

Martial law's end may spur foreign flows

The revocation of martial law is likely to attract foreign funds as the investment climate improves, says CLSA Securities (Thailand).

"The lifting of martial law should significantly improve tourism, which is one of most important sectors in the country," managing director Prinn Panitchpakdi said.

"During martial law, about 5% of foreign funds globally still invested in our market, but lately we've seen more positive signs from foreign funds."

Japanese funds are on course to invest in Asean and Thailand to the tune of US\$2-3 billion.

"Thailand is the first among their main destinations in the region thanks to the strong fundamentals of our listed companies," Mr Prinn said.

The political issue seems to have settled down for the next few years, he said, adding that political conflicts normally recurred after a government spent a year or two in power.

The Stock Exchange of Thailand (SET) index is expected to end at 1,750 points on the strength of government spending in the second half of this year.

"Tourism will significantly improve as well as construction and property, whose price-to-earnings ratio remains cheap, and they will benefit from government projects," Mr Prinn said.

The Thai stock market is expected to remain volatile over the next three months as a result of slow progress in government spending and economic indicators recovering more slowly than expected.

"These factors are negatively affecting foreign investors' view of our markets," Mr Prinn said.



Thailand remains a top destination for Japanese investment, Mr Prinn says.

Separately, Voravan Tarapoom, chairwoman of the Federation of Thai Capital Market Organizations (Fetco), said the Fetco Nida Investor Sentiment Index showed a significant decline in investor confidence.

The index revealed that investor sentiment in April bodes poorly for the next three months as domestic consumption slows drastically.

The gauge now stands at 78.9 points, down from 118.64 last month, indicating sharply lower investor confidence.

Specific surveys of confidence in each individual sector highlighted the same bearish trend.

Mrs Voravan specified government economic policy and the global economy as the most important factors in the domestic recovery.

Furthermore, the capital flows and money-easing measures of foreign central banks and the risk of terrorism are also reshaping confidence.

SET executive vice-president Santi Kiranand said daily trading volume year-to-date averaged 54.4 billion baht, of which 64% came from retail investors, 8.5% from institutions, 19% from foreign investors and 8.5% from brokers.

In the futures market, daily trading averaged 110,300 contracts.

The SET's market capitalisation stood at 15.5 trillion baht.

