



STAR RATINGS REVIEW

MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

THAILAND (3.5 STARS - ATTRACTIVE)

- 1) The Thai equity market (as represented by the SET Index) currently trades at an estimated PE ratio of 7.4X for 2009 and 7.1X for 2010. On a price-to-book (PB) basis, the market trades at a PB ratio of 0.96X (as at 31 Mar 09).
- 2) Earnings growth for 2009 and 2010 are expected to be 6.8% and 15.9% respectively, factoring in the impact of inventory write-downs by companies in the oil and gas space in 2008. This has resulted in a lower base which may allow for positive 2009 earnings growth, despite the weak global economy.
- 3) GDP declined by 4.3% year-on-year in 4Q 08, resulting in growth of just 2.6% for the whole of 2008. The global economic outlook is now more negative than before, and the Fiscal Policy Office now expects Thailand's economy to contract by between 2 to 3% in 2009, from earlier estimates of a 0-2% contraction.
- 4) Private consumption declined 2.4% m-o-m in Jan 09, after a 1.1% m-o-m increase in Dec 08, and is 6.1% lower than the peak in Sep 08. Consumption represents just over 50% of Thai GDP, so it is worrying that consumption has slowed so far in 2009.
- 5) Like most of the exporting Asian countries, Thai exports have been impacted. Customs exports declined 14.6%, 26.5% and 11.3% y-o-y in Dec 08, Jan 09 and Feb 09 respectively, as global demand slowed.
- 6) Imports also declined, with a hefty 40.3% y-o-y decline in Feb 09. This follows a 37.6% y-o-y decline in Jan 09. Rising oil prices may stem the huge import declines, but overall import demand may remain weak if manufacturers continue to draw down on inventory and external demand slows further. Capacity utilisation was only 57.1% in Jan 09, down from the revised 57.3% in Dec 08.
- 7) After a series of rate cuts, the benchmark one-day repurchase rate now stands at 1.5%, the lowest since Aug 04. The rate has been cut aggressively by 2.25% since Dec 08, signalling the BoT's aggressive stance on monetary easing. The rate may be lowered further in subsequent months as Thailand faces its first annual contraction since 1998.
- 8) Despite the low valuations, we feel that the political overhang is likely to weigh on Thai equity sentiment and the market is likely to underperform in a market recovery, given the many other attractive investment opportunities in the region. We are thus downgrading the Thai equity market to 3.5 stars (attractive).