








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FUND MANAGERS UNRUFFLED BY THAI COUP

27/09/2006

by Vasu Menon

Despite the recent coup in Thailand, fund managers remain positive about the the country's stock market.

Economic meltdown looks unlikely

Initial fears that the coup in Thailand will lead to an economic meltdown akin to the 1997 Asian financial crisis appear to be unfounded.

Fund managers are quick to point out that Thailand has been recovering steadily ever since the 1997 crisis. Aberdeen Asset Management observed that Thailand's economic growth was a buoyant 5.5 per cent in the first half of the year while its reserves stand at a healthy US\$59.4 billion.

DBS Asset Management is also quick to differentiate the current post-coup situation from the 1997 crisis. The fund manager highlighted that the Thai economy, like many of its Asian counterparts, has implemented structural reforms including measures to aggressively reduce reliance on external debt. This reduces the economic impact of any external currency crisis or major foreign capital outflows.

Any sell-off seen as a buying opportunity

Emerging markets guru, Dr. Mark Mobius of Templeton Asset Management, noted that "Since 1932, the country has had 18 coups or attempted coups, more than 20 general elections, and 31 prime ministers. The last coup was in May 1992. The market fell 8 per cent in the first week but rebounded by more than 30 per cent in the next eight months." He maintains that the long-term outlook for Thailand is good and he plans to add more Thai holdings to his portfolios if share prices fall.

He is not alone in this view. First State Investments sees any downturn as an opportunity to increase its existing positions in defensive Thai counters with good fundamentals.

Other fund managers like Prudential Asset Management also expressed confidence in the Thai economy, commenting that there is "little linkage between the solid economic fundamentals and the political situation – at least at this stage." Prudential believes that "any repeat of a Thai currency crisis seems remote."

"We remain overweight on the Thai bourse and we are looking to buy stocks that we like at cheaper levels," added Prudential.

Lion Capital is also unfazed about the country's medium-term outlook.

It said: "We believe that any major sell-off in the market should present a buying opportunity. This is based on our assessment that economic fundamentals for Thailand appear to be turning around in light of lower oil prices and a potential easing of monetary policy."

Looking beyond political concerns, HSBC Investments also highlighted that the Thai bourse, which has been a laggard in Asia, could benefit if oil prices head lower or if the country's central bank cuts interest rates as expected in the first quarter of next year. It sees that latter auguring well for banks and property developers.

"The market is also attractively valued versus its Asian peers; it trades at a price/earnings ratio of 10 times, with a dividend yield of 4 per cent" said the fund manager.

But don't throw caution to the wind

Despite the generally positive long-term prognosis for Thailand, some analysts are cautious about the short-term outlook.

They say that it remains to be seen if the new interim government will be as willing to push ahead with the previous government's public spending commitments including public infrastructure projects worth some US\$45 billion.

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Vasu Menon
Chief Editor

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