

Thailand

Shine Amid Political Deadlock

MACRO | ECONOMY | EQUITY MARKET

Neutralweight

Rating:

Upgrade to NW from UW

Key takeaways

- Three-phase roadmap laid out and on track** – provide a pathway out of the political and social turmoil and to regain private sector sentiment and boost economic activity
- Sound fundamentals with economy expected to pick up in 2H2014** – 2014 GDP growth forecast at 1.5-2.5%, led by better private and public spending; a more proactive fiscal policy with prevailing accommodative monetary policy would lend support to the economy; a weakened baht would be able to underpin exports recovery
- Risks to monitor** – fears of persistent political instability, possible suspension of EU cooperation with Thailand, the energy reform, and the capital market tax overhaul may dampen the market sentiment
- Resilient market** – investors with higher risk tolerance may be able to seek bargain during the unrest. But SET is technically stretched – trading at slightly above its 52-weeks trailing P/E, and valued at 17.25x estimated 12-month earnings with a consensus earnings forecast growth to grow at 14.1% y-y. Therefore, there may be limited upside as share prices already reflect a positive outlook for the economy and corporate earnings.

Mutual Funds that proxy Thailand

- Fidelity Thailand Fund
- Aberdeen Thailand Equity Fund

ETFs that proxy Thailand

- Lyxor ThaiSET 10US\$x@ (P2P)
- Ishares MSCI Thailand Capped ETF (THD)
- X DBMSCITHAI (3092)

Key Market and Macro Data

	FY11	FY12	FY13	FY14F	Avg
EPS %y-y	30.00	-9.80	19.80	13.73	14.70
P/E , year avg	12.62	16.49	16.63	14.40	14.06
USD:Local Currency, year avg	30.47	31.05	30.70	33.00	36.54
Real GDP %y-y	0.08	6.49	2.89	1.65	4.09
Inflation %y-y	3.81	3.01	2.18	2.40	2.75
Policy Rate, year avg	2.98	2.94	2.54	1.88	2.56
Budget % GDP	-1.83	-3.66	-3.08	-2.25	-1.75
C % GDP	54.49	55.33	54.42	-	55.47
G % GDP	13.26	13.58	13.81	-	12.38
GFCF % GDP	26.27	28.53	26.73	-	26.34
X % GDP	76.94	74.98	73.57	-	72.26
M % GDP	-72.41	-73.85	-70.28	-	-67.47
CA % GDP	2.63	-0.40	-0.62	0.40	2.32
Total Govt. Debt % GDP	40.78	43.61	45.80	-	43.82
External Debt % GDP	30.78	36.35	36.09	-	35.10
Total Debt % GDP	-	-	-	-	-

Source: Bloomberg, CEIC, PSR est.

* “-” implies no information available

Remarks:

(1) Budget % GDP are calculated based on calendar year, not fiscal year of respective country

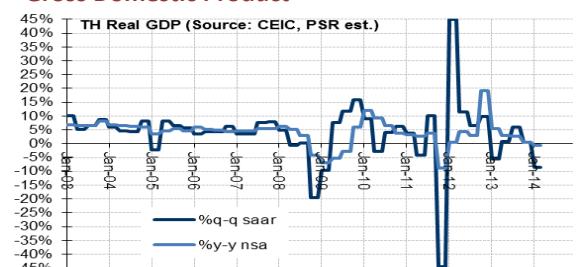
Stock Exchange Of Thailand Index



Bond Yields (10 Yr Yield and 2 Yr Yield)



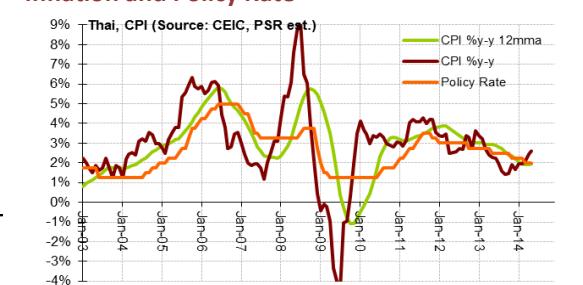
Gross Domestic Product



Foreign Exchange



Inflation and Policy Rate



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Thailand – Macro

27 June 2014

Executive Summary

Military Coup – Good for the Economy?

For years, the country has been roiled by political turmoil that staged two main political factions, the rural majority, which repeatedly elects a pro-rural government, and the political establishment, which includes bureaucrats, elites and the urban middle class. The recent event is Thailand's 18th coup since the 1930s with the previous one in 2006.

The country has had a caretaker government in place since December last year when parliament was dissolved, and elections in February 2014 were annulled. The imposition of martial law on May 20 grew into a full-blown coup by the army within the same week on May 22 and indicated that it would unlikely revert to civilian rule before mid-2015. Once all necessary reforms, including electoral laws, are completed, which may take about 15 months, then elections could be held.

Nonetheless, a clearer timeframe was later provided by the military junta, the National Council for Peace and Order (NCPO), led by the army commander, General Prayuth Chan-ocha. An interim government is expected to be formed in September, while an interim constitution and a legislative body were expected to be announced in October, to end the direct rule of the NCPO. The administration of the country will then be undertaken by a government and cabinet which will move the country in a direction very similar to the administration in normal circumstances. The interim government and legislative body were expected to take charge of the country for about one year.

Concerns over months-long political turmoil have rattled business confidence and slowed foreign investment in the nation. The economy has been surviving solely on the sluggish recovery of the export sector since the political deadlock. GDP contracted 0.6% y-y or 2.1% q-q in 1Q2014 – as tourism sector as well as private consumption and investment were hit. In the three months through March, consumption fell 2.1% on-year, while investment dropped 9.8%. Manufacturing slipped 2.7%, and construction slumped 12.4%.

Thailand's overall balance of payments remained positive in April, despite that current account has posted a small deficit of USD683 million, which was offset by large portfolio outflows and repayment of short-term trade-related credit. The current account registered a surplus of USD2.9 billion in March. Falling commodity prices and weakening Chinese demand continue to hurt the shipment of agriculture products. Thailand's exports fell 2.14% on-year to USD19.4 billion in May, while imports slumped 14% to USD20.2 billion. The country registered a trade deficit of USD808.8 million in May and a deficit of USD1.55 billion in the first five months. Exports in January-May were down by 1.22% compared to the same period a year ago. Nevertheless, exports would remain as the main growth driver this year. The Commerce Ministry has yet to revise their previous target of 3.5% growth for the entire year of 2014, as it believes in a more positive outlook going forward.

Meanwhile, manufacturing production index shrank for a 14th straight month in May by 4.1% on-year, following April's 3.9% contraction. The 14-month streak of annual declines in manufacturing output is also the longest since Industry Ministry data became available in 2001. Capital utilization, which measures how well-used factories are, was at 56.6% in April, down from a revised 64.5 percent in March while marking the lowest since December 2011 when there was severe flooding.



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Fig 1: Gross Domestic Product

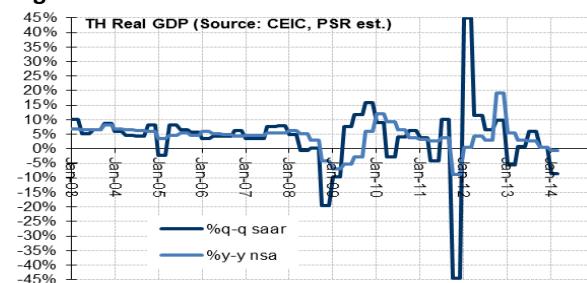


Fig 2: GDP Composition

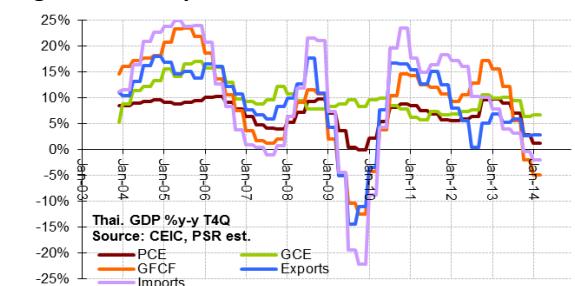


Fig 3: Current Account Balance & Trade Balance

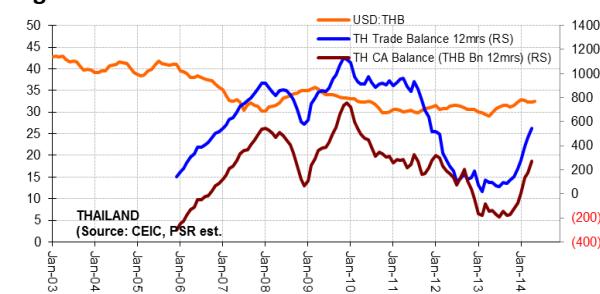


Fig 4: Exports & Imports

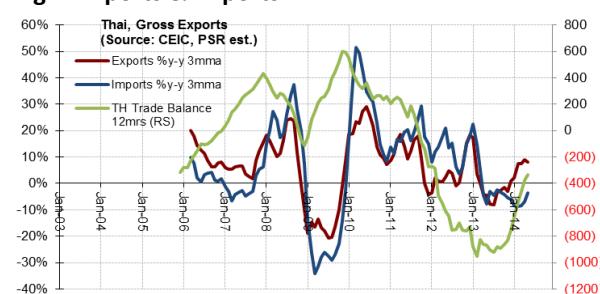
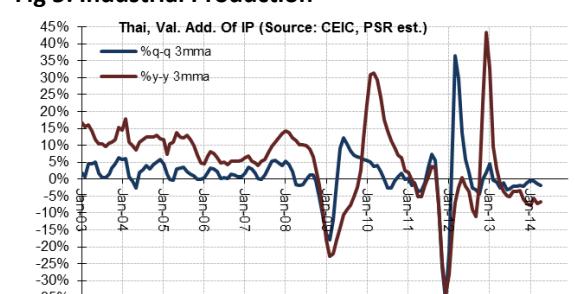


Fig 5: Industrial Production



While exports and tourism will continue to play a part, the junta's urgent plan of stimulating the economy through increasing domestic consumption via payment for farmers and the setting up of a fiscal budget for 2015.

The NCPO chairman planned to clear debts owed to all farmers under the rice-pledging programme on June 22. As promised, 80% of 600,000 farmers had received money already. Bank for Agriculture and Agricultural Cooperatives completes payments of 92.43 billion baht to more than 800,000 farmers who took part in the government rice purchase program. Payments may boost GDP by more than 0.2%, according to the junta's economic chief, Air Chief Marshal Prajin Juntong.

The junta expects to come up with an economic roadmap by July 1, and part of its short-term plan is to continue with some of the 350 billion baht in water management projects, mainly for flood prevention, and some of the 2 trillion baht in infrastructure projects, mainly the double-track railway and new train lines in Bangkok. These indications as well as the will to meet the deadline for completing the 2015 budget will demonstrate to foreign and domestic investors where the country is heading in terms of investment and thus help boost much needed confidence for investors.

Consumer confidence in Thailand rose to 70.7 in May after falling for 13 straight months, according to the private survey carried out by the University of Thai Chamber of Commerce. Consumer confidence index rebounded from April's 67.8, which was the lowest level since November 2001, after the army seized power and said it will end political unrest and revive a stumbling economy.

Meanwhile, in its attempt to restore business confidence and to revive the economy, the military has given itself two months to clear a backlog of applications from local and foreign investors to invest more than USD21 billion on project in Thailand. The newly appointed Board of Investment (BoI), chaired by Gen Prayuth, has already approved up to 120 billion baht worth of new investment projects out of the total 700 billion baht worth of pending investment projects in the pipeline.

Since the military coup, Thailand's overall economy has improved, as seen from an increase in investment value. According to the Federation of Thai Industries, the Thai Industries Sentiment Index rose for the first time in seven months to 85.1 in May, up from 84 in April. The tourism sector is also picking up, with a rise in tourist arrivals albeit that the Thailand Tourism Confidence Index has plunged to a new low since 2011 at 87 points in the second quarter. The junta has also lifted a curfew nationwide on June 13, citing the absence of any violence and the need to support the country's tourism sector. Tourism Council of Thailand (TCC) is hopeful that by the next quarter, the tourism sector could expand by 5% and that overall tourist arrivals this year could rise to 26.84 million, up from 26.6 million last year.

With the three-phase roadmap laid out, where:-

- (i) the first phase is to focus on attempts to foster national reconciliation, which includes having the pending budget disbursed and the new budget passed, so as to implement various economic stimulus measures;
- (ii) the second phase is the enactment of a temporary constitution, and the formation of a legislative council; and
- (iii) the final phase being the national elections under a democratic system accepted by all.

We upgrade to NW from UW on the back of renewed optimism of and more clarity of the timeline.



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Fig 6: Tourism Sector

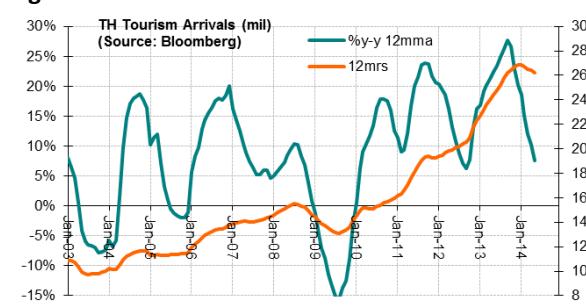


Fig 7: Exchange Rate against USD

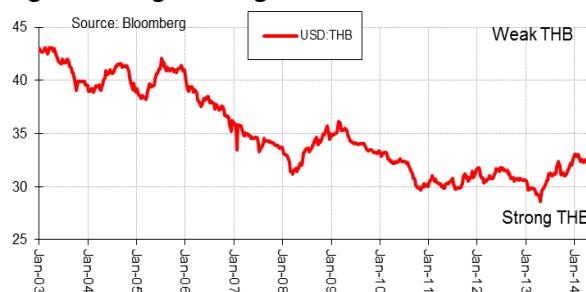


Fig 8: Inflation

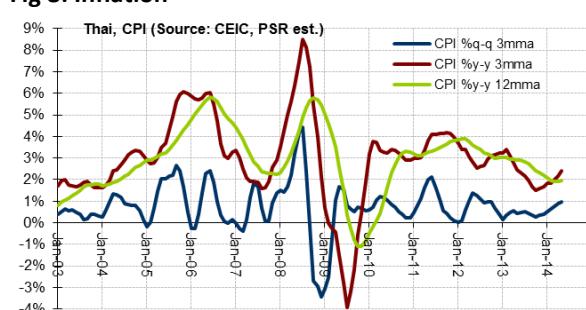


Fig 9: Business and Consumer Sentiment

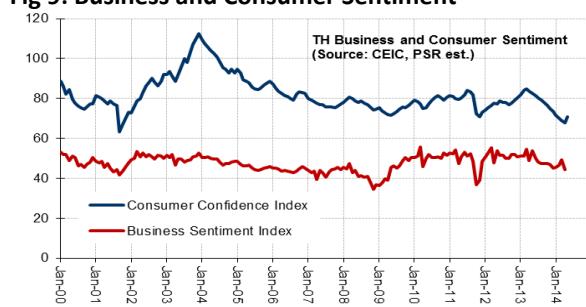
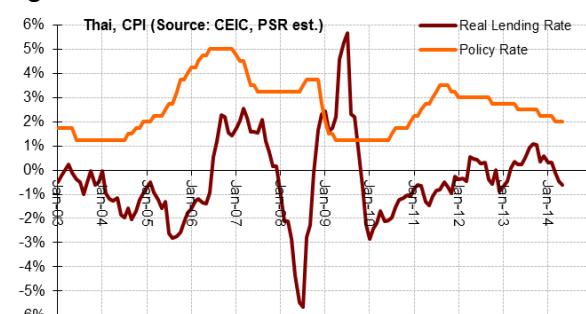


Fig 10: Interest Rates



2015 National Budget to Boost Investment and Government Spending

The national budget for the 2015 fiscal year has been set at 2.575 trillion baht, carrying a deficit of 250 billion baht, a slight increase from the current 2014 fiscal year. Revenue in the 2015 fiscal year is expected to be 2.325 trillion baht, said the Bureau of the Budget. The deficit budget framework was deemed necessary as it has to be in line with the current global economic situation and to stimulate the Thai economy, with investments account for no less than 17.5% of total expenditure in 2015. Nevertheless, the target of achieving a balanced budget in fiscal year 2017 will be maintained.

As the global economy has not yet recovered and the situation might adversely affect exports, investments, and domestic consumption, NCPO will closely follow up on the economic drive and prevent an economic downturn. In this regard, during the implementation of the 2015 national budget, further increases in government spending will be a key measure to stimulate the economy at all levels, increase consumption, and generate employment and income opportunities.

NCPO is expediting various investment projects that started in the 2014 fiscal year to benefit the general public and create an atmosphere conducive to investment. Among them are the mega-transportation projects, carried over from the previous defunct government, such as the planned extension of the electric train project and the dual-track railway project. The 2-trillion baht proposal of the former Pheu Thai Party-led government was revised to an infrastructure plan now totaling about 2.4 trillion baht. The revised proposal is expected to span over seven years, starting in 2015 and ending in 2022, with most railway projects being financed by the fiscal budget and loans, while most road projects will be funded by the fiscal budget and public-private partnerships (PPP). The first-year investment budget for the proposed 2.4 trillion baht infrastructure plan is expected to reach 100 billion baht. Details for these projects have been completed by the State Railway of Thailand and the Ministry of Transport, and submitted to NCPO for consideration.

A committee, which comprises the Bureau of the Budget, the Office of the National Economic and Social Development Board, the Office of the Auditor General of Thailand, the Office of the National Anti-Corruption Commission, and other relevant government agencies, was set up to review infrastructure projects for their transparency and efficiency in order to develop effective infrastructure systems to ensure the connectivity and continuity of the country's mass transit systems.

The budget allocations for fiscal 2015 will be finalized by June 27, and be presented to NCPO by July 15. The drafting of the budget bill can then take place, so that the budget will be ready for disbursement on October 1 as scheduled. Meanwhile, corporate, income and valued-added tax rate cuts would be rolled over, which would otherwise expire this year, to maintain household purchasing power.

Rice Pledging Scheme Scrapped, Finally

Rice subsidy scheme was the previous government main populist policy. By offering the Thai rice farmers a price 50% above the prevailing market price, created a strong electoral basis for the Pheu Thai ruling party of Yingluck Shinawatra.

However, within two years, the scheme turned sour as the highly subsidised prices has turned into a political and economic disaster – the scheme generated huge losses with billions of dollars while losing its world's number one rice exporter position and leaving a huge stockpile of unsold rice in warehouses.

In early May, prior to the military takeover of the Thai government, the National Anti-Corruption Commission (NACC) found Yingluck at least partially responsible for corruption related to the scheme. A subcommittee is examining the former prime minister's declared assets along with those of other cabinet members linked to the program. Farmers from neighboring rice-growing countries, including Vietnam and Cambodia, were illegally shipping their rice to Thailand to be sold at the higher prices. Rice millers are also under investigation for overstating rice stocks. The NACC is investigating losses of up to \$16 billion, with almost 3 million tons of rice missing from warehouses.

Gen Prayuth has dismissed all rice price-support schemes which failed to meet its objectives and provide direct benefits to the farmers. The military leader also pledged to seek alternative measures to boost agricultural development and supports to the farmers.

Generally, it was agreed that decreasing the cost of production was the most viable and sustainable method. The NCPO is targeting to cut the prices of production factors, especially chemical fertilizers, pesticides, rice seeds, harvesting equipment and land rental. The NCPO has also resolved to provide rice farmers with a loan of 50,000 baht, with an interest rate of only 3%. Moreover, the agricultural zoning policy as well as the rice disaster insurance scheme will be pushed forward while a national rice and farmers fund will be established to help the farmers when prices of rice undergo a slump.

Thailand is predicted to return as the world's largest rice exporter, eclipsing the current market leader, India. The U.S. Agriculture Department said Thailand is forecast to be the largest rice exporter again by 2015, shipping almost 10 million tons – the highest since a record of 10.6 million tons in 2011 prior to the rice-price scheme.

Capital Markets Tax Reform on the Cards

Stock Exchange of Thailand (SET) plans to consider capital market tax reform, in particular, the imposition of a tax on short-term capital gains (i.e. placing a tax on gains from the selling of shares held for a short time). The proposed tax will be discussed at a meeting of the stock exchange's board early next month and would take around three months to conclude the issue.

A capital gains tax is deemed a double edged sword as it has both pros and cons. It can reduce stock speculation and stabilize the market, but at the same time, it will also imply a higher cost to both companies and investors, making stock investment less attractive.

Eyes on Energy Price Revamp

Energy reform plan is another key issue to watch after.

The National Energy Policy Council (NEPC) was established by the NCPO early this month, to formulate criteria and conditions for setting energy prices to ensure fairness to all. NEPC will recommend policies for the junta in managing and formulating a national development policy. The council is also authorised to speed up plans by energy-related committees and coordinate with state enterprises and the private sector.

The reform of petrol and liquefied petroleum gas price structure is scheduled to be concluded at the end of this month (June 2014), while the overall energy policy reform was set to be completed within six months.

The current energy prices are kept low via subsidies and was critiqued as just another populist policy. The energy pricing restructure is expected to advocate a more realistic retail price of energy which reflect actual cost prices. Currently, the NCPO has decided to keep the prices of diesel and cooking gas unchanged until the reform is finalized to curb the cost of living in the short term.

Other Repercussion: International Relations

Thailand's relations with foreign countries also need to be closely monitored after the military regime provoked concern among businesses, trade partners, human rights groups, and foreign governments including the US, UK, Japan, Australia and the European Union (EU).

A key trade and political ally of Thailand, the US has openly condemned the coup, freezing \$3.5m in military aid and suspending military drills. The EU may review its cooperation with Thailand until the new elections will be held.

Conclusion

Thailand's prolonged political turmoil has taken a toll on its economy, as GDP shrank 0.6% in the first quarter with a currency slump of 1.3% and growth projection at its lowest in years. The Bank of Thailand (BOT) cut down the nation's 2014 GDP growth forecast to between 1.5-2.5% from 3.0-4.0%. However, the official said the central bank's GDP growth projection is relatively low when compared to over 2% growth forecast by other agencies.

On a positive note, despite different forecasts, it was agreed that the economy this year would pick up in the second half. Thai economy would not face a technical recession as the economy in June was starting to recover, resulting in the possibility that growth in the second quarter would be better than the first quarter. The official expectation is to see a recovery or a 3.4-3.5% growth in the next two quarters, attributing the growth to the timely disbursement of the 2015 government budget, better consumption and investment in the private sector as well as higher consumer confidence. In addition, exports should be able to lend some support to the economy growth amid weakening THB and improvement in global economy.

Thailand's consumer price index (CPI) continued its upward trend and hitting a 14-month high in May as headline inflation rose 2.62%, driven up by higher food and energy prices, after a 2.45% gain in the preceding month. Meanwhile, core inflation, which excludes volatile energy prices, marked its highest level in 17 months as it increased 1.75% on-year from April's 1.66%. Nevertheless, the figure remains within the target range of 0.5-3.0%, set by the Bank of Thailand. For the first five months of this year, Thailand's inflation rose 2.21% while core inflation was up 1.4%. The Commerce Ministry expects the country's inflation to average 2.25% in the first half of 2014 and 2.4-2.6% in the second half. For the whole of 2014, the inflation target remains at 2.8%.

The Bank of Thailand (BOT) kept its benchmark interest rate unchanged at 2%, citing an expected pickup in economic recovery as the military government has sought to shore up growth. More active fiscal policy and prevailing monetary-policy accommodation should lend support to a sustained economic recovery.

The consensus forecast for 2015 normal GDP growth rate of the four major economic agencies — the Budget Bureau, the Bank of Thailand, the Finance Ministry and the National Economic and Social Development Board, is at 6.3% with inflation of 2.3%.

Equity Market & Credit Market

Equity Market

Although Thailand's equity market witnessed outflows of over USD1 billion in May, the market ended with almost 14% gain for the year-to-date. Thai stocks remain resilient and have outgained some of the regional peers, as investors generally are sanguine about the army seized control of the government on May 22.

Renewed optimism on a revival of domestic consumption and investment over increased political stability and as the new military leaders are looking at ways to boost economic growth, including making overdue payments to rice farmers and passing the 2015 budget on time. The clearer measures to spur the economy heighten investor sentiment. Investors adjusted positions after sell-offs in H2 2013, although they probably won't aggressively buy the baht or Thai assets.

However, the surge in stocks in calendar year 2014 which sent the benchmark SET Index into a bull market may have gone too far, too fast. The cloud of uncertainties both at home and abroad may limit the room for upside in the SET index. At the moment, the planned overhaul of capital market tax structure, especially short-term capital gains tax, may dampen market sentiment as concerns will persist until clarity emerges. The SET is expected to conclude the above tax reform plan within three months.

Overall market's valuation is quite high and most share prices already reflect a positive outlook for the economy and corporate earnings. The SET is trading at slightly above its 52-weeks trailing P/E, and valued at 17.25x estimated 12-month earnings with a consensus earnings forecast growth to grow at 14.1% y-y. The SET's 14-day relative strength index was trading near the 70 level – a signal an asset is overbought. Some are waiting for share prices to make another correction where it will presents a good entry point to buy at a cheaper level. Investors may wish to monitor if the fears about the possible suspension of EU cooperation with Thailand and the energy reform, may resurface and lead to a sell-off.

Credit Market

Persistent political instability remains a risk which may continue to hamper near-term economic outlook despite Thailand's generally sound fundamentals (e.g. overall solid external profile, fiscal management and government debt, and a track record of effective monetary policy, etc.). On a positive note, Thailand's economy proved relatively resilient despite years of political uncertainty.

A more proactive fiscal policy, especially developing infrastructure, is key to boost the economy given the fact that industrial production has been on a declining trend since the dramatic flooding of October 2011, while private consumption has been hurt by deteriorated consumer confidence and also constrained by an elevated household debt burden and subdued income growth. Meanwhile, the prevailing loose monetary conditions could also lend some support to a sustained economic recovery.

Moody's Investors Services has recently affirmed Thailand's sovereign rating of 'Baa1', with a 'stable' outlook, but also cited that the military coup would not ease downward pressure on the country's GDP.

While the European Central Bank announced to inject more liquidity into the system, Euro carry trade is less expected to prompt foreign capital to flow into Thailand, given the baht may not appreciate to be attractive enough for investment and there is less chance of the Monetary Policy Committee cutting its policy rate. Given the forward guidance, the policy rate is expected to be left unchanged at 2% for the rest of this year.

Fig 11: Stock Exchange Of Thailand Index

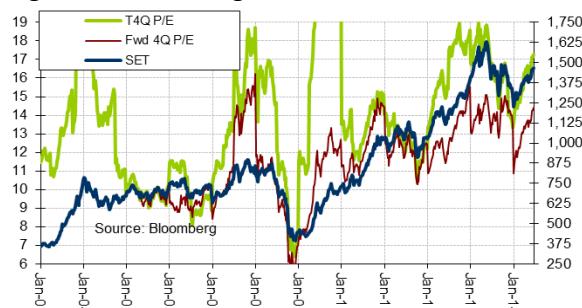
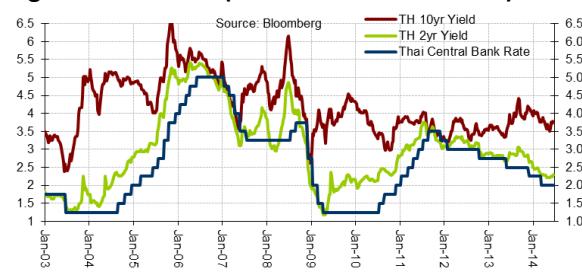


Fig 12: Bond Yields (10 Yr Yield and 2 Yr Yield)



Overview

S/N	Topic	Sub-Topic	Current	Forecast/ Direction	+ / Neutral / - Outlook
1	Economy overview	Gross Domestic Product	<ul style="list-style-type: none"> Shrank 0.6% on-year in 1Q2014, following a slump in consumption and investment in light of political impasse. In the three months through March, consumption fell 2.1% on-year, while investment dropped 9.8%. Manufacturing slipped 2.7%, and construction slumped 12.4%. On a q-o-q basis, the Thai economy contracted 2.1% in 1Q2014, after posting a revised 0.1% expansion in 4Q2013. Total visitor arrivals to the country declined 20% after martial law was declared May 20. Meanwhile, manufacturing production index shrank for a 13th straight month in April by 3.9% on-year, following March's revised 10.5% contraction, bringing the index to its lowest point since December 2011. The 13-month streak of annual declines in manufacturing output is also the longest since Industry Ministry data become available in 2001. Capital utilization, which measures how well-used factories are, was at 56.6% in April, down from a revised 64.5% in March while marking the lowest since December 2011 when there was severe flooding. 	<ul style="list-style-type: none"> Recovery in local consumption and an acceleration of state spending following economic stimulus, budget disbursement and the preparation of the fiscal 2015 budget. Business sentiment and consumer confidence rebounded over optimistic political developments. The state planning agency, National Economic and Social Development Board (NESDB), has cut its expansion forecast for this year to 1.5-2.5% from a range of 3-4% earlier, and lowered the export growth estimate to 3.7% from 5-7%. Total investment may fall 1.3% this year from an earlier prediction of a 3.1% increase. 	Neutral

	Inflation	<ul style="list-style-type: none"> CPI continued its upward trend and hitting a 14-month high in May as headline inflation rose 2.62%, driven up by higher food and energy prices, after a 2.45% gain in the preceding month. Meanwhile, core inflation, which excludes volatile energy prices, marked its highest level in 17 months as it increased 1.75% on-year from April's 1.66%. Nevertheless, the figure remains within the target range of 0.5-3.0%, set by the Bank of Thailand. For the first five months of this year, Thailand's inflation rose 2.21% while core inflation was up 1.4%. 	<ul style="list-style-type: none"> The Commerce Ministry expects the country's inflation to average 2.25% in the first half of 2014 and 2.4-2.6% in the second half. For the whole of 2014, the inflation target remains at 2.8%. 	+
	Interest Rate	<ul style="list-style-type: none"> The Bank of Thailand (BOT) kept its benchmark interest rate unchanged at 2%, citing an expected pickup in economic recovery as the military government has sought to shore up growth. 	<ul style="list-style-type: none"> Prevailing monetary policy is accommodative given the current economic situation. 	+
2	Balance of Payment review and outlook	<p>Current Account</p> <ul style="list-style-type: none"> Thailand's overall balance of payments remained positive in April, despite that current account has posted a small deficit of USD683 million, which was offset by large portfolio outflows and repayment of short-term trade-related credit. The current account registered a surplus of USD2.9 billion in March. Falling commodity prices and weakening Chinese demand continue to hurt the shipment of agriculture products. Exports fell 2.14% on-year to USD19.4 billion in May, while imports slumped 14% to USD20.2 billion. The country registered a trade deficit of USD808.8 million in May and a deficit of USD1.55 billion in the first five months. Exports in January-May were down by 1.22% compared to the same period a year ago. 	<ul style="list-style-type: none"> The BOT has forecast 0.5% contraction in 1H2014. Nevertheless, exports would remain as the main growth driver this year. The Commerce Ministry is yet to revise their previous target of 3.5% growth for the entire year of 2014, as it believes in a more positive outlook going forward. 	Neutral

3	Equity Market and Credit Market outlook	Equity Market	<ul style="list-style-type: none"> • Thai stocks remain resilient – market ended with almost 14% gain for the year-to-date and have outgained some of the regional peers. • Investors generally are sanguine about the army seized control of the government on May 22. • Renewed optimism on a revival of domestic consumption and investment over increased political stability and as the new military leaders are looking at ways to boost economic growth, including making overdue payments to rice farmers and passing the 2015 budget on time. The clearer measures to spur the economy heighten investor sentiment. • Overall market's valuation is quite high and most share prices already reflect a positive outlook for the economy and corporate earnings. The SET is trading at slightly above its 52-weeks trailing P/E, and valued at 17.25x estimated 12-month earnings with a consensus earnings forecast growth to grow at 14.1% y-y. The SET's 14-day relative strength index was trading near the 70 level – a signal an asset is overbought. 	<ul style="list-style-type: none"> • The surge in stocks in calendar year 2014 which sent the benchmark SET Index into a bull market may have gone too far, too fast. The cloud of uncertainties both at home and abroad may limit the room for upside in the SET index. At the moment, the planned overhaul of capital market tax structure, especially short-term capital gains tax, may dampen market sentiment as concerns will persist until clarity emerges. The SET is expected to conclude the above tax reform plan within three months. • May wait for share prices to make another correction where it will presents a good entry point to buy at a cheaper level. Investors may wish to monitor if the fears about the possible suspension of EU cooperation with Thailand and the energy reform, may resurface and lead to a sell-off. 	Neutral
	Credit Market		<ul style="list-style-type: none"> • Generally sound fundamentals • Thailand's economy proved relatively resilient despite years of political uncertainty. • A more proactive fiscal policy, especially developing infrastructure, is key to boost the economy. • The prevailing loose monetary conditions could also lend some support to a sustained economic recovery. • Moody's Investors Services has recently affirmed Thailand's sovereign rating of 'Baa1', with a 'stable' outlook, but also cited that the military coup would not ease downward pressure on the country's GDP. 	<ul style="list-style-type: none"> • Persistent political instability remains a risk which may continue to hamper near-term economic outlook. • While the European Central Bank announced to inject more liquidity into the system, Euro carry trade is less expected to prompt foreign capital to flow into Thailand, given the baht may not appreciate to be attractive enough for investment and there is less chance of the Monetary Policy Committee cutting its policy rate. • Given the forward guidance, the policy rate is expected to be left unchanged at 2% for the rest of this year. 	Neutral

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