

# Thai Politics

## No government yet; SET could stage a brief rally

- 89.2% of the total polling stations nationwide were able to conduct the voting process.
- The polling day has revealed that more members of the Thai electoral society prefers to take chance on the democratic process to develop politically.
- Without major violence, we believe the SET will stage a brief rally. Brief because it is unlikely that a government can be formed out of the Feb 2 election for lack of quorum. By elections is to happen in the next three months. There will be no functional government for longer especially as judiciary cases against caretaker Prime Minister Yingluck continues to pile up. Instability spilling into 3Q will endanger the budgetary process further stalling investment initiatives.

### What's New

The Feb 2 election ended at 3PM today; at 4:30pm the Election Commission Chairman reported that 89.2% of the 93,932 stations nationwide have completed the voting process. Some polling stations have resorted to making their own ballots (unlawful) as the official ballots could not be delivered. Some polling stations are marred by conflict between the PRDC members intent on blocking the voting process and electorates equally adamant to exercise their voting rights. Ballot counting follows as normal but the official announcement could be deferred for some time.

### What's Our View

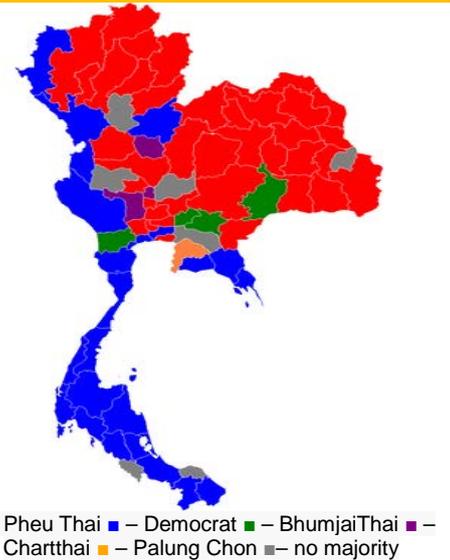
With only 306 constituencies of the 375 being able to do the voting, it is unlikely that the quorum of 95% or 475 seats can be met. Optimistically counting that the 125 seats coming from the Party line can be elected, the potential number of seats would only be 431 - below quorum. In the next 180 days we should see by-elections. We should also see a number of judiciary proceedings intent on weakening the Phue Thai Party to be concluded. There is a remote chance that a new government can formed in the next three months. The election revealed that majority of the country's electorate is still willing to take chance on the democratic process as a way to develop the political path for the country. Given the limited violence that occurred, and mainly in the Bangkok area and the southern regions, which are the political turfs of the Democrat Party, we believe that the SET will stage a relief rally for a few days.

In a trading market the Construction, Tourism and Banks are likely to outperform. Stocks that could see strong moves temporarily could include STEC, ITD, CK, SCC, AOT, CENTEL, ERW, MINT, BH and BCH as well as BBL and KTB. However, given that the key issues remain unresolved - especially the demand by PDRC that Yingluck resigns, and especially that the country will continue to have a non functional government, the fundamentals remain weak. Newsflow would tend to be negative. Our base case is that we will have a government by the end of the 2Q14. Conflicts, political instability spilling over to 3Q could endanger the budgetary process further delaying the many investment initiatives including that of the private sector especially that requires approval of the Board of Investment Committee. We reiterate that this would be a trading market; too early to go bottom fishing.

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#### Voters distribution 2011 Election



Source: Wikipedia

#### Stocks likely to perform in the brief rally

Construction-related	STEC, ITD, STEC, SCC, TASCO, DCC, HMPRO, GLOBAL
Tourism-related	AOT, CENTEL, MINT, ERW, BH, BCH, ROBINS, MAKRO
Financial-related	KTB, BBL

## Adamant PDRC

The People's Democratic Reform Council (PDRC) and its supporters have been harassing Yingluck's government and the city of Bangkok to push for its agenda of replacing the government with good people and initiate reform that would get rid the society of the Shinawatra influence and corruption.

Anti government forces have been giving their best efforts to derail the Feb 2 election - Sunday. In Sunday's election, nearly all of the southern region could not hold the election. Of the 53 seats, 24 have no registered candidates because the registration venue was blocked successfully by the PDRC. For those that have registered candidates, voting could not happen because delivery of the ballots has been blocked with the PDRC, successfully.

## Equally adamant electorates

Despite this, Election Commission (EC) secretary-general Puchong Nutrawong said 306 out of 375 constituencies have been able open for voting. At 4:30PM the Election Commission (EC) Chairman reported that 89.2% of the 93,532 polling stations have gone through the voting process. In nine provinces voting were cancelled while in another nine voting process were cancelled in some stations, the EC chairman reported.

A group of pro-election supporters destroyed an anti-government stage in front of the Din Daeng District Office in Bangkok after being prevented from casting their votes in the election. The stage was set up by protesters PDRC in an attempt to block people from entering a polling station in the district office. Unconfirmed reports cited in the Bangkok Post said more than 1,000 people living in Din Daeng had filed complaints with police, accusing the EC of neglecting its duties. The pro-election group said they will hold a rally against Issaramet Kachanukul, chief of the Din Daeng District Office, on Monday because he failed to protect polling units in their area. Din Daeng district has 175 polling stations and 25,949 eligible voters.

Unconfirmed reports cited by the Bangkok Post mentioned that pro-election supporters in one polling unit Bangkok's Ratchathewi district made their own ballot boxes and papers after the real ballot boxes and voting papers could not be delivered to polling stations in the area. They also organized their own election activities as no election and district officials present at their polling unit. The voters made a big banner with a message saying "the Ratchathewi district chief doesn't want an election so we'll vote by ourselves".

However, these efforts are likely to come to naught. According to the Organic Act on the Election of Members of the House of Representatives and the Installation of Senators, voters are not allowed to use other types of ballot papers that are not specified by the law and cannot take out ballot papers from polling stations. Violators could face up to 10 years imprisonment, a maximum fine of 200,000 baht and their voting rights could be revoked for 10 years. There goes, those electorates insisting on their right to vote can be jailed - a big irony.

## No Government

With only 306 constituencies of the 375 being able to do the voting, it is unlikely that the quorum of 95% or 475 seats can be met. Optimistically counting that the 125 seats coming from the Party line can be elected, the potential number of seats would only be 431, by our estimates – below quorum. In the next 180 days we should see by-elections. We should also see a number of judiciary proceedings intent on weakening the Phue Thai Party to be concluded. There is a remote chance that a new government can formed in the next three months.

## SET to rally briefly

The voting process proceeded smoothly in many parts of the country. Given the limited violence that occurred, in our observation, and mainly in the Bangkok area and the southern regions, which are the political turfs of the Democrat Party, we believe that the SET will stage a relief rally in the next few days.

For those who can trade, Construction, Tourism and Banks are likely to outperform. Stocks that could see positive moves temporarily could include STEC, ITD, CK, SCC, CENTEL, ERW, MINT, BH and BCH as well as KTB. However, given that the key issues remain unresolved – especially the demand by PDRC that Yingluck resigns, and especially that the country will continue to have a non functional government, the fundamentals remain weak.

Our base case is that we will have a government by the end of the 2Q14. Conflict, political instability spilling over to 3Q could endanger the budgetary process further delaying the many investment initiatives including that of the private sector especially those that are of value in excess of THB200m, which would require approval of the Board of Investment Committee. **We re-iterate that this would be a trading market; it is too early to go bottom fishing.**

### Stocks that could perform well in the brief rally

Construction-related	STEC, ITD, STEC, SCC, TASCO, DCC, HMPRO, GLOBAL
Tourism-related	AOT, CENTEL, MINT, ERW, BH, BCH, ROBINS, MAKRO
Financial-related	KTB, BBL

Source: MKE-ISR

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