Nov 2010 election following the anti-government supporters' refusal to disband which led to more bloodshed in May 2010. The country remains in a state of emergency which is due to expire by 7 July 2010.
9. Thailand attracted strong investors' interest and it continue to be one of the top performing equity market at the end of 2Q10. As of 30 June 2010, the index recorded a 8.5% YTD return (in terms of local currency).
10. The consensus estimated earnings for SET index are 15.0% and 16.6% for 2010 and 2011 respectively. As of 30 June 2010, the SET index trades at a PE ratio 11.4X and 9.8X forecasted 2010 and 2011 earnings. Valuations remains undemanding based on 2011 earnings and we maintain the market at an "Attractive" rating of 3.5 stars.