

## Thailand: Puea Thai wins the Elections

### Summary

*Puea Thai secured a resounding victory at the Thai elections on 3 July 2011, winning a majority of 265 seats in Parliament out of 500, compared to outgoing Prime Minister Abhisit Vejjajiva's Democrat Party 159 seats.*

*Within 30 days, Parliament should convene to select the House Speaker, who will then nominate the candidate for Prime Minister who is most likely to be Yingluck Shinawatra, Thakin's sister.*

*The strong mandate won by the Puea Thai is a short term positive for the market as a strong government is preferred to a power struggle between opposing camps if there is a narrow margin of win. However, there is still lingering uncertainty as to how the various stakeholders will respond to the election outcome.*

*We are cautious in Thailand, as we view that the risk-reward is finely balanced. Over the last twelve months, the Thai market's discount to the region has narrowed as the political situation stabilized and the economy delivered strong GDP growth, riding on the back of recovery of global trade. Current valuations are less attractive on a relative basis. However, we will turn more positive if the election outcome is accepted, the Election Committee finalises the election results and Parliament convenes without delay. In that case, sentiment would improve on the back of stability in the political climate and reduced risk of intervention and violence.*

*The economic policies proposed by Puea Thai are fairly expansionary. These measures, if implemented fully, are likely to lead to higher inflation in Thailand while the rest of the region could see moderating inflation. In terms of sector preferences, we view banks as beneficiaries of improving loan growth, and valuations are still attractive.*

## Thailand: Puea Thai wins the Elections

Puea Thai secured a resounding victory at the Thai elections on 3 July 2011, winning a majority of 265 seats in Parliament out of 500, compared to outgoing Prime Minister Abhisit Vejjajiva's Democrat Party 159 seats. While opinion polls had seen Puea Thai's popularity gaining weeks into the elections, the results were surprising as most analysts did not anticipate the margin of win by the Puea Thai to be as large.

Puea Thai, linked to fugitive ex-Prime Minister Thaksin Shinawatra, has also asked several smaller parties to form a coalition government with over 290 seats, giving them a comfortable cushion in Parliament such as surviving a 'no confidence' vote.

Within 30 days, Parliament should convene to select the House Speaker, who will then nominate the candidate for Prime Minister who is most likely to be Yingluck Shinawatra, Thakin's sister. At issue is whether there will be any intervention that will prevent Puea Thai from forming the government or Yingluck from being Prime Minister, whether now or in future. The election results have yet to be finalised by the Election Committee which can still disqualify candidates or parties if there is evidence of irregularities such as vote-buying or allegiance to banned politicians. The military and the monarchy thus far have kept silent on the elections, with the calm reaction suggesting acceptance of the results at this point.

A Puea Thai-led coalition government would be seen as more democratic than a single party government and welcomed by the market and other stakeholders. Assuming the Puea Thai forms a coalition government, one key issue that would affect the medium term stability of this government would be how soon Puea Thai will push to grant amnesty to Thaksin, and the reaction of various stakeholders including the military, monarchy, Bangkok elite and yellow shirt protestors.

## Strategy

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The economic policies proposed by Puea Thai are fairly expansionary. These include raising minimum wages, reducing corporate income taxes, THB10 trillion infrastructure spending and higher subsidies for farmers. These measures, if implemented fully, are likely to lead to higher inflation in Thailand while the rest of the region could see moderating inflation. In terms of sector preferences, we view banks as beneficiaries of improving loan growth, and valuations are still attractive.

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