

# Thailand Elections

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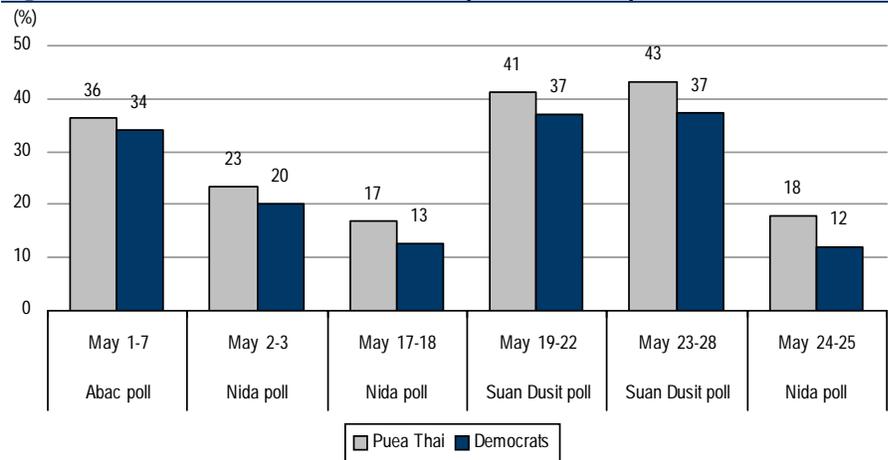
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**STRATEGY**

## Early advantage to Thaksin

**Figure 1: Thaksin leads in all nationwide polls over the past month**



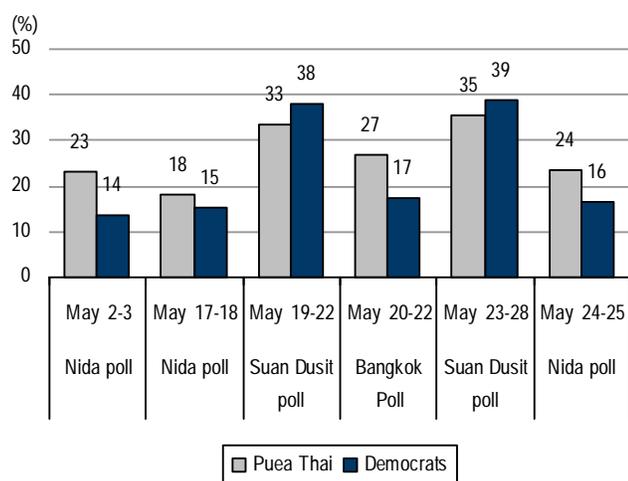
Source: Nida, ABAC Poll, Suan Dusit Poll

- **We are taking a less optimistic view on the market.** We still are positive on the economy, earnings and prospects for tax cuts, but recommend taking a more neutral stance on Thailand. Even as it peaks elsewhere, inflation continues to rise in Thailand, and we are at a more mature stage of the interest rate cycle. Relative valuations are above February levels, when we started to recommend the market aggressively. We have conducted a thorough analysis of the public opinion surveys of the past month, and give Thaksin a significant advantage. We see no major policy differences between the two large parties, but expect the market to react negatively if Peua Thai forms a government.
- **Valuations are discounting low political risk.** Our preferred indicator of the political risk discount says that the market is still pricing in a market-friendly election outcome. Some in the market seem to believe that politics is a sideshow, whereas our analysis indicates that politics matters considerably for both the economy and market multiples.
- **We are neutralising our model portfolio.** Although we still like the fundamentals of banks, property and tourism-related stocks, we see these sectors as the most sensitive to revived concerns over politics, and have reduced weightings. We have increased weightings in petrochemicals, utilities, CPALL and select energy stocks. With roughly half its earnings coming from petrochems, SCC is also attractive in the current environment of uncertainty. As the sector most widely owned by foreigners, banks could suffer the most from an election-driven sell-off.

**DISCLOSURE APPENDIX CONTAINS ANALYST CERTIFICATIONS AND THE STATUS OF NON-US ANALYSTS. FOR OTHER IMPORTANT DISCLOSURES, visit [www.credit-suisse.com/researchdisclosures](http://www.credit-suisse.com/researchdisclosures) or call +1 (877) 291-2683.**  
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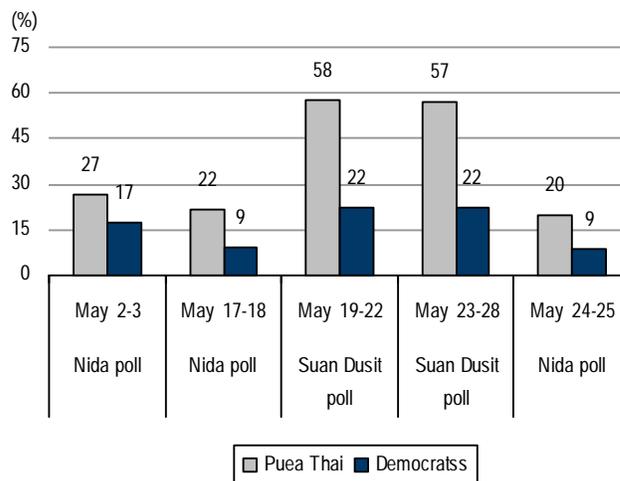
# Focus charts and tables

**Figure 2: Thaksin surprisingly strong in Bangkok polls**



\*Results for Bangkok only  
Source: Nida, Suan Dusit Poll, Bangkok Poll

**Figure 3: Polls show north + northeast voters still solidly pro-Thaksin**



Source: Nida, Suan Dusit Poll

**Figure 4: Seat counts under various raw vote scenarios**

Raw party list votes	Democrat seats	Thaksin seats	Outcome
Democrats lead by 5 p.p.	203	152	Democrats lead government as largest party
Democrats lead by 4 p.p.	201	162	Democrats lead government as largest party
Democrats lead by 3 p.p.	195	177	Democrats lead government as largest party
Democrats lead by 2 p.p.	189	189	Democrats lead government as largest party (tied)
Democrats lead by 1 p.p.	186	198	Democrats lead government as second largest party
Tie	180	210	Democrats lead government as second largest party
Thaksin leads by 1 p.p.	175	218	Democrats lead government as second largest party
Thaksin leads by 2 p.p.	172	226	Democrats lead government as second largest party
Thaksin leads by 3 p.p.	167	233	Democrats lead government as second largest party
Thaksin leads by 4 p.p.	160	239	Thaksin government
Thaksin leads by 5 p.p.	157	248	Thaksin government

Source: Credit Suisse

**Figure 5: Our forecast of how "undecided" respondents will vote**

Undecideds + no answer (%)	Number of district seats (new system)	National district seats	District seats as % of total	Weighted undecideds + no answer (%) (undecideds x district seats as % of total)	2007 party list votes			Allotment of seats from undecideds			
					Democrats (%)	Thaksin (%)	Others (%)	Democrats (weighted undecideds x party list votes)	Thaksin	Others	
North	59.4	72	375	19%	11	36	50	14	4	6	2
NE	53.1	127	375	34%	18	22	56	22	4	10	4
Central	55.5	90	375	24%	13	44	31	25	6	4	3
Bangkok	54.7	34	375	9%	5	51	41	8	3	2	0
South	56.4	52	375	14%	8	80	8	12	6	1	1
<b>Total</b>		<b>375</b>		<b>100%</b>					<b>23</b>	<b>23</b>	<b>10</b>

Source: NIDA poll, 24-25 May, ECT, Credit Suisse

# Early advantage to Thaksin

## Surveys give Thaksin early lead

Public opinion surveys over the past month give Thaksin the early lead in the election campaign. Opinion surveys in Thailand suffer from high levels of undecided voters, opaque methodologies, inconsistent track records and limited scope, but all surveys appearing in the past month give Thaksin's Peua Thai Party (PT) an advantage. Their unanimity and the lack of other hard election indicators lead us to take the polls seriously. The polls indicate that Thaksin has retained his power base in the north and northeast and gained the most ground with middle-class voters in the central region and Bangkok.

Opinion surveys in the past month give Thaksin the lead

## Three possible outcomes

We see three possible election outcomes: Thaksin could win enough seats to form a government; the Democrats could finish with fewer seats than Thaksin but enough to lead another government; or the Democrats could win outright. Although we see no major economic policy differences among the major parties, we expect the market would take a Thaksin win as negative for stability. The middle scenario with the Democrats finishing second but leading the government could lead to short-term tensions. The market would likely take a Democrat victory as positive. The public opinion surveys on hand are consistent with either a Thaksin victory or the middle scenario. If accurate, the polls indicate that the Democrats have limited chance of winning outright.

Three possible outcomes: Thaksin wins; Democrats finish with fewer seats than Thaksin but form government; Democrats finish as largest party

## Swing factors remain

Several factors, however, keep the outcome uncertain. If coalition parties cooperate in fielding a single candidate for the government side in each district, they could overcome their main weakness, the splitting of the anti-Thaksin vote. Defections of MPs from one side or the other could sway the battle. A fade in the popularity of Thaksin's sister, the PT candidate for prime minister, could pull down Thaksin's poll numbers. And the high number of undecided voters in some polls could swing either way, though our analysis of the polls points to an even split for Thaksin and the Democrats.

Undecided voters, possible coalition party campaign coordination, MP defections and Yingluck Shinawatra's popularity are swing factors adding to uncertainty

## Why politics matters

We believe that many in the market underestimate the economic and market importance of politics in Thailand. We see strong evidence that political instability has hurt economic growth and stock multiples significantly. We estimate that instability has cost Thailand up to 1–2 p.p. of GDP growth annually.

Market underestimates importance of politics for the economy and market multiples

## Winners and losers

We consider the top-down impact of elections most important but can offer views on which stocks would benefit or suffer the most. We see telcos and CPALL as potential winners in a Thaksin victory. A Thaksin government might be less likely to pursue court cases against telcos. CPALL's sales are steady in all political climates. We would see banks, property, tourism plays and contractors as losing if political instability reappeared.

Top-down effect of elections most important, but telcos and CPALL could benefit from a Thaksin win, while banks, property, tourism-related stocks and contractors could be losers

## Strategy: Going neutral

A positive outlook for earnings, the economy and tax cuts keep us from turning negative on the market, but we are reducing Thailand-specific risk in our model portfolio and taking a more neutral stance in general. In addition to the higher election risk, inflation is accelerating at a time when it seems to be peaking in some other NJA markets, and valuations now appear less compelling than several months ago. We have reduced weightings in our model portfolio in banks, property and tourism-related stocks and added to petrochemicals, SCC, energy, CPALL and utilities.

Reducing risk in model portfolio due to higher valuations, election risk and darker inflation outlook

# Surveys give Thaksin early lead

Public opinion surveys now give Thaksin a sizeable lead over the Democrats and smaller parties.

Public opinion surveys give Thaksin the lead

## Weaknesses of surveys

Public opinion surveys in Thailand must be treated with caution. We identify the following four weaknesses of pre-election polls:

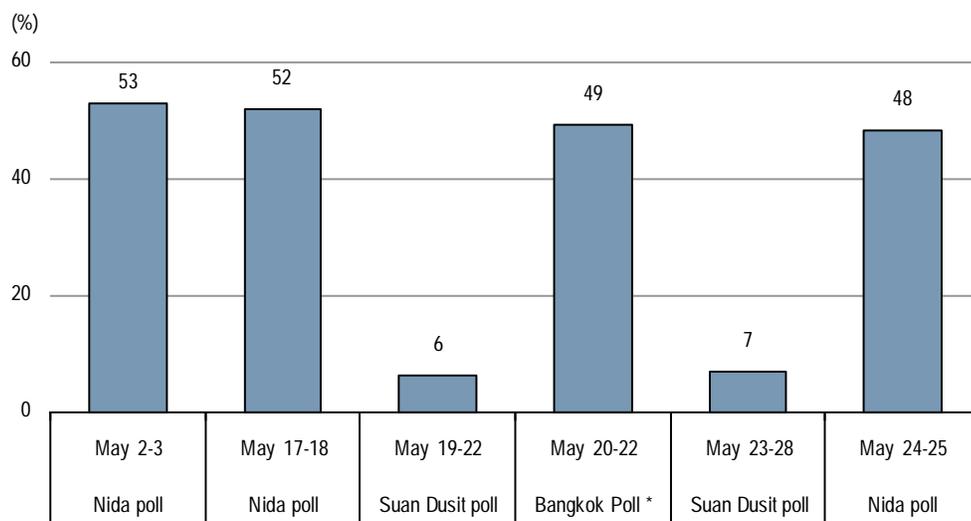
Main flaws of Thai surveys: high level of undecided voters, inconsistent track record, failure to address district voting system, lack of time series, poor disclosure

- 1) **High level of undecided voters.** Although the Suan Dusit polls have low numbers of undecided voters, the surveys from two agencies—NIDA and Bangkok University—show around 50% of voters as undecided (Figure 6). We suspect that a cultural aversion to revealing political views to strangers explains the high undecided numbers in these polls.
- 2) **Inconsistent track record.** In the weeks before the last general election in December 2007, polls provided inconsistent guidance. Of the seven publicly available pre-election polls, five were correct in forecasting a Thaksin win nationwide or Democrat lead in Bangkok, but two incorrectly indicated that the Democrats would win nationally. Worryingly, the two incorrect surveys were among the closest to the actual election date (Figure 7).
- 3) **District voting.** All the nationwide polls ask people which party they prefer, but 75% of seats come from district voting, where voters choose individual candidates, often for reasons unrelated to the candidate's party affiliation. To be truly accurate, polls should ask party preference for the 125 party list seats and candidate preference to determine the likely winners of the 375 district seats. We believe that the focus on party list voting exaggerates the strength of the Democrats, who tend to run weaker in district voting.
- 4) **No time series.** Because of the expense, pollsters tend to conduct surveys only after an election has been called, which means we do not have time series to track trends.
- 5) **Poor disclosure.** Polling agencies do not always provide detailed information on their methodologies, making it hard to assess their sampling techniques.

## Edge to Suan Dusit

That said, we give the most weight to the Suan Dusit polls. Suan Dusit has campuses throughout the country and is able to send students to conduct surveys in remote provinces. Suan Dusit's sample sizes are by far the largest (Figure 8). We suspect that one reason why Suan Dusit shows much lower levels of undecided voters than NIDA is that NIDA interviews by phone while Suan Dusit interviews in person.

**Figure 6: Undecided voters as percent of total in May public opinion surveys**



\*Results for Bangkok only

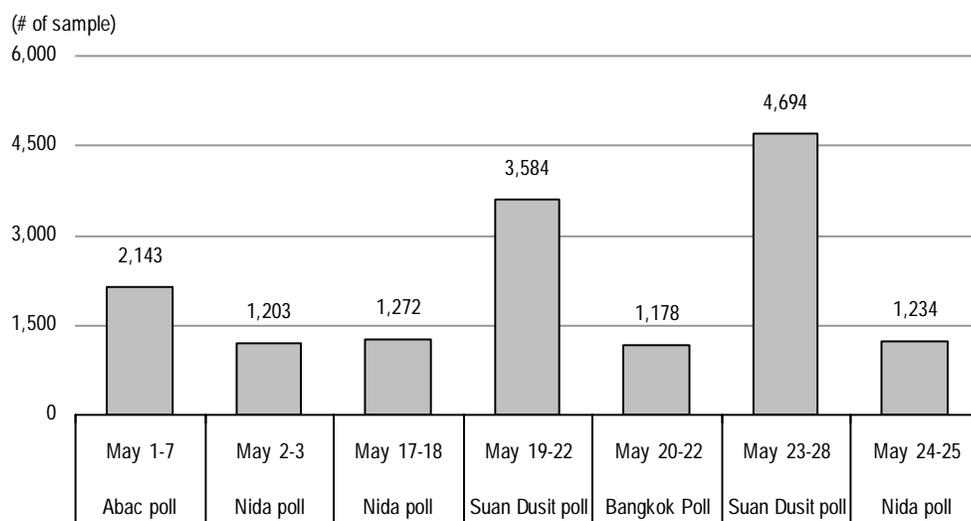
Source: National Institute of Development Administration (Nida), Suan Dusit Poll and Bangkok Poll from Research Institute of Bangkok University

**Figure 7: Inconsistent track record for public opinion surveys before 2007 election**

Days/weeks before election	Opinion	Source
8 days	Thaksin ahead	Bangkok Post
2 weeks	Slight lead for Democrats	Bangkok University Poll
2 weeks	Abhisit favoured as new PM	Ramkhamhaeng University Poll
3 weeks	Thaksin ahead	ABAC Poll
3 weeks	Strong lead for Thaksin	Bangkok Post
6 weeks	Lead for Democrats in Bangkok	Nation
7 weeks	Thaksin ahead	Dusit Poll

Source: Bangkok Post, Nation, Dusit Poll, ABAC Poll, Bangkok University Poll, and Ramkhamhaeng University Poll

**Figure 8: Sample size of polls – Suan Dusit's is largest**



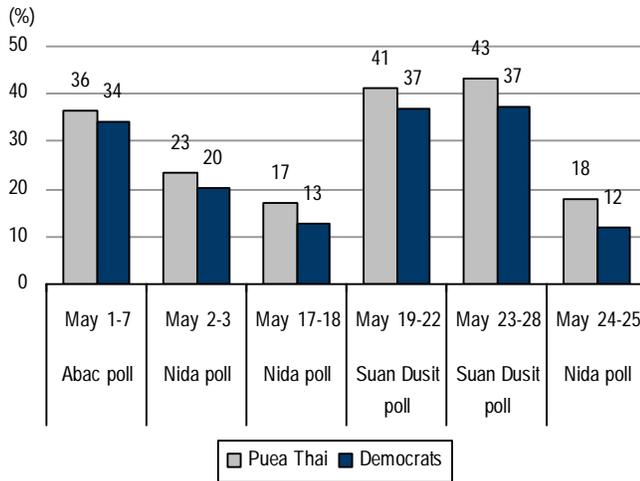
Source: Nida, Suan Dusit Poll and Bangkok Poll

## But pointing in same direction

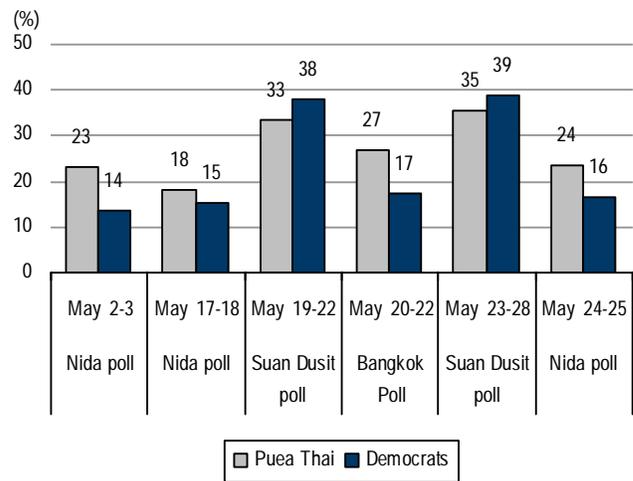
Despite their weaknesses, we take the polls of the past month seriously because they are all pointing in the same direction—a PT victory. All six nationwide surveys from May give Thaksin the lead, with the margin increasing over time (Figure 9:). We find it most remarkable that four of the polls with Bangkok-specific data give Thaksin a sizeable lead in the capital, with the other two surveys pointing to a close race in Bangkok (Figure 10:). As the Democrats won 30 of the 36 district seats in Bangkok in 2007, the reversal in preferences is huge, and may portend a solid win for Thaksin nationally.

Despite flaws, polls are consistent in giving Thaksin the lead

**Figure 9: Thaksin leads in all nationwide polls past month**



**Figure 10: PT surprisingly strong in Bangkok-only polls**



Source: Nida, ABAC Poll, Suan Dusit Poll

Source: Nida, Suan Dusit Poll, Bangkok Poll

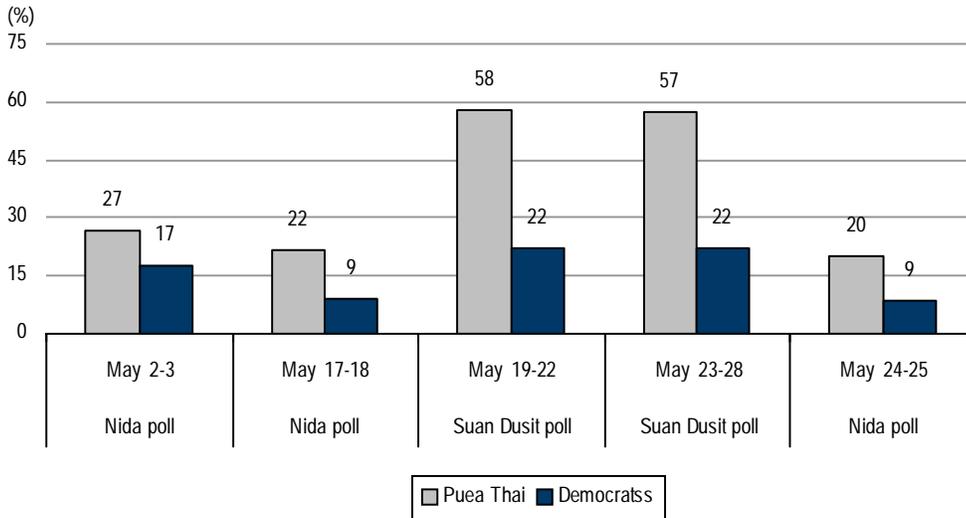
## Reasons for Thaksin lead

Assuming the polls are accurate, we can offer the following three reasons why Thaksin is leading:

- Solid support in north and northeast.** The heavily agricultural north and northeast remain solidly pro-Thaksin (Figure 11). Thaksin is a northerner, and he seems to be retaining the support of farmers in these traditionally pro-Thaksin regions.
- Inroads in Bangkok and central region.** The Bangkok numbers and close numbers in the heavily urbanised central region indicate that PT is making inroads into the middle class. We believe that Thaksin has to win a significant number of seats in the central region to form a government.
- Bhumjai Thai Party weakness.** The most recent pro-Thaksin government fell in December 2008 when 33 Thaksin MPs left to form a new party Bhumjai Thai (BJT), and allied with the Democrats. In 2007, the now-BJT MPs ran under a pro-Thaksin banner in heavily pro-Thaksin districts. It is possible that this year, voters will go with the Thaksin candidate rather than BJT. BJT has attracted less than 4% in all opinion polls so far.
- Yingluck effect.** Thaksin's selection of his sister Yingluck Shinawatra as the party leader now appears a master stroke. Thais hold the political classes in low esteem, and typically react positively to outsiders, especially if they are young, attractive and articulate.

Four sources for Thaksin lead: solid support from north and northeastern power base, inroads into Bangkok and central region, BJT Party weakness, Yingluck effect

**Figure 11: Polls show north + northeast voters still solidly pro-Thaksin**



Source: Nida, Suan Dusit Poll

### Important upcoming Suan Dusit poll

We understand that Suan Dusit is now conducting a much more thorough survey than has been conducted by any other agency in Thailand. The poll would sample voters in all 375 electoral districts, providing a forecast not just of the 125 party list seats, but also the 375 district seats. We imagine that the sample size would be the largest of any poll to date. We are not certain of the date of public release but understand that the questionnaires will be completed this Friday. We will eagerly await the results.

Suan Dusit to issue the most thorough poll to date some time in next two weeks

### Flawed, but the best data points available

Until we get the new Suan Dusit poll and new data points discussed in a later section, the May surveys will be the best indicators available. For now, we have to take these seriously.

Although flawed, surveys are the only hard data points now available

## Three possible outcomes

Although we see variants of two of the scenarios, broadly speaking we see three possible outcomes (Figure 12):

- 1) A Thaksin victory.
- 2) A roughly unchanged Parliament, leaving the Democrats in charge but with fewer seats than Thaksin's Peua Thai Party.
- 3) A decisive victory giving the Democrats more seats than PT and the control of government.

We consider the implications of each scenario below, and will discuss the likelihood of each outcome in a later section.

**Figure 12: Three possible election outcomes**

Outcome	Implication	Seat count requirement
Thaksin victory	Negative for market	239 or more for Thaksin
Democrats finish second but form government	Slightly negative in short run, neutral afterwards	275 or more for coalition
Decisive Democrat win	Positive for market	Democrats win more than Peua Thai

Source: Credit Suisse

Three possible outcomes: Thaksin wins, Democrats finish second but form government, clear-cut Democrat victory

### PT victory

We expect the market to react negatively to a PT victory. We see no major economic policy differences between the two large parties but worry that investors would see a Thaksin win as destabilising. The press and pundits have speculated on possible negative reactions from the military, including some sort of destabilisation campaign or a coup. The *Nation* newspaper, for example, reported on 7 June that a recent warning from the army commander to an unnamed group not to try to gain political power "was interpreted as referring to Peua Thai, leading people to assume he [the commander] would not allow the party to become the next government."

Market would likely react negatively to PT win

We should note that two sub-variants of this scenario are possible. The market would likely react more negatively if PT won enough seats to govern as a single-party than if it had to form a coalition with smaller parties. If it could govern alone, according to this line of thinking, it would be able to move more boldly to pardon Thaksin. An effort to pardon Thaksin would likely prove a major point of contention.

Significant whether PT forms a one-party or a coalition government

### Unchanged Parliament

At present, the Democrats lead the government in a coalition of seven parties, but they have fewer seats than Peua Thai. Were the Democrats to again win fewer seats than Thaksin's party but enough to lead a coalition government, we see 1–2 months of heightened tensions, but medium-term calm. Tensions would likely arise first from the negotiation process among parties after elections, in which it would be unclear as to whether small parties aligned with the Democrats or PT. Then, if small parties aligned with the Democrats, we see a risk of renewed street protests. The Democrats' status as the second largest party remains one of the main Red objections to the current government, and Reds have been demanding that all political parties pledge in advance of elections to let the largest party lead a new government. One Red leader has stated that the movement would "fight" if the largest party did not lead the government.

Were the Democrats to finish second but form a government, tensions could rise in the short run, but medium term should be calm

That said, we would not expect to see extended instability under this scenario, and it is not at all certain that street demonstrations would lead to violence. We would see elections as giving Democrats something of a mandate, even if they finished behind PT in seat count.

As with the first scenario where PT forms a government, we envision two possible sub-variants. If the Democrats' seat total neared PT's, the government would look more stable and Reds might see less cause to protest, whereas a big lead for Thaksin could increase the Red conviction that PT would deserve to govern.

If Democrats finish close to PT, middle scenario more positive

## Decisive Democrat win

The market would likely respond most positively to a clear win, with the Democrats taking more seats than Peua Thai. The post-election negotiation process would likely run smoothly, and the Democrats would emerge with a strong democratic mandate to govern. We would expect the Democrats to stay in power for at least 3–4 years if they had a clear victory.

Democrats finishing with more seats than Peua Thai: the best market outcome

Unlike the other two scenarios, we see no sub-variants of the Democrat victory scenario.

## Seat numbers to watch for

The electoral math of forming a government in Thailand is fairly demanding. With 500 MPs in the House of Representatives, in theory, a simple 251-seat majority could form a government, but in practice a 55% super-majority is required. The constitution bans cabinet ministers from voting in no-confidence motions. With the typical cabinet including 20–25 MPs, a government needs a majority of roughly 262:238 at a minimum to govern, and more, assuming a buffer is required. We consider 275:225 the ideal minimum.

PT needs 239 out of a total of 500 seats to block Democrats from power; 275 seats needed by any party or group of parties to form stable government

These calculations provide us the following guidelines on how seat counts determine who forms a government:

- 1) Peua Thai and its one small party ally, Pracharaj, need to win 239 seats to make it mathematically impossible for the Democrats to lead a government.
- 2) The coalition parties need to collectively win at least 262 seats to form a government, and 275 to be stable.
- 3) PT needs 275 seats to govern alone without coalition partners.

There is no magic number for the scenario of a decisive Democrat win. The Democrats merely have to finish as the largest party, regardless of the absolute level of seats.

## Surveys indicate PT government possible

The surveys of the past month point to Thaksin winning more seats than the Democrats, and possibly enough to form a government.

If taken as accurate, surveys indicate PT will finish as largest party, but not clear if that would be enough to form a government

We have created a model that forecasts parliamentary seats based on the input of raw votes, i.e. the votes that voters give. The modelling was surprisingly complex, involving the creation of the biggest spreadsheet we have worked with in our 11-year career. The results indicate that a 4 p.p. lead in raw party list votes for Thaksin over the Democrats would give him 239 seats, the magic number needed to block the Democrats from the government. As the most recent polls give Thaksin a 6 p.p. lead in party list votes, PT's seat total would exceed the magic number (Figure 13).

If we assume, however, that the polls have a margin of error of 3–5 p.p. as reported by Bangkok University and Suan Dusit, an outcome where PT wins more seats than the Democrats but falls short of the 239 magic number also is consistent with the recent surveys. Thus, we conclude that the surveys point to a good chance of PT emerging as the largest party, but with the leader of the next government uncertain. We believe that, if the Democrats are mathematically able to lead a coalition, small parties will favour them.

**Figure 13: Seat counts under various raw vote scenarios**

Raw party list votes	Democrat seats	Thaksin seats	Outcome
Democrats lead by 5 p.p.	203	152	Democrats lead government as largest party
Democrats lead by 4 p.p.	201	162	Democrats lead government as largest party
Democrats lead by 3 p.p.	195	177	Democrats lead government as largest party
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Source: Credit Suisse

## Expect fairly smooth run-up to elections

We expect the run-up to the elections to be fairly smooth. Pre-election violence has been typically limited to sporadic gangland killings of provincial politicians. We see any serious risk of violence as concentrated in the post-election period, depending on the outcome. We cannot rule out irregularities in the voting, but consider it more likely the elections will be clean. We note that an international body, the Asian Network for Free Elections, will be sending 60 observers, while a local watchdog, the Poll Watch Foundation, has 700 staff nationwide. Thailand has a long history of staging elections free of accusations of large-scale fraud.

Run-up to elections likely to be fairly smooth

## Swing factors remain

While PT has the early lead, we can envision four developments that could turn the tide in either direction. The factors are Yingluck Shinawatra's popularity, undecided voters, coalition party consolidation and MP defections. The importance of these swing factors means that a huge level of uncertainty remains regarding the election outcome despite the unanimity of polls favouring Thaksin.

### Yingluck Shinawatra's popularity

Thaksin's sister, Yingluck, appears to have given PT a boost, but at some point "fresh faces" look less fresh. We are reminded of Sarah Palin, John McCain's running mate in the 2008 US presidential elections. Initially, Palin appealed to voters as a fresh face, but as the novelty of her campaign faded, so did her popularity. We consider it possible that Yingluck could suffer a similar fate, but suspect that the remaining time to elections—just one month—will not give the Democrats sufficient time to change minds.

### Undecideds

If the NIDA and Bangkok University polls are correct and a large number of voters have yet to make up their minds, undecided voters could prove a decisive swing factor. Because of their possible importance, it is worth analysing in depth the reality behind the supposedly undecided voters. Based on available evidence, we conclude that tremendous uncertainty remains, but that most people classified as undecided probably have actually decided and that they will split fairly evenly between the Democrats and Thaksin.

An argument can be made that most "undecided" voters are genuinely undecided, and that they will end up with government parties. Thaksin supporters have just one party to choose from, whereas Thaksin opponents have half a dozen. Possibly, a disproportionately large number of undecided voters know they will not choose Thaksin and are merely deciding between the Democrats and a smaller party.

On the other hand, if we are right that many Thais responding as undecided are actually afraid to tell their preferences to strangers, it is possible that the split of undecided voters is even, or favours Thaksin. In our conversations with average Thais, we have found that farmers and working-class Thais are the most shy and most suspicious of authority figures. We would imagine that these less-educated Thais would form a disproportionately large portion of voters with firm party preferences who choose to call themselves undecided.

Luckily, we can test the two hypotheses mathematically. If most undecided voters were anti-Thaksin, we would expect the lowest levels of undecided voters in the northeast—Thaksin's power base—and the south, where the Democrats took 80% of party list votes in 2007. As a one-party region, the south should have very few undecided voters if respondents were being honest to pollsters that they are undecided. Bangkok and the central regions—where anti-Thaksin sentiment is strong and small parties proliferate alongside the Democrats—should see the highest level of undecided voters, under the hypothesis that undecided voters are largely anti-Thaksin. On the other hand, if the shyness and suspicion of strangers explain the high level of supposedly undecided voters, we would expect the highest numbers in the poorest regions with the lowest incomes and education levels, i.e. the northeast, the north and the south (Figure 14).

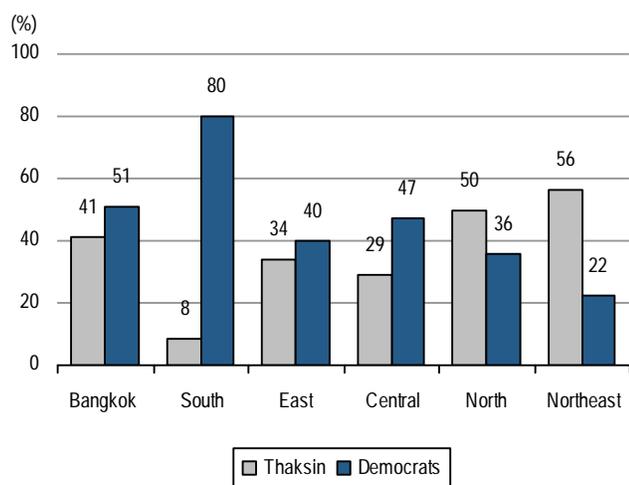
The numbers seem to support the latter interpretation. The NIDA polls break out undecided voters by region. The earliest NIDA poll from 2–3 May was moderately consistent with the hypothesis favouring the non-Thaksin parties, but the two latter polls from 27–18 May and 24–25 May give the highest levels to the south and the northeast (Figure 15).

Potential swing factors: undecided voters, possible campaign coordination by government parties, MP defections, the "Sarah Palin effect"

As happened with Sarah Palin in the US 2008 presidential election, Yingluck Shinawatra's popularity could fade

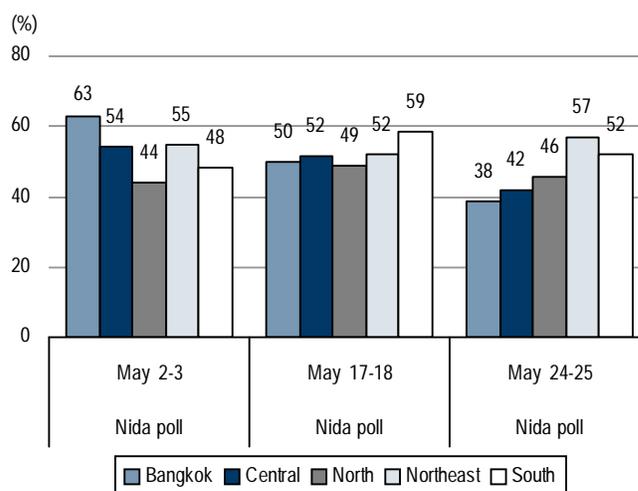
"Undecided" voters likely to split evenly between Democrats and Thaksin

**Figure 14: 2007 party list votes – Democrats dominant in south, Thaksin in northeast**



Source: ECT, Credit Suisse estimates

**Figure 15: Undecided voters as percentage of total – regional patterns do not indicate most are anti-Thaksin**



Source: NIDA, Credit Suisse estimates

It is also worth recalling that the Suan Dusit polls show low levels of undecided voters. Quite possibly, voters are more willing to reveal their opinions in the face-to-face interviews of Suan Dusit than the phone interviews of NIDA.

Our regional-based analysis offers confirmation that undecided voters are likely to split fairly evenly between Democrats and Thaksin. We base our methodology on the observation that the various regions display pronounced party biases, meaning that the biggest factor determining how shy, undecided respondents actually vote could be the regional origin of the supposedly undecided respondents. Our analysis first takes from the most recent NIDA poll the breakout of undecided and “no answer” voters by region. We then weigh the regions by the number of seats each sends to the Parliament. We lastly apply the actual 2007 vote breakdowns in each region to the seat-weighted undecided voters for each region. Adding up the totals, we find that equivalent numbers of undecided voters would end up with Thaksin and Democrats, with smaller numbers for small parties (Figure 16).

**Figure 16: Our forecast of how "undecided" respondents will vote**

Undecideds + no answer (%)	Number of district seats (new system)	National district seats	District seats as % of total	Weighted undecideds + no answer (%) (undecideds x district seats as % of total)	2007 party list votes			Allotment of seats from undecideds			
					Democrats (%)	Thaksin (%)	Others (%)	Democrats (weighted undecideds x party list votes)	Thaksin	Others	
North	59.4	72	375	19%	11	36	50	14	4	6	2
NE	53.1	127	375	34%	18	22	56	22	4	10	4
Central	55.5	90	375	24%	13	44	31	25	6	4	3
Bangkok	54.7	34	375	9%	5	51	41	8	3	2	0
South	56.4	52	375	14%	8	80	8	12	6	1	1
<b>Total</b>		<b>375</b>		<b>100%</b>					<b>23</b>	<b>23</b>	<b>10</b>

Source: NIDA poll, May 24-25, ECT, Credit Suisse

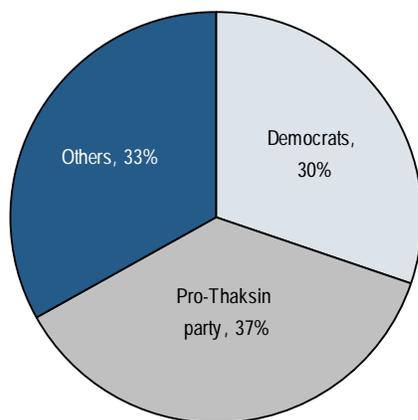
In conclusion, the large number of undecided voters reported in some polls imposes uncertainties on any election forecast, but our analysis leads us to take as our base case that undecided respondents split evenly between Thaksin and the Democrats. Under that scenario, the lead the public opinion surveys have given Thaksin in the past month stands unchanged.

## Coalition party cooperation

Coalition party coordination of candidate selection would be a game-changer for the Democrats. In 2007, Thaksin won only 37% of the raw district seat votes from voters but took 50% of the district seats in Parliament (Figure 17 and Figure 18). The most important factor explaining the discrepancy was the large number of non-Thaksin parties, which split the anti-Thaksin vote. With 3–4 non-Thaksin candidates running in most districts, Thaksin was able to win a large number of seats with just 30–40% of the vote. Last December's by-elections clearly showed government parties the upside of coordination. Rather than running multiple candidates, they chose a single candidate in each of the five by-election districts to represent the government, and took four of the five seats. Were they to achieve a similar level of coordination in just 50–100 closely contested districts, Thaksin would find it extremely difficult to reach 239 seats. We hope to be able to determine the level of cooperation within the next 1–2 weeks, when the Election Commission is expected to release the lists of district seat candidates.

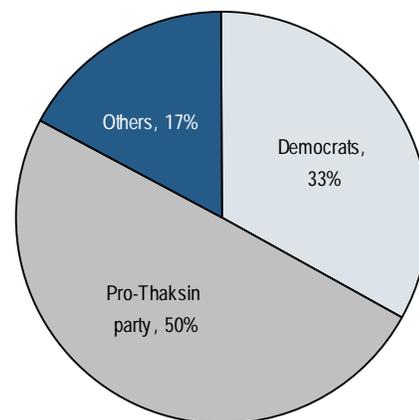
Coalition party coordination of candidate selection potential game-changer for Democrats

Figure 17: Differential in raw district votes in 2007 slim ...



Source: ECT, Credit Suisse

Figure 18: ... but Thaksin won many more district seats



Source: ECT, Credit Suisse

Early indications, however, are not encouraging for the Democrats. Statements from the Democrats' two largest coalition partners, the Bhumjai Thai Party (BJT) and Chart Thai Pattana Party (CTP), before the submission of candidate lists on 28 May that they were willing to align with either the Democrats or PT point to a lack of coordination. Coordination would require a high level of trust among coalition parties.

## MP defections

The movement of MPs from one party to another could prove a most telling indicator of where political winds are blowing. Typically, MPs shift parties not because of policy but because they anticipate that the other side has a better chance of forming a government. We will be able to count defections when the candidate lists are available. In March, when 12 opposition MPs voted for the government in the no-confidence motion, it appeared that a significant number of Thaksin politicians were looking to defect to the government, but PT's recent strength in public opinion surveys could dissuade them. The constitution bans MPs from switching parties until an election has been formally called.

Defections of MPs from one side to the other could swing the tide

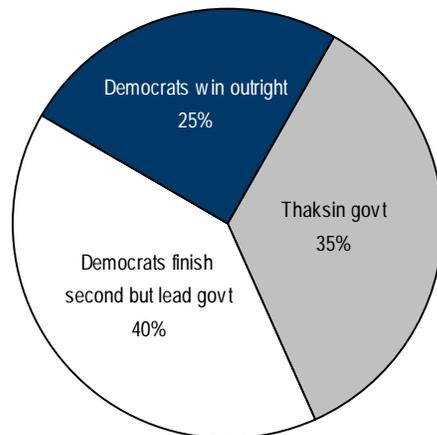
## Probabilities

Taking into consideration all of our analysis—the surveys, the seat count modelling, the swing factors—we can offer revised probabilities of outcomes. Previously we gave a 15% chance of Thaksin forming a government, and a 42.5% each to chances of the Democrats winning outright and leading a government as the second largest party. We now give a 35% chance of Thaksin meeting the magic number of 239 and forming a government, a 40% chance of the Democrats finishing second but leading a government, and a 25% chance of the Democrats winning outright (Figure 19). The revision is primarily due to the May public opinion surveys. When we issued our previous probabilities in January, no polls had been issued for four months, and that poll put the Democrats ahead. The first poll this year emerged in April, with the surveys we have analysed all appearing in May.

We arrive at our current probabilities by plugging in the latest poll numbers into our seat forecast model. On the 2-6 p.p. lead the May polls give to Thaksin, PT would finish with more seats than the Democrats, but possibly not with enough to block them from government. Although not consistent with the polls, we give a significant chance of the Democrats winning outright due to the possibility the surveys are inaccurate or that voters change their minds.

CS assigns 35% chance of Thaksin government, 40% chance of Democrats leading government as second largest party, 25% chance of outright Democrat victory

**Figure 19: Probabilities of the three election outcomes according to Credit Suisse**



Source: Credit Suisse

# Why politics matters

We believe that many investors underestimate the impact politics has had on the economy and the market. Although we consider exports by far the most important economic driver in Thailand, we rank politics as an important economic variable.

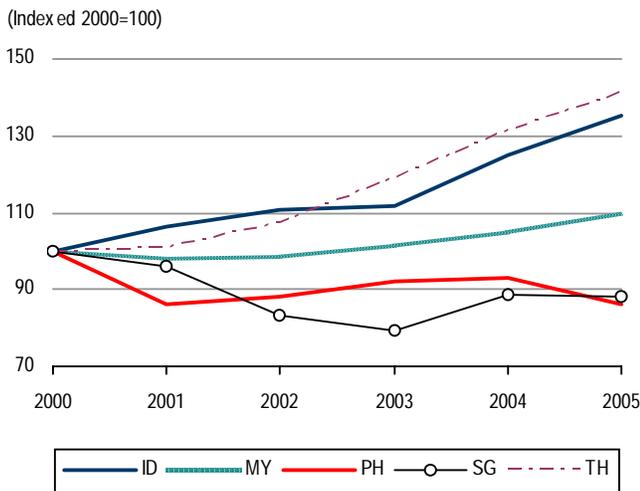
Many investors underestimate the importance of politics

## Big impact on consumption and investment

The impact of politics on consumption and business investment over the past decade appears considerable. In the five years of unusual political stability from 2000 through the end of 2005, Thailand had the best private investment growth in emerging ASEAN, but in the following three years of instability the country ranked dead last (Figure 20 and Figure 21). Consumption tells a similar story (Figure 22 and Figure 23).

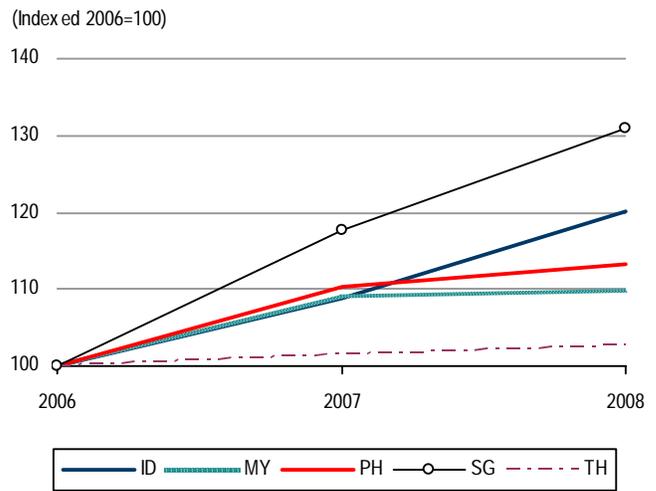
Big impact on consumption and investment

**Figure 20: Investment growth 2000-2005 – Thailand tops**



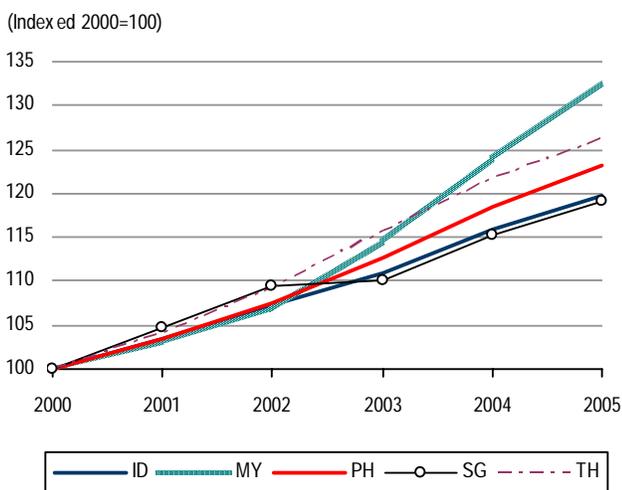
Source: CEIC, Credit Suisse estimates

**Figure 21: Investment growth 2006-2008 – Thailand worst**



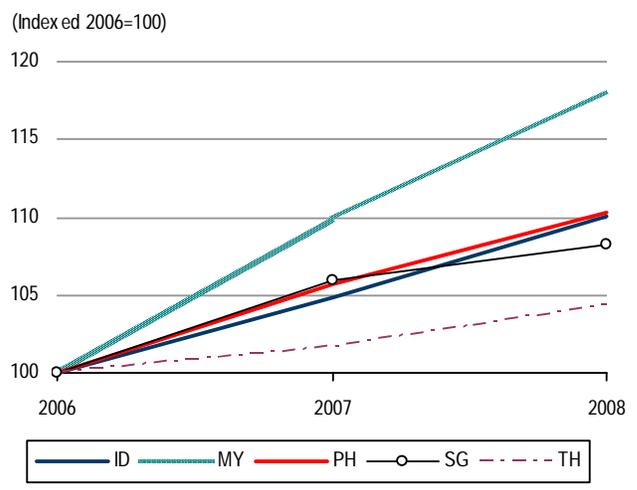
Source: CEIC, Credit Suisse estimates

**Figure 22: Consumption growth 2000-2005 – 2<sup>nd</sup> fastest**



Source: CEIC, Credit Suisse estimates

**Figure 23: Consumption growth 2006-2008 – at the bottom**



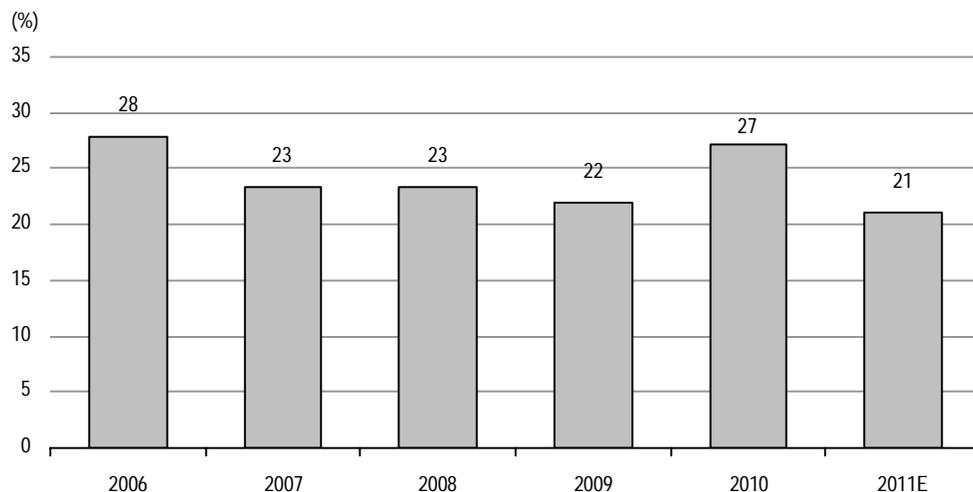
Source: CEIC, Credit Suisse estimates

## Underinvestment in infrastructure

Political instability has also contributed to under-investment in infrastructure and over-spending on unproductive social programmes. Since the political problems started in 2006, the need for winning voters’ hearts and minds has led the government to shift spending from infrastructure to social programmes and other types of recurrent expenditures (Figure 24). The run-up to the elections has seen especially intense attention to social issues, with the government introducing a subsidy capping diesel—the most important fuel for low-income Thais—at about US\$1/litre, and the PM promising to increase the minimum wage by 25% over two years.

Instability has contributed to underinvestment in infrastructure

**Figure 24: Political instability contributed to fall in fiscal capex as % of total spending**



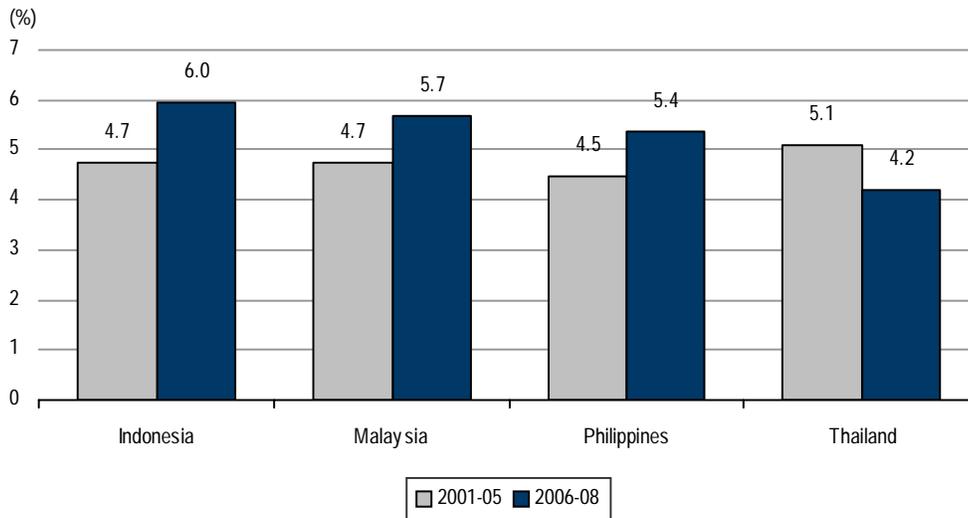
Source: Ministry of Finance (MOF), Credit Suisse estimates

## Instability costs 1-2 p.p. of GDP annually

We estimate that political problems cost Thailand 1-2 p.p. of GDP growth annually in the first three years of instability. From 2006 to 2008, GDP growth declined by about 1 p.p. compared with the five previous years of stability, while growth in other emerging ASEAN countries accelerated by about 1 p.p. (Figure 25). As the headline GDP number incorporates Thailand’s large export sector, where politics had little impact, the cost to domestic demand was likely closer to 2–3 p.p. Because exporters are under-represented on the stock market, domestic demand matters more for listed company earnings than headline GDP.

We estimate instability has cost Thailand 1–2 p.p. of GDP growth annually

**Figure 25: Thai GDP growth decoupled from region after politics became problematic**



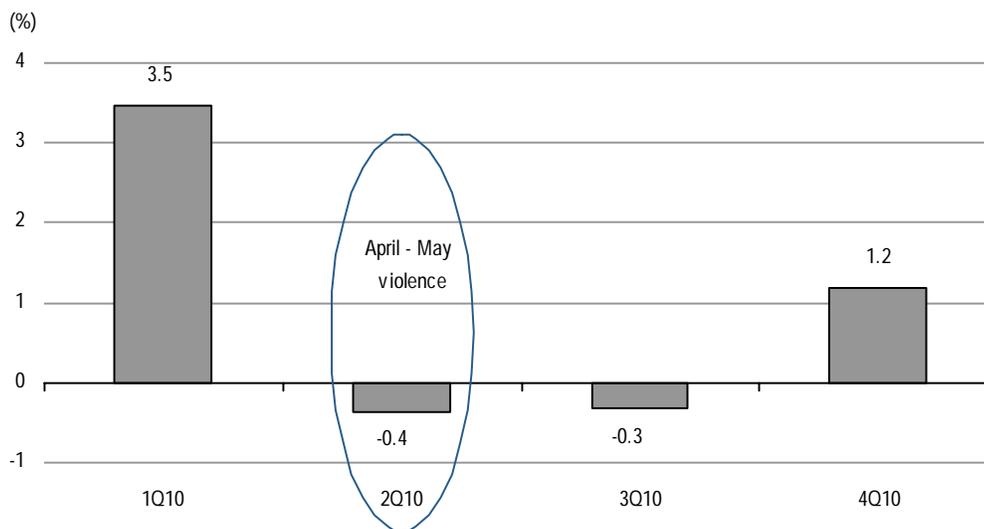
Source: CEIC, Credit Suisse estimates

## Economy less resilient in 2010 than appears

Based on the healthy 7.8% growth posted last year, many investors feel that political violence did not affect the economy, but sequential numbers tell a different story. While YoY growth showed strong expansion each quarter last year, seasonally adjusted QoQ numbers declined in both 2Q10 and 3Q10, i.e. during and immediately after the violence (Figure 26). Although the G3 “summer snooze” explains at least part of the sequential decline, we believe that the street violence also contributed significantly.

Although full-year 2010 GDP growth showed little impact from riots, quarterly numbers did

**Figure 26: QoQ seasonally-adjusted GDP fell during and immediately after 2010 riots**



Source: NESDB, Credit Suisse estimates

## Market de-rating

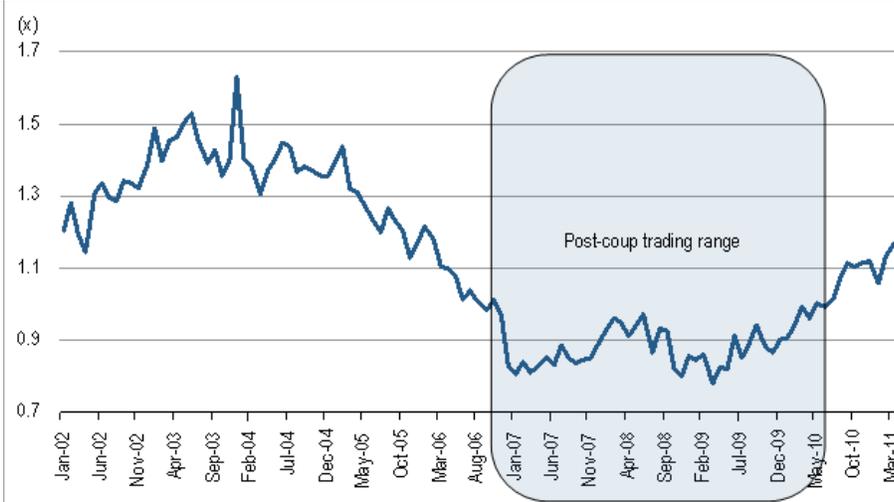
Stock multiples seem to have taken a big hit as a result of political instability. Contrary to popular belief, Thailand has not always traded at a discount. Before the Asian financial crisis and in the four years before the 2006 coup, Thailand traded at a sizeable P/B premium to the region. With the coup, Thailand went to a deep discount, and stayed there

Instability has led to market de-rating relative to region

until perceptions of an improved political environment contributed to a re-rating late last year (Figure 27).

We attribute the outperformance of the market during and after last year's April-May violence to exceptional factors. At the time, bank time deposit rates were below 1% and locals were being pushed out of fixed income and bank accounts to equities in a search for yield and return. Valuations were much cheaper than the present, and Thailand's trade-dependent economy was benefiting more from the recovery in global trade than all NJA peers, except Hong Kong and Singapore. Maturation of over US\$10 bn of mutual funds invested in Korean won bonds also led to a massive repatriation of funds, much of which seems to have gone to the stock market.

**Figure 27: Thailand P/B relative to NJA de-rated during three years after coup**



Source: Factset, Credit Suisse

## Anecdotal evidence points to reduced impact

We should note that anecdotal evidence points to lessened economic importance of politics. In conversations with businesses and banks, we now hear politics cited much less as a variable that managers consider important in their business outlook, whereas politics typically figured prominently in discussions as recently as a year ago. We believe that, in part, Thais have adjusted psychologically to instability, and in part are already assuming that politics is heading in the right direction.

Anecdotal evidence indicates economic impact of politics may have receded

## Multiple re-rating and EPS upgrades

Nonetheless, the implications of our analysis are clear. If politics became significantly more stable, Thailand could enjoy higher sustainable GDP growth, and investors might assign higher multiples to earnings, while a return to instability could hurt both the economy and multiples.

But clearly politics matters for the economy and market multiples

# Winners and losers

We consider the top-down impact of elections to greatly outweigh bottom-up factors, but it is worth considering stock-specific issues. Here, we discuss possible winners and losers if the current government returns to power, or if Thaksin wins (Figure 28).

Top-down factors most important, but worth looking at bottom-up winners and losers

Figure 28: Winners and losers of Thaksin victory

Winners	Impact
Telcos	Less risk from legal cases relating to concessions under previous Thaksin government
CPALL	Stable sales regardless of political backdrop, possible beneficiary of social programmes
Losers	Impact
Domestic stocks	Consumption and business investment would suffer from political uncertainty
Tourism-related	Would suffer from renewed instability
THAI	CEO could lose his job
Contractors	STEC connections with BJT Party and Dawei project at risk

Source: Credit Suisse

## Winners of a Thaksin victory

**Telcos:** A Thaksin administration might not push legal cases initiated over the past year against telecommunications companies for changes made to their concessions under the previous Thaksin government.

**CPALL:** Sales at CPALL's 7-11s are nearly impervious to global economic upheavals or political changes. A PT government also might more aggressively pursue measures to increase rural incomes (and therefore consumption).

Winners in Thaksin victory: telcos, CPALL

## Losers of a Thaksin victory

**Domestic stocks:** If a Thaksin victory led to renewed instability, the biggest impact would likely be on domestic demand. Domestically oriented stocks such as banks, property or consumer, would likely see more downside than energy or petrochemicals. As petrochemicals accounts for roughly half of SCC's earnings, it would suffer less risk.

**Tourism-related:** Tourism suffered from the 2008 Yellow Shirt seizure of the airport and the two Red protests in 2009 and 2010. Renewed street violence would hurt stocks dependent on tourism such as THAI, MINT, AOT and hospitals. BH would likely suffer more than BGH, as the latter has less exposure to medical tourism.

**THAI:** Were PT to form a government, the party might choose to replace the CEO, who has been critical in spearheading internal restructuring. The Democrats appointed the current CEO, and PT might want to have their own choice for the job.

Losers: Domestic stocks, tourism-related, THAI, contractors

**Contractors:** Political instability would likely weaken the outlook for infrastructure development, hurting all contractors. Local investors might assume that STEC would suffer the most, as a family member is the Transportation Minister and a BJT Party member. ITD could also suffer if Thaksin reversed the Democrats' promotion of the Myanmar Dawei port project.

## Winners of a Democrat victory

All the losers in a Thaksin win would be potential winners in a Democrat victory (Figure 29). The degree of upside would depend on the margin of victory. If the Democrats emerged as the largest single party, Thai politics could become much more stable and help the below stocks for the same reason that instability hurts them. On the other hand, if the Democrats lead a government but finish with fewer seats than Thaksin, the gains would be modest.

Contractors, banks, property, consumer, tourism-related the biggest winners of Democrat victory

Figure 29: Winners and losers of Democrat victory

Winners	Impact
Domestic stocks	Possibly stronger consumption and business investment
Tourism-related	Lower risk of disruptive street violence
THAI	CEO keeps his job
Contractors	Dawei project gets boost, STEC connections with Transport Minister intact
Losers	Impact
Petrochems/refiners	New polluters tax possible
Telcos	Possible legal cases due to changes to concessions under earlier Thaksin government

Source: Credit Suisse

## Losers of a decisive Democrat victory

Losers would be the telcos, as Thaksin could prove friendlier, and petrochems and refiners. A Democrat victory could offer an impetus to proposals mentioned in the past by the finance minister to introduce a tax on polluters. Petrochems companies and refiners could be vulnerable.

Petrochems and refiners could lose if Democrats enact a pollution tax

## Corporate tax cut possible under any scenario

Because both parties are promising corporate income tax reductions, tax cuts are likely regardless of who wins, if the government is stable enough to implement the policy. Although the Democrats have not offered a firm figure, Thaksin has pledged to cut the rate from 30% to 23% in the first year and to 20% in the second year. PT has not stated how it would pay for a cut, but the Democrats are looking for a revenue-neutral solution involving offsetting tax increases. A new polluters tax and the removal of tax incentives to exporters are likely targets for revenue enhancement.

Corporate tax cuts likely regardless of who wins as long as government is stable

# Strategy: Going neutral

Previously, we had taken as our base case that elections would act as a positive catalyst for the market. In light of the more uncertain election outlook, less attractive valuations and a less appealing inflation profile than before, we are taking a more neutral view on the market and stock selection.

Taking more neutral view on market

## Economy and earnings healthy

We see no problems with the economy or earnings. 1Q GDP surprised on the upside with 2.0% QoQ seasonally adjusted growth, and we are happy with our earnings forecasts. For the market as a whole, we are 6% above consensus. A corporate tax cut could add 10% or more to earnings. Although relative valuations have deteriorated due to 6% outperformance against the region since February, in *absolute* terms, valuations are looking appealing for key sectors.

Positives: economy, earnings, tax cuts

## But uncertain binary outcome never healthy

But we feel uncomfortable taking on risk in advance of an event with an uncertain, binary outcome. We still see a reasonable chance of a market-positive outcome to elections, but our probabilities suggest that the neutral or negative scenarios are more likely. Under our previous base case, we had assumed that elections would be a positive catalyst for the market.

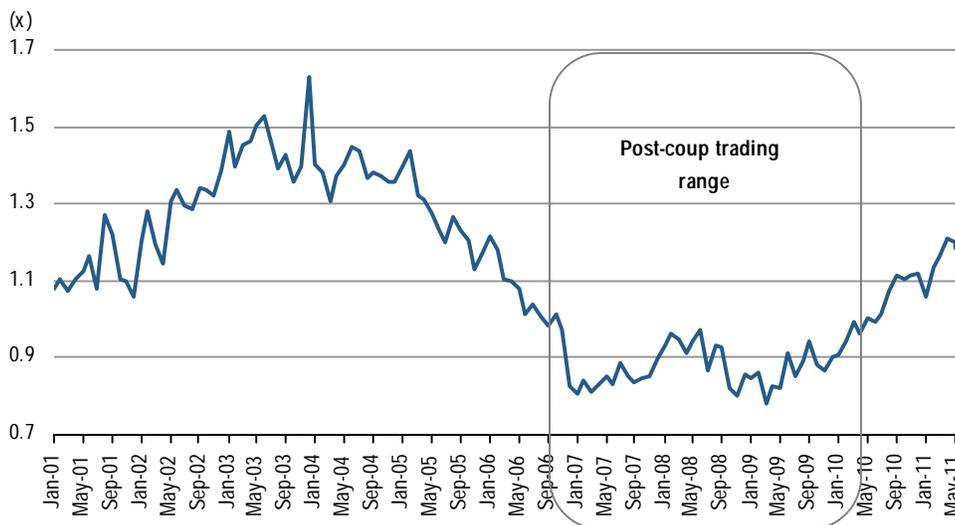
Uncomfortable with uncertain, binary election outcome

## Asymmetrical market outcomes

Even if the negative and positive election outcomes had similar probabilities, we see asymmetrical market outcomes with a negative bias. Our measure of the political risk discount—the market P/B relative to the region—is now well above the post-coup trading range, indicating that investors are discounting a significant amount of political normalisation (Figure 30). We fear that an election outcome perceived as negative by the market could, over time, de-rate the SET's relative P/B to the post-coup range. A positive political outcome should re-rate the market, but likely with a lesser quantum than the de-rating seen under a negative outcome. While a fall to the post-coup (to 3Q10) average relative P/B would involve a 25% de-rating, a rise to the pre-coup average (i.e. 2002 to the coup) would involve just an 11% re-rating.

More downside risk from negative outcome than upside potential from positive scenario

**Figure 30: Thai P/B relative to Asia ex-Japan – partially discounting positive outcome**



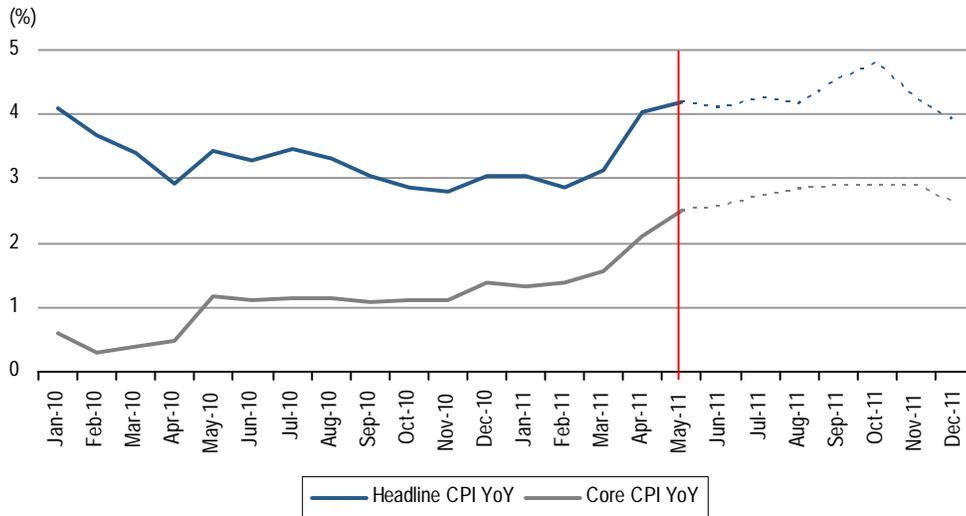
Source: Factset, Credit Suisse

## Inflation more problematic

We also see inflation as a less positive relative factor than before. While inflation in several other NJA markets seems to be peaking according to Credit Suisse regional strategist Sakthi Siva ([May inflation data starts with a hat-trick](#)), Credit Suisse economist Santitarn Sathirathai expects Thai CPI to continue rising into 4Q (Figure 31). Although Santitarn has not revised his CPI forecasts, we previously had viewed inflation as a more positive factor in relative terms. Thailand's inflation was rising along with CPI elsewhere in NJA, but it was rising from a lower base. It remains lower but now is moving in the wrong direction, compared with peers. The relative advantage is less clear than before.

Inflation has peaked in some markets but still rising in Thailand

**Figure 31: Inflation peaking elsewhere, but still rising in Thailand**



Source: Bureau of Trade and Economic Indices, Ministry of Commerce

## Rates could limit upside

Even aside from the inflation risk, Thailand is at a more advanced stage of the interest rate cycle now than in February, when we began pushing the market aggressively. We have argued in the past that extraordinarily low rates—the lowest in emerging markets most of last year—explained much of Thailand's outperformance in 2010. Low rates pushed locals out of bank accounts and fixed income and into equities, which enjoyed a favourable yield advantage. The gap between the dividend yield of the market and benchmark time deposit rates, however, has already reached the ten-year average, and will be significantly below the average by the end of the year, even assuming no change in the index (Figure 32). Since February, we have raised our 2011-end rate forecasts by 50 bp, bringing forward the moment when rates become a neutral or negative, rather than positive, factor.

Entering more mature phase of rate cycle

**Figure 32: Dividend yield gap minus time deposit rates – already at period average**



Note: Assumes 40 bp increase in deposit rates in June, in 3Q and in 4Q, and no rise in index level.

Source: SET, Bank of Thailand, Credit Suisse

## Neutralising the portfolio

To account for greater political uncertainty and higher inflation risk, we are taking our model portfolio from an aggressive to a more neutral stance. We would consider moving back to an aggressive stance or going defensive depending on further data points on inflation and the election outlook. For the elections, we will give considerable weight to the next Suan Dusit poll and our analysis of the candidate lists. We hope to have both data points within the next two weeks.

Figure 35 shows our new model portfolio. We have cut our banks, property and tourism-related stock (e.g., THAI, MINT) weightings to roughly Neutral, and are increasing our weighting in Siam Cement, petrochemicals, energy and utilities. We are now less underweight energy and more overweight utilities than before. Although energy stocks are not low-beta, the earnings of some are less exposed to domestic political events. We are especially enthusiastic about Siam Cement, where petrochemical margins are troughing and valuations relative to the broader market are in the low end of the historical range. We still like the fundamentals of banks and property a great deal but see downside if elections end badly. According to our quarterly publication showing foreign investor weightings relative to the MSCI benchmark, *The Overbought and the Underowned*, banks are the most widely held sector by foreigners (Figure 34). If foreigners wanted to cut Thai exposure, they would likely sell banks first.

Figure 33 shows our top picks. We have a list balanced among the major sectors. We may alter the risk profile depending on election-related data points emerging over the next 1–2 weeks. Whereas we previously rated SCB our favourite bank, we now prefer KBANK due to the outperformance of the former over the latter the last three months, and would sell trim exposure to KBANK last among the big banks.

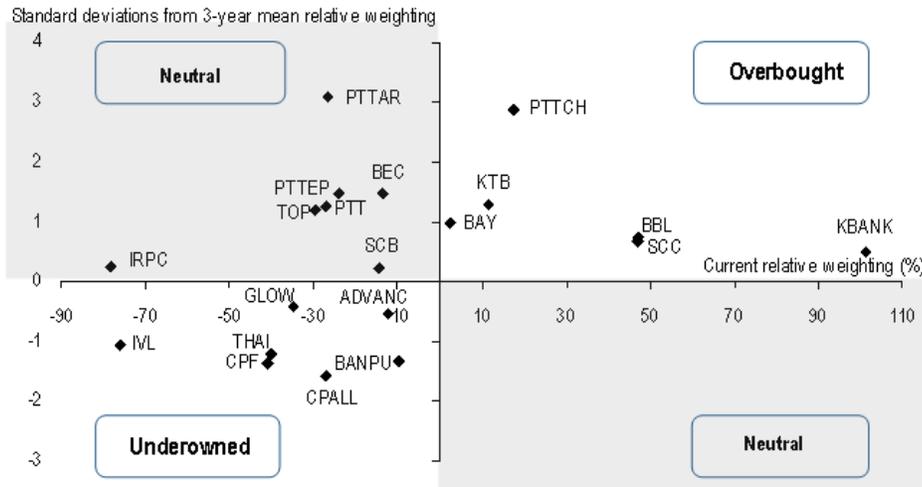
**Figure 33: Top picks**

	Rec	TP (Bt)	% upside	10E div. yld. (%)	EPS growth (%)		P/E (x)		EV/EBITDA (x)	
					2010E	2011E	2010E	2011E	2010E	2011E
CPALL	O	49	9	3.1	44.6	30.1	20.8	16.0	10.4	7.7
IVL	O	62.0	43	1.7	45.9	9.5	12.2	11.1	10.0	9.7
KBANK	O	168.0	42	2.1	44.8	14.7	9.7	8.5	1.8	1.6
LPN	O	12.90	32	5.7	41.6	39.7	6.3	4.5	4.9	3.6
RATCH	O	55	29	5.3	8.2	-1.5	10.9	11.1	7.2	7.7
SCC	O	458.0	33	3.6	-9.1	25.8	12.2	9.7	9.9	8.3

Source: Company data, Credit Suisse

Making model portfolio less exposed to politically-sensitive sectors by neutralising banks, property and tourism-related stocks, while increasing weightings in SCC, petrochemicals, energy and utilities

**Figure 34: Credit Suisse Overbought and Under-owned matrix – Most banks Overbought**



Note: As of 27 April 2011.

Source: Factset, SET, Credit Suisse

**Figure 35: Model portfolio**

	Market cap 1-Jun-11 (Bt mn)	Weighting (actual) (%)	CS weighting relative to actual (x)	CS weighting (%)	CS vs actual weighting (pp)
<b>Banks</b>	<b>1,525,815</b>	<b>25.4</b>	<b>1.0</b>	<b>26.0</b>	<b>0.6</b>
Bangkok Bank	310,187	5.2	1.1	5.7	0.5
Bank of Ayudhya	170,076	2.8	1.1	3.1	0.3
Kasikornbank	294,371	4.9	1.1	5.4	0.5
Krung Thai Bank	207,943	3.5	1.1	3.8	0.3
Siam Commercial Bank	385,075	6.4	1.1	7.0	0.6
TMB Bank	90,540	1.5	0.0	0.0	-1.5
TISCO Bank	27,295	0.5	1.1	0.5	0.0
Thanachart Capital	40,327	0.7	0.7	0.5	-0.2
<b>Build. Mat</b>	<b>420,000</b>	<b>7.0</b>	<b>1.5</b>	<b>10.5</b>	<b>3.5</b>
Siam Cement	420,000	7.0	1.5	10.5	3.5
<b>Chemicals</b>	<b>447,345</b>	<b>7.4</b>	<b>1.2</b>	<b>9.3</b>	<b>1.9</b>
Indorama Ventures	222,659	3.7	1.5	5.6	1.9
PTT Chemical	224,686	3.7	1.0	3.7	0.0
<b>Consumer</b>	<b>242,463</b>	<b>4.0</b>	<b>1.3</b>	<b>5.0</b>	<b>1.0</b>
C.P. All	203,315	3.4	1.3	4.4	1.0
Minor International	39,148	0.7	1.0	0.7	0.0
<b>Contractor</b>	<b>31,154</b>	<b>0.5</b>	<b>0.4</b>	<b>0.2</b>	<b>-0.3</b>
Italian-Thai Developments	15,852	0.3	0.0	0.0	-0.3
Sino Thai Engr & Const	15,302	0.3	0.8	0.2	-0.1
<b>Energy</b>	<b>2,067,779</b>	<b>34.4</b>	<b>0.8</b>	<b>26.8</b>	<b>-7.6</b>
Banpu	201,094	3.3	1.2	4.0	0.7
PTT	998,240	16.6	0.9	15.4	-1.2
PTTAR	112,679	1.9	0.5	0.9	-0.9
PTT Exploration & Production	594,095	9.9	0.3	3.0	-6.9
Thai Oil	161,672	2.7	1.3	3.5	0.8
<b>Healthcare</b>	<b>106,538</b>	<b>1.8</b>	<b>1.2</b>	<b>2.1</b>	<b>0.3</b>
Bangkok Dusit Medical	78,495	1.3	1.3	1.7	0.4
Bumrungrad Hospital	28,043	0.5	0.8	0.4	-0.1
<b>Insurance</b>	<b>57,000</b>	<b>0.9</b>	<b>1.3</b>	<b>1.2</b>	<b>0.3</b>
Bangkok Life Assurance	57,000	0.9	1.3	1.2	0.3
<b>Media</b>	<b>13,140</b>	<b>0.2</b>	<b>1.1</b>	<b>0.2</b>	<b>0.0</b>
Major Cineplex	13,140	0.2	1.1	0.2	0.0
<b>Property</b>	<b>213,873</b>	<b>3.6</b>	<b>0.9</b>	<b>3.2</b>	<b>-0.4</b>
Asian Property Development	14,203	0.2	1.3	0.3	0.1
Central Pattana	64,275	1.1	1.0	1.1	0.0
L.P.N. Development	14,609	0.2	1.4	0.3	0.1
Land and Houses	62,161	1.0	1.1	1.1	0.1
Quality Houses	17,124	0.3	1.1	0.3	0.0
Preuksa Real Estate	41,501	0.7	0.0	0.0	-0.7
<b>Telecoms</b>	<b>598,151</b>	<b>9.9</b>	<b>0.9</b>	<b>9.0</b>	<b>-0.9</b>
Advanced Info Service	289,104	4.8	1.0	4.8	0.0
Thaicom	9,535	0.2	1.2	0.2	0.0
Shin Corporation	102,463	1.7	1.1	1.9	0.2
Total Access Communication	130,822	2.2	1.0	2.2	0.0
True Corp	65,838	1.1	0.0	0.0	-1.1
TT&T	389	0.0	0.0	0.0	0.0
<b>Transportation</b>	<b>132,488</b>	<b>2.2</b>	<b>1.0</b>	<b>2.2</b>	<b>0.0</b>
Airports of Thailand	55,000	0.9	0.9	0.8	-0.1
Thai Airways	77,488	1.3	1.1	1.4	0.1
<b>Utilities</b>	<b>159,520</b>	<b>2.7</b>	<b>1.6</b>	<b>4.2</b>	<b>1.5</b>
Glow Energy	72,778	1.2	1.4	1.7	0.5
Ratchaburi Electricity	63,800	1.1	2.0	2.1	1.1
Thai Tap Water	22,943	0.4	1.0	0.4	0.0
<b>Credit Suisse coverage</b>	<b>6,015,267</b>	<b>100.0</b>	<b>1.0</b>	<b>100.0</b>	<b>-1.2</b>

Source: Thomson Reuters, Credit Suisse

**Companies Mentioned** (Price as of 06 Jun 11)

Advanced Info Service PCL (ADVA.BK, Bt97.50, NEUTRAL, TP Bt95.00)  
 Airports of Thailand (AOT.BK, Bt36.75, NEUTRAL, TP Bt40.00)  
 Asian Property Development (AP.BK, Bt5.00, OUTPERFORM, TP Bt8.92)  
 Bangkok Bank (BBLf.BK, Bt157.50, OUTPERFORM, TP Bt219.00)  
 Bangkok Dusit Medical Services (BGH.BK, Bt52.75, OUTPERFORM, TP Bt60.00)  
 Bangkok Life (BLA.BK, Bt47.25)  
 Bank of Ayudhya (BAY.BK, Bt27.50, OUTPERFORM, TP Bt31.00)  
 Banpu Public Co Ltd (BANP.BK, Bt726.00, NEUTRAL, TP Bt852.00)  
 BEC World (BEC.BK, Bt36.00)  
 Bumrungrad Hospital Pcl (BH.BK, Bt38.25, NEUTRAL, TP Bt34.00)  
 C.P. All PCL (CPALL.BK, Bt45.00, NEUTRAL, TP Bt41.20)  
 Central Pattana Pcl (CPN.BK, Bt29.25, OUTPERFORM, TP Bt39.20)  
 Charoen Pokphand Foods Public (CPF.BK, Bt28.75)  
 Glow Energy PCL (GLOW.BK, Bt50.25, OUTPERFORM, TP Bt51.00)  
 Indorama Ventures PCL (IVL.BK, Bt43.25, OUTPERFORM [V], TP Bt62.00)  
 IRPC Public Company Ltd (IRPC.BK, Bt5.55)  
 Italian-Thai Developments (ITD.BK, Bt3.70, UNDERPERFORM [V], TP Bt2.50)  
 Kasikornbank (KBANf.BK, Bt118.00, OUTPERFORM, TP Bt168.00)  
 Krung Thai Bank (KTB.BK, Bt18.10, OUTPERFORM, TP Bt21.80)  
 L.P.N. Development (LPN.BK, Bt9.75, OUTPERFORM, TP Bt12.90)  
 Land and Houses (LH.BK, Bt6.00, OUTPERFORM, TP Bt7.50)  
 Major Cineplex Group Pcl (MAJO.BK, Bt15.30, OUTPERFORM, TP Bt19.00)  
 Minor International PCL (MINT.BK, Bt12.00, OUTPERFORM, TP Bt14.80)  
 Preuksa Real Estate (PS.BK, Bt18.00, UNDERPERFORM, TP Bt19.10)  
 PTT Aromatics and Refining (PTTAR.BK, Bt36.75, UNDERPERFORM, TP Bt40.00)  
 PTT Chemical PLC (PTTC.BK, Bt146.00, NEUTRAL, TP Bt144.00)  
 PTT Exploration & Production (PTTE.BK, Bt174.00, UNDERPERFORM, TP Bt183.00)  
 PTT Public Company Limited (PTT.BK, Bt343.00, NEUTRAL, TP Bt362.00)  
 Quality Houses (QH.BK, Bt2.00, OUTPERFORM, TP Bt3.30)  
 Ratchaburi Electricity Generating Holding (RATC.BK, Bt42.50, OUTPERFORM, TP Bt48.00)  
 Shin Corporation (INTUCH.BK, Bt32.00)  
 Siam Cement (SCC.BK, Bt345.00, OUTPERFORM, TP Bt374.00)  
 Siam Commercial Bank (SCB.BK, Bt107.00, OUTPERFORM, TP Bt136.00)  
 Sino Thai Engr & Const PCL (STEC.BK, Bt12.90, NEUTRAL [V], TP Bt13.70)  
 Thai Airways International (THAI.BK, Bt33.75, OUTPERFORM [V], TP Bt50.50)  
 Thai Oil (TOP.BK, Bt74.50, OUTPERFORM, TP Bt99.00)  
 Thai Tap Water (TTW.BK, Bt5.70, NEUTRAL, TP Bt6.20)  
 Thaicom PCL (THCOM.BK, Bt8.65)  
 Thanachart Capital Public Co Ltd (TCAP.BK, Bt29.50, OUTPERFORM, TP Bt37.00)  
 Tisco Financial Group (TISCO.BK, Bt37.25, OUTPERFORM, TP Bt49.00)  
 TMB Bank Public Co Ltd (TMB.BK, Bt2.04, UNDERPERFORM, TP Bt1.90)  
 Total Access Communication PCL (DTAC.BK, Bt57.75, NEUTRAL, TP Bt45.00)  
 True Corp PCL (TRUE.BK, Bt4.52, UNDERPERFORM [V], TP Bt2.25)  
 TT&T Public Co. (TTNT.BK, Bt0.11, UNDERPERFORM [V], TP Bt0.20)

## Disclosure Appendix

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