

# Thailand Update

## Monthly Commentary

February 2012

### Market Overview

- Thai equities rallied in January, tracking most stockmarkets worldwide, on the back of improved sentiment following news of government's expansionary fiscal plans.
- The cabinet approved about 400 billion baht in spending for 128 infrastructure-upgrading projects in the north and in post-flood repairs. It also permitted the transfer of 1.14 trillion baht of the Financial Institutions Development Fund's (FIDF's) liabilities to the central bank, which caused a sell-off in banking shares on fears that they would be subjected to higher fees.
- November economic data continued to suffer from the impact of the floods. Manufacturing production decelerated by almost 50% year-on-year, while exports contracted. On a positive note, unemployment was less severe than expected, while December inflation eased, which allowed the Bank of Thailand (BoT) to lower the benchmark repo rate by 0.25% to 3% to stimulate domestic demand.
- In politics, prime minister Yingluck Shinawatra's reshuffled cabinet received royal endorsement. Notably, deputy prime minister and commerce minister Kittiratt Na-Ranong will replace Thirachai Phuvanatanarubala as finance minister, while retaining his post as deputy prime minister.

### Model Portfolio News

There were no major changes to the portfolio in January.

Note:

Any changes refer to those of our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.

### Corporate News

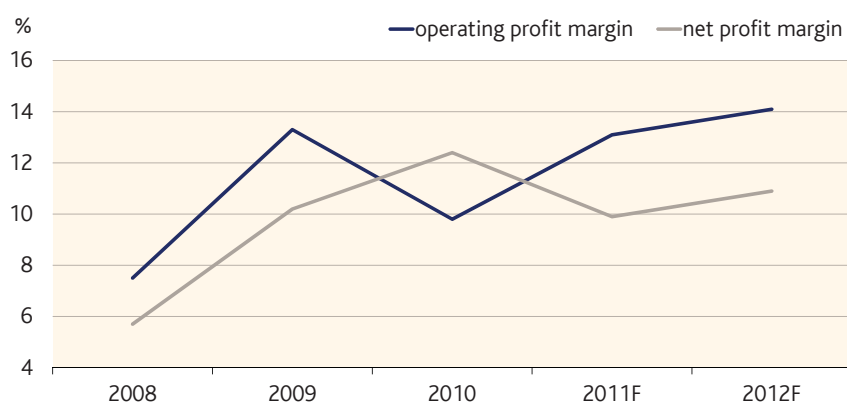
In corporate news, **PTT Exploration & Production** will invest US\$19.6 billion over the next five years to increase production by 22% as the company looks for foreign opportunities. **Banpu** plans to raise US\$300 million via foreign bonds, its first overseas offering in 16 years, to fund its investments and repay debt; it will invest about US\$1.03 billion over the next four years to increase coal production in Australia, Mongolia and Indonesia. **BEC World** maintained its leadership in advertising expenditure via free-TV for the second consecutive month. Toronto-

based Fairfax Financial Holdings will acquire a 25% stake in **Thai Reinsurance**.

Full-year results were generally solid. **Kasikornbank** and **Siam Commercial Bank** posted sound profits in line with expectations, led by higher loans and decent margins, while **TISCO Financial Group**'s profits rose 13% amid narrower margins, lower brokerage income and a one-off tax charge in the fourth quarter.

We hold all the companies highlighted.

### Focus: Impact of floods on our holding – Siam Cement



Source: Company data, DBS Vickers, Oct 11

Industrial conglomerate Siam Cement managed to avoid major damage from recent floods. The company's main production facilities are outside flooded areas. While temporary shutdowns caused by supply disruptions may lead to a slowdown in exports, we expect they will have a limited impact on full-year results. Reconstruction and government spending should anyway boost demand for cement and petrochemicals. In addition, both main crackers at its petrochemicals unit have remained in full operation.

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