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FINANCIAL ANALYSIS & COMMENTARY

Bangkok stocks: not so dangerous

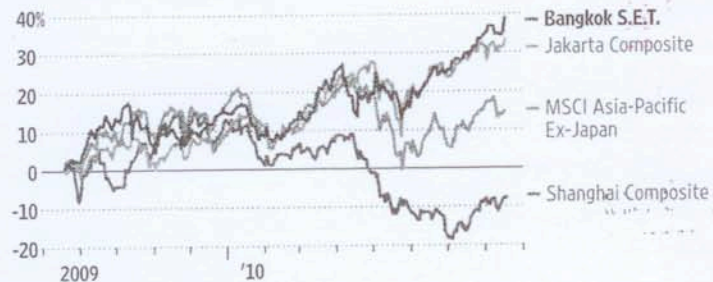
That Thai stocks are cheap shouldn't surprise anyone. That Thailand's stock market is Asia's best performer? That might.

Thailand's benchmark index is up 41% from a year ago, and more than 16% in the past three months—on both fronts a better showing than any other in the region. The gains offer a stark contrast to the mood in Bangkok in April and May, when antigovernment protests and a military crackdown left about 90 people dead, prompting foreign investors to sell nearly \$2 billion of Thai stocks.

But if that turmoil affected the economy, it hasn't been evident. Instead, Thailand is reaping the rewards of its position as a manufacturing hub for the world's major electronics and auto companies, and benefiting from strong consumer demand across Asia. Auto production doubled in July as auto exports reached a 22-year high. Even tourism has bounced back, and the Bank of Thailand recently raised its full-year

Thai surprise

Thai stocks are the best-performing in Asia
One-year results of selected Asian indexes



Source: Thomson Reuters Datastream

economic-growth forecast to be between 6.5% and 7.5%.

Foreign interest, meanwhile, is rising. On Thursday, in fact, outsiders returned to being stock buyers, net of sales, for the first time since March.

There are a few easy targets for

the re-entering foreigner. Fast loan growth and rising interest rates should boost the profits of the likes of **Bangkok Bank** and **Krung Thai Bank**. Both have relatively low loan-to-deposit ratios, Macquarie Securities says, which means they will benefit more than others as they in-

crease lending at higher rates.

Property companies, too, such as **Land & Houses** and **Pruksa Real Estate**, should profit amid Thailand's growing wealth and urbanization. Demand for property is robust: Between January and May, the number of people taking ownership of property in Thailand jumped 48% from a year earlier.

There are risks. The economy's reliance on exports, which account for 60% to 70% of gross domestic product, is one. Politics, naturally, is the other. But the political risk is arguably built into stock prices. At 10.6 times forecast 2011 earnings, Thai stocks are cheaper than in most of Asia, according to Citi Investment Research data.

A test of the political situation will appear soon enough. National elections are expected next year.

The situation remains tense, but brave investors are already being rewarded.

—Leigh Murray