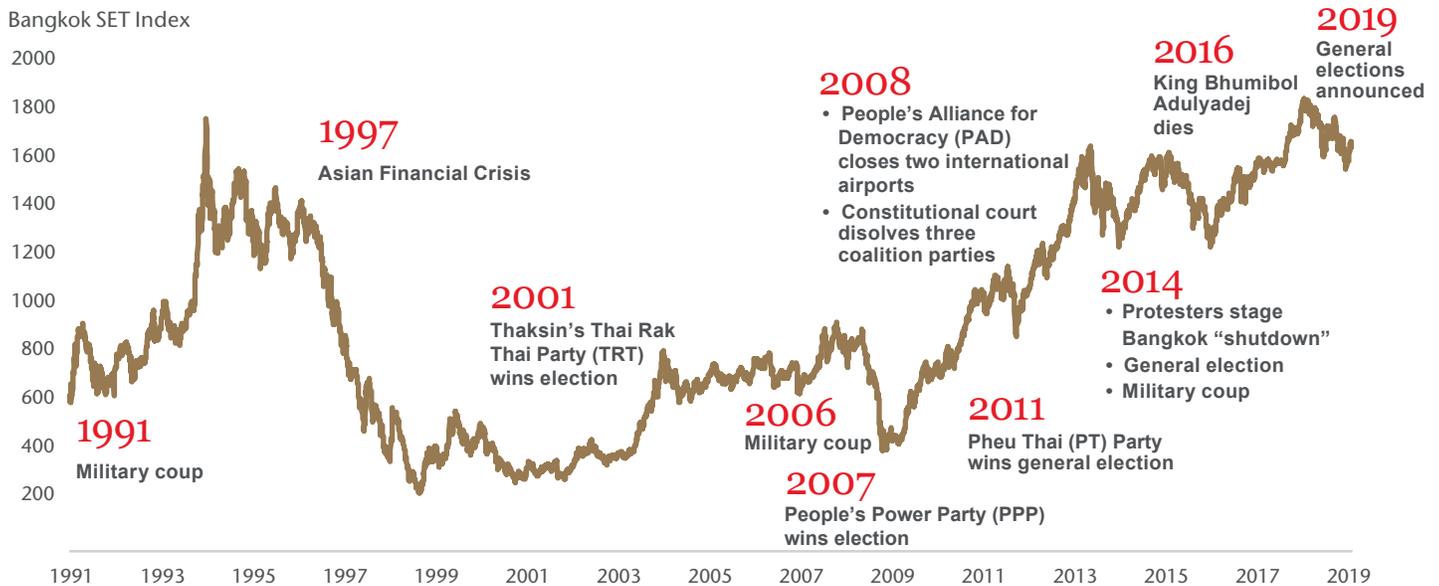


Thailand: Par for the Coups

Military coups and martial law usually make for nervous investors and jittery markets. But in Thailand, here's why panic tends not to ensue.



Sources: Bloomberg, Matthews Asia

Thailand's propensity for coups stems largely from the leading role its military has long played in its politics. In 2014, Thailand saw its 12th coup d'état (not counting several unsuccessful attempts) since the absolute monarchy was replaced in the 1930s. Subdued market reaction is not what might be expected but business in Thailand has typically remained untarnished by political unrest, which for the most part has been non-violent in this Buddhist nation. The military has also been a constant presence and Thailand's late King Bhumibol Adulyadej, who was widely revered, was long a stabilizing force that encouraged rival factions to settle disputes.

Progress toward this Southeast Asian nation's long-delayed elections is also on the horizon. On March 24, 2019, Thailand is scheduled to hold its first democratic election since the military coup in 2014 and its first general election in nine years. This should support a transition back to a democratic regime that may give Thailand greater legitimacy among its global peers

Military oversight will be part of the country's governance for at least the next five years, due to an appointed, military-backed Senate. A strong showing by the military would likely buoy the stock market as this would be a status quo, pro-growth scenario that tends to result in increased private investment, business and consumer confidence, and accelerated implementation of infrastructure projects. Should election results be unclear, a period of uncertainty may ensue, which could trigger weaker consumer and business sentiment and continued investment stasis.

Despite its politically driven short-term volatility, Thailand's economy has been resilient. As the chart (above) illustrates, the country's economic growth has helped boost Thailand's stock market nearly 5X over the past two decades starting from 1999.

Party Games: Deciphering Thailand's Political Players

PAD: The People's Alliance for Democracy, more commonly known as the Yellow Shirts is a Thai political group. It was originally a coalition of protesters against Thaksin Shinawatra, the former Prime Minister of Thailand. PAD was a chief player in the Thai political crises of 2005 and 2008.

TRT: The Thai Rak Thai Party was once the ruling party under Thaksin. Founded in 1998 and dissolved in 2007.

PPP: The People's Power Party, a now defunct pro-Thaksin party, preceded the Pheu Thai Party. Dissolved in 2008.

PT: The Pheu Thai Party is the current vehicle of the Shinawatra family, which won Thailand's past four consecutive elections.

DP: The Democrat Party represents the Thai establishment. DP and PT are opposition heavyweights in upcoming elections.

PPRP: The Palang Pracharat Party is a newly formed party that represents the interests of the Thai military junta.

The Bangkok SET Index is a capitalization-weighted index of stocks traded on the Stock Exchange of Thailand.

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