

Thailand Weekly



Thailand Equity

The National Economic and Social Development Board (NESDB) has upgraded its 2010 growth forecast to 7% to 7.5% from 3.5% to 4.5%, after it reported better-than-expected second quarter GDP that expanded 9.1% over last year. Overall, the economy rose 10.6% in the first half from the same period last year. The Bank of Thailand raised its benchmark interest rate a second straight time by 25 basis points to 1.75% as widely expected.

In corporate news, as part of a plan to invest 9.8 billion baht for overseas expansion to pursue a target to generate 10% of total revenue from overseas by 2013, **Central Pattana** is expected to sign a joint-venture agreement to expand in China this year while also studying the feasibility of entering India. **Home Product Center** has announced a 6 for 1 stock dividend and will hold three promotional events over the remaining of the year targeting event sales of 4.9 billion baht. Indonesia is seeking at least US\$ 1.1 billion in compensation for environmental damage caused by Montara oil spill - **PTT Exploration and Production** said the firm is willing to cooperate to verify the damage to the ecosystems, fishermen, and related issues. Meanwhile, **MFC Asset Management** reported strong second quarter fiscal year 2010 earnings underpinned by controlled expenses and base effect. We hold all of the above companies.

Thailand Fixed Income

The National Economic and Social Development Board (NESDB) announced 2Q10 came out at consensus beating 9.1% YoY last week citing stronger than expected contribution from private consumption and investment despite the unrest in April and May. As expected Bank of Thailand continued its normalizing of policy rates by delivering another 25bps hike leaving policy rates at 1.75%. We expect at least another 25bps by end of the year. Despite these "negatives" news for the bond market, yields collapsed as offshore investors continued to accumulate Thai bonds. Last week's bull flattening saw a 30bps fall for 10year government bond yields.

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