

A Dramatic day at the SET

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Last week I heard Dr. Supachai Panitchpakdi address a Bangkok audience about the failings and weakness of the Thai economy – in his view there were 4 longstanding ‘UN’ issues that needed to be addressed – nothing to do with the United Nations – rather the 4 following adjectives;

- Unstable
- Unbalanced
- Uncoordinated
- Unsustainable

He called for changes in “the old model of growth” to redress this.

Just a few days later (yesterday), the volatility in the Thai stock market, where following several down days, another down day suddenly became a catastrophic afternoon. It dropped from around 3-4% down to around 10% down on the day in many stocks, before the index bounced back to close just over 2% lower than it had opened.

As usual the rumour mill worked overtime – the performance of PTT in light of the recent oil price correction certainly made up a fair share of international musing about the market. However, this doesn’t really make sense to me – while PTT is a major component of the SET, Thailand’s economy and most listed companies benefit from lower oil prices, so it’s not clear that the price of petrol bombed out would cause such dramas in the SET but not other regional indices to the same extent. Rumours surrounding a range of other topics also flew around but the bounce back in the last hour of trading indicates that maybe whatever these rumours were, they were somewhere between baseless and mischievous.

That said, I’ve been warning for some time that the SET’s spectacular one-year rally had maybe run too hard, too fast and that profit-taking wars may be the prudent order of the day. The 8% correction so far this month is only the start of the leg back down I’d look for towards levels that once again represent compelling value.

The Baht has generally weakened along with most Emerging Market currencies although once again the Bank of Thailand has managed this well. However, I dread to think what impact the trash-talk crash of yesterday could have had on the offshore currency on a day when domestic markets were closed; so again I’d generally avoid Baht right now.

Hoping to see many readers tonight at IDEA Economics's Asia Launch.

For further information contact us by e-mail on info@mbmg-investment.com or call +66 2 665 2536.

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