

Thailand Hits the Polls

Thursday, March 21, 2019

Highlights

- Thailand hits the polling booth this weekend, March 24
- Election surveys suggest a fragmented Lower House is likely
- Thai financial markets have remained muted ahead of elections
- It will be business as usual for the Thai economy if Prayut Chan-ocha is reelected as PM

Lower House likely to be heavily fragmented

After five years of military rule, Thailand will hit the polling booth for its first general elections since 2011 this weekend. 11,181 candidates from 81 parties will contest for 350 constituency seats, while 2,917 candidates from 77 parties will vie for 150 party-list seats. As many as 68 candidates from 44 parties are vying for the premiership. The sheer number of political parties contesting, as well as mixed results from the latest election surveys, suggests that a fragmented Lower House will be formed by the end of the voting.

Many Thais still undecided

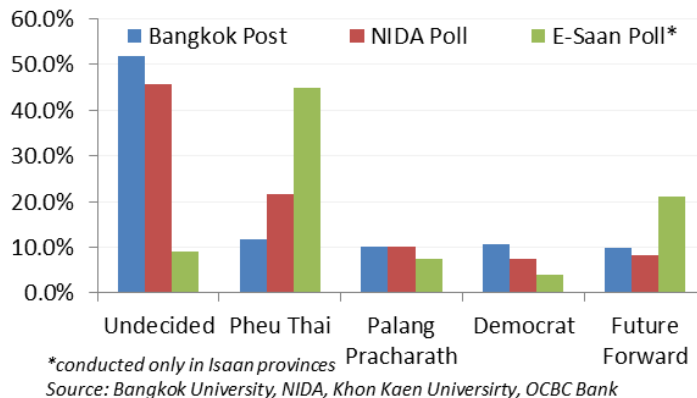
Four parties lead the pack on an aggregate basis from the election surveys: the Thaksin-linked Pheu Thai party; the military-aligned Palang Pracharath party; the Democrat party, led by former PM Abhisit Vejjajiva; and the Future Forward party, which has appeared popular among the younger demographic.

The survey results, however, show an overwhelming number of Thais still undecided on which party to vote for, with Bangkok University's Bangkok Poll showing as many as 51.7% of respondents in that category. The NIDA poll shows a similar pattern, with about 45% of respondents unclear on who they may ultimately choose. Only in the Northeast region of Isaan, where Thaksin and his affiliated parties generally have a stronghold, are respondents more clear on their choice – with the Pheu Thai party garnering 45% of the response and naturally leading the E-Saan polls.

Treasury Research
Tel: 6530-8384

Howie Lee
Tel: 6530-1778
HowieLee@ocbc.com

Thai General Elections Survey Results



Political risks appear subdued

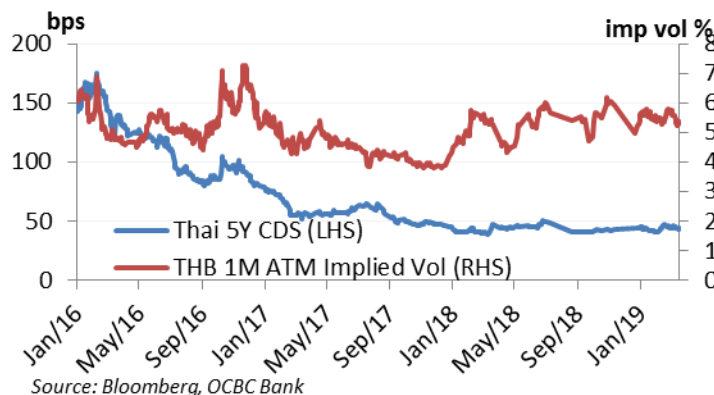
The high proportion of undecided respondents is likely to lead to two key outcomes: a) a potential high number of no-show at the polling booth; b) undecided respondents scattering their choices across many parties.

The lack of a clear two-way tussle between the Pheu Thai and Democrats, which represent the Red Shirts and Yellow Shirts respectively, also suggest a low possibility of street demonstrations post-elections.

Market reaction leading to the polls

Financial markets have also seemingly agreed that the upcoming Thai elections will likely be a muted, low-risk event. This is observed via the relatively low costs of credit default swaps on Thai sovereign bonds as well as the subdued implied volatility on the baht. Other than the surprise nomination of Princess Ubolratana as the Thai Raksa Chart party's choice of premiership, there has been little political risks observed leading up to the general elections.

Thailand 5Y CDS & THB 1M ATM Vol



Little changes to future economic policy expected

All of these point to a relatively high probability that Thailand's Lower House is likely to be heavily fragmented post-elections, with not a single party commanding a clear majority among the 500 seats. This will lead to varying degrees of potential gridlock regarding fiscal planning and budgeting down the road, with mega infrastructure projects facing the possibility of longer completion periods.

Mathematically, the military requires just 126 of 500 seats to hand the role of PM back to incumbent Prayut Chan-ocha. In that scenario, other than the heavier political gridlock arising from a fragmented Lower House, little changes to economic policy are expected from what has been implemented since the military took charge in 2014.

Risks still abound for Thailand**Economics**

While the general elections present a fat-tail political risk, greater economic challenges await Thailand in the current climate – the slowdown in global growth, the ongoing US-China trade tensions and the high domestic household debt, to name a few. Thailand's growth in the short to medium term will likely be influenced more by external economic conditions than its domestic political environment.

Politics

Despite the apparent calm, Thailand has a history fraught with military coups and a divided political scene split between the Red and Yellow shirts. In addition, the voting results may be announced as late as 9 May despite the country hitting the polling booth on 24 March – the long wait may prove unsettling for some.

Markets

Both the Thai sovereign CDS and the implied volatility of the Thai baht suggest that little gyrations in the market are likely to be observed pre-elections. Political risks however, as mentioned, present a fat-tail risk – any eruption of street demonstrations during or post-elections could still add selling pressure on the country's assets, although those risks appear very small at the moment. If the election proves to be a peaceful non-event, little changes are expected to the baht's current level in the short-term (which will likely be more highly influenced by the BoT and the Fed than election results). Under stress, however, we may see varying selling pressures on the baht and the SET index.

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W