I J A B E R, Vol. 14, No. 15 (2016): 10581-10598

A HISTORICAL APPROACH ON IMPACT OF INTERIM GOVERNMENTS ON STOCK MARKET FLUCTUATIONS IN THAILAND (1991-2010)

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Abstract: *Interim governments are generally appointed and tend to arise in association with or in the aftermath of civil or foreign wars. In a time of crisis a collapsed government may reform with interim status under a coalition. The establishment of interim governments is frequently tied to the implementation of transitional justice. Such changes have sometimes cascading effects on the capital markets of a country especially where the volume and stocks listed are not huge. This paper aims to take a historical view on the behavior of stocks and the interim governments that came and went by during the 20 years of Thai bourses. The Stock Exchange of Thailand (SET) index is a major stock market index which tracks the performance of all common stocks listed on the Stock Exchange of Thailand. It is a capitalization-weighted. The index has a base value of 100 as of April 30, 1975. In 1990 the total volume of Thai stocks was just 8,244 and the value 626,307 when compared to the present at 7,207,132 and 38,825.20 respectively (figs in "000"). The study finds that there were no interim government's effects on the stock markets.*

Keywords: *Interim Governments, Thailand's stock market, Historical approach.*

1. INTRODUCTION

The Macmillan Dictionary of Modern Economics (Pearce, 2016) defines capitalism as a political, social, and economic system in which property, including capital assets, is owned and controlled for the most part by private persons. Capitalism contrasts with feudalism, an earlier economic system, in that it is characterized by the purchase of labor for money wages as opposed to the direct labor obtained through custom, duty or command in feudalism. Under capitalism, the price mechanism is used as a signaling system which allocates resources between uses. As the scope of price mechanism, the forms of capitalism are differentiated by the degree of competitiveness in markets, and the level of government intervention. Whereas, microeconomics studies how markets coordinate decentralized decision making through a price mechanism to bring supply and demand into equilibrium. In this scenario capitalism is a largely self-regulating economic system in which the proper role of government is limited to providing certain basic public goods

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and services at low cost. In a capitalist system, government creates, legitimates, administers and periodically modernizes the various market frameworks that spell out the conditions in which the economic actors may acquire and employ capital and labor to produce, distribute, and sell goods and services that is primarily indirect intervention. Although, the private actors can enter, compete, and exit from the market which reflects the successful capitalism, this freedom is still under the government's restraining (Scott, 2011).

The meaning of "Provisional government" is an emergency or interim government, which is temporary created. The purpose of provisional governments in many years ago was preparing for the return of royal rule. Many provisional governments are considered as liberal governments, which are established for election. In the crisis situation, a collapsed government may set the provisional status under a coalition ("Definitions for PROVISIONAL GOVERNMENT," n.d.). Shain and Linz (as cited in Agborsangaya-Fiteu, O., 2009) suggest that transitions may be more successful if there is the establishment of caretaker governments made up of incumbents and power-sharing arrangement avoidance by the parties. As Indonesia case, there were widespread protests to end Suharto's 30 year regime, but the protests were too weak to replace it with a power-sharing institution or a revolutionary provisional government. According to the model described by Yossi Shan and Juan Linz (as cited in Agborsangaya-Fiteu, O., 2009) the caretaker government is the conclusion. Governance is the multidimensional term used to describe the interaction between citizens and their rulers and the ways governments can support or impede their constituents' aspirations (Rothberg, 2002 as cited in Agborsangaya-Fiteu, O., 2009).

Many times introduction of provisional or interim governments causes far reaching and permanent effects on the capital markets of a country especially where the volume and stocks listed are not huge since such markets are more suspect to manipulation or influences from overseas. Share price movement can reflect the situation in the economy. For example, share price decreased due to the fear of economic recession and global economic slowdown. Moreover, the stock market can also affect consumer confidence and this affect other parts of the economy. Decreasing share prices can discourage consumers' spending in the economy. However, some share price movements are difficult to explain (Pettinger, 2015; Liew & Chou, 2016).

We can see from history that on 25th February 1991 when the coup General in Thailand who overthrew the elected Chatchai government announced that a provisional government (Frost, 1991) would be set up with 7 days in reaction to this the main index of the SET lost 57 points that day which was a 7% drop from the previous day's close of 791.64. Governments could be the terrorize picture for the financial world. A single regulation, support or sudden change that announced on the press can effect companies and whole industries as the shockwaves around the world. Therefore famous investors, e.g. Fisher and Price, considered legislative risk as the major factor when they evaluated the stocks because the expected return form investment can turn out to the opposite way when take government as another factors into consideration (Beattie, 2016).

Post-conflict interim governments are set up for the purpose of organizing elections, conducting institutional reforms, and facilitating conflict resolution. The perception of the public about the interim governments and civil society in decision making are important especially for the drafting a new electoral law and increasing the acceptance of reforms (Strasheim, 2014). The establishment of provisional governments and the implementation of transitional justice are frequently tied to each other (McAuliffe, 2010). Decisions related to transitional justice can define who is allowed to participate in a provisional government (Dyzenhaus, 2003).

Policy makers, warring parties, and the media have thus recently started to increasingly portray interim governments as "magic bullets" capable of resolving all forms of violent conflict. In June of 2012 the then US Secretary of State, Hillary Clinton, stressed the need to create "a fully representative and inclusive interim government which leads to free and fair elections" in Syria ("Syria: Hillary Clinton," 2012).

However there are many questions about interim governments. Firstly, the most important question is in forecasting how such interim governments may or may not add to post conflict peace and democratic process. Secondly, by focusing on decision-making, question is how those decisions will be made? So what people and media wait and watch for is "Do we have a cabinet decision-making process or a process whereby decisions are made by a small group both in the executive and out of it? ("Decision making," 2016). A half century ago, Milton Friedman supported the free markets over government intervention and his prescription for central banks' inflation-fighting were treated as fringe notions by many economists (Ip, and Whitehouse, 2006). This study therefore focuses on an issue not really well researched on is the interim government's and the signals which the market picks up from the time an interim government is announced and the markets predictions of the future under that interim government. Therefore emphasis on governmental inefficiency and the need for deregulation becomes very significant, since it indicates in the possibility of non-constructive governance. Hence even non action or non-intervention or a status quo policy from such interim government's might result in financial markets sliding down due to future uncertainty on host of issues which an interim government given the role it has to play cannot address. The authors of this research paper take a historical view on the behavior of stocks during interim governments that came and went by during the 20 years of Thai bourses.

The Stock Exchange of Thailand (SET) index is a major stock market index which tracks the performance of all common stocks listed on the Stock Exchange of Thailand. It is a capitalization-weighted. The index has a base value of 100 as of April 30, 1975 (The Stock Exchange of Thailand, 2013). In 1990 the total volume of Thai stocks was just 8,244 and the value 626,307 when compared to the present at 7,207,132 and 38,825.20 respectively (figs in "000") ("Market Statistics," n.d.).

2. LITERATURE REVIEW

Interim Governments

Yossi Shain and Juan Linz (as cited in Croissant, 2006) studied on interim governments and democratic transitions and developed the model of international interim governments, defined as those forms of transitional authority, "in which the international community, through the aegis of the United Nations, directs and monitors the process of democratic change". However, Michael Doyle who has recently developed the idea of international interim regimes a step further by presenting a fourfold typology of transitional authority which allows classifying different subtypes of international interim regimes. The four types of transitional authority (supervisory, executive, and administrative authority and monitor) are differentiated from each other by the degree of legal authority and effective international capacity the interim regime enjoys. Doyle is interested in the role that UN transitional authorities play in post-conflict peace-building, which is different from the work of Shain and Linz that focuses on the role that interim governments play in enhancing or impeding the democratic outcome in the transition from authoritarianism. The Doyle's idea is a complex, multidimensional challenge that reaches far beyond directing and monitoring the process of democratic change.

Investment Theories on Stock Markets

Supply and Demand

The law of supply and demand affects the stock market by determining prices of the individual stocks that make up the market. The major factors that affect demand for stocks are economic data, interest rates and corporate results. Economic data reveals more information about the state of the economy. If the economy is doing better than expectations, it creates more demand for stocks in anticipation of better earnings. ("How does the law of supply and demand affect the stock market?," 2015).

Investor Psychology

Modern portfolio theory and behavioral finance attempt to explain investor behavior. It is the basic conventional wisdom for investment decision making. Many core points of modern portfolio theory were captured in the early 1960s by the efficient market hypothesis of Eugene Fama from the University of Chicago that stated that financial markets are efficient, investors make rational decisions, market participants are sophisticated, informed and act only on available information. Specially, the idea that financial markets are efficient is one of the main supports of modern portfolio theory. It suggests that at any given time prices fully reflect all available information on a particular stock and/or market if financial markets are efficient (Smith, 2014).

Environment

This is a theory of investment that recommends looking at the investment climate in detail. This means looking at the broader economic and political environment. Investors who pay attention to the environment ask about information such as what the prospects might be for investment overseas if there was a recent election or how a war might change the economy (Ray, n.d.).

Company Fundamentals

The theory suggests that the ideal way to invest in stocks is by doing research on the preferred company. This theory holds that a company that is successful in its operations will be worth investing in.. This way of decision making assumes that although an fundamentally weak company, like any dot com company stocks for example, can jump in terms of stock price, this performance cannot be maintained. On the other hand, a solid company with an undervalued stock price will rise because it will be recognized by the investing public (Ray, n.d.; Amelia, 2016).

In financial economics, the efficient-market hypothesis (EMH) states that asset prices fully reflect all available information which directly implied that it is impossible to win the market consistently on a risk-adjusted basis since market prices should only react to new information or changes in discount rates (the latter may be predictable or unpredictable) (Malkiel, 2003). Historically, the EMH is preceded by Hayek's (as cited in Malkiel, 2003) argument that markets are the most effective way of aggregating the pieces of information dispersed amongst individuals within a society.

Thailand's Interim Government

As indicated in Table 1, there have been 13 governments in Thailand during year 1991 – 2010 (period of study) but there were only 2 interim governments. The first interim government's term was between 2 March 1991 to 6 April 1992 (about 13 months). This Thai provisional civilian government headed by Interim Prime Minister Anand Panyarachun. It was appointed by National Peace Keeping Council (NPKC) which is a Faculty of the military coup led by General Soonthorn Pongsompong that seized power from General Chatchai Choonhavan since February

23, 1991. Due to the failure of General Chatichai Choonhawan government General Chatichai Choonhawan was accused of being corrupt practices and inefficient that brought about disaster to the nation (Royal Thai Government, 2016a; Royal Thai Government 2016b; Mydans, 1998)

The second interim government's term was between 1 October 2006 to 6 February 2008 (about 16 months). This Thai provisional civilian government headed by Interim Prime Minister General Surayud Chulanont ("Thai army names former commander PM," 2006). It was appointed on 1 October 2006 by the Council for National Security, the initial post-coup interim military government led by General Sonthi Boonyaratglin, which had overthrown the government of Thaksin Shinawatra in a coup on 19 September 2006. The interim government operated under an interim constitution, promulgated that same day (Royal Thai Government, 2016c; Royal Thai Government 2016d).

For the month that the interim government was appointed in their duties more than half month period was considered and vice versa for the one that less than half month period. Therefore this study focuses on period during March 1991 to March 1992 for the first interim government and focuses on period during October 2006 to January 2008.

Table 1
Thailand's government term, Prime Minister and type of government during year 1991 to 2010.

Term	*Prime Minister*	*Type of Government*
2 Mar. 1991 – 6 Apr. 1992	Mr. Anand Panyarachun	Interim
10 Jun. 1992 – 22 Sep. 1992	Mr. Anand Panyarachun	Regular
7 Apr. 1992 – 9 Jun. 1992	Gen. Sujinda Kraprayoon	Regular
23 Sep. 1992 – 12 Jul. 1995	Mr. Chuan Leekpai	Regular
13 Jul. 1995 – 24 Nov. 1996	Mr. Banharn Silpa-archa	Regular
25 Nov. 1996 – 8 Nov. 1997	Mr. Chawalit Yongjaiyut	Regular
9 Nov. 1997 – 8 Feb. 2001	Mr. Chuan Leekpai	Regular
17 Feb. 2001 – 10 Mar. 2005	Mr. Thaksin Shinawatra	Regular
11 Mar. 2005 – 19 Sep. 2006	Mr. Thaksin Shinawatra	Regular
1 Oct. 2006 – 6 Feb. 2008	Gen. Surayud Chulanont	Interim
6 Feb. 2008 – 8 Sep. 2008	Mr. Somchai Wongsawat	Regular
20 Dec. 2008 – 8 Aug. 2011	Mr. Abhisit Vejjajiva	Regular

Source: The Secretariat of the Cabinet (2014).

This study relies heavily upon data sources from within the Ministries of Royal Thai Government, Prime Minister's office, National stock exchange of Thailand (SET), The Secretariat of the Cabinet (2014), The authors have also referred other independent sources such as Wikipedia, Bloomberg and CNBC to randomly test the reliability of government data and the statistics collected.

Market Indices

An index is a calculated average of selected share prices, representing a particular market or sector. We can visualize index as a 'basket' of shares that provides a broad sample of an industry, sector or economy. By calculating the performance of these shares gives a good indication of trends in the overall market they represent. There is an index for virtually every understandable sector of the economy and stock market. The example of major stock indices are the Dow Jones Industrial Average (DJIA), the FTSE 100, the S&P 500 and the Nikkei 225. The main indices are provided by leading financial companies. For example, the FTSE 100 is owned by the London Stock Exchange and the Financial Times, while the S&P 500 is operated by financial heavyweight Standard & Poor's. Major indices provide the best way to gauge the performance of an industry, sector or whole country's stock market. There are various kinds of indices such as Global or world indices which include some of the world's largest companies. Sector indices are more specialized indices, designed to track the performance of specific sectors or industries. Then there are National indices which show the performance of the stock market of a particular country, reflecting investor sentiment on the shares listed in that market ("Indices guide," n.d.). This index is also the basic index the authors have selected for this research paper.

Finally "Other indices" are those such as indices for other financial markets which affect the economy. Examples include Currency indices, Commodity indices, & Sentiment indices ("Index Options," n.d.).

Stock Exchange of Thailand (SET) Index

The Thailand SET 50 Index is a capitalization-weighted index based on the top 50 stocks listed on the stock market which have high market capitalization and high liquidity. The index was developed with a base value of 100 as of August 16, 1995. Price history for this index was adjusted by a factor of 10 effective May 2, 2005 ("SET50:IND," n.d.). In May 1974, long-awaited legislation establishing "The Securities Exchange of Thailand" (SET) was enacted. This was followed by revisions to the Revenue Code at the end of the year, allowing the investment of savings in the capital market. By 1975 the basic legislative framework was in place and on April 30, 1975, "The Securities Exchange of Thailand" officially started trading. On January 1, 1991 its name was formally changed to "The Stock Exchange of Thailand" ("History of the Stock Exchange of Thailand," n.d.).

This study examines the closed index at the end of each month during year 1991 to 2010.

Interim Government and Stock Exchange

The paper focuses on the role that interim governments play in enhancing or impeding the democratic outcome in the transition from authoritarianism, or other forms of government to democratically elected civilian government and that when this is not perceived in the minds of the people as being the desired objective of such an interim government then the investment climate is disturbed creating a negative sentiment in the market and therefore causing stock market to fall.

3. HYPOTHESIS

This study is based on the hypothesis that a negative relationship exists between interim governments in power and the stock markets since such interim governments adversely affect market sentiments and thereby cause a fall in the stock markets.

4. METHODOLOGY

The authors first examine monthly market index, and look for the closed index in each month which are translated into positive or negative index value movements in overall including the two interim government ruling term periods. Then they have statistically compared the volatility of the index value in each year during the period of study by computing the weighted average, and weighted variance as follows:

$$\mu = \frac{\sum_{i=1}^{n} w_i x_i}{\sum_{i=1}^{n} w_i}$$

Where μ_w is the weighted mean of stock index at year t, x_i is the closing values of stock index in month i and w_i is the market value of month i (Finch, T., 2009).

$$\sigma^2 = \frac{1}{W_n} \sum_{i=1}^{n} w_i (x_i - \mu)^2$$

Where σ^2 is the weight variance of stock index at year t, x_i is the closing values of stock index in month i, and w_i is the market value of month i, W_n is the total market value of year t (Hendricks, D., 1996).

Once authors identify such two interim periods, we look for the closing index in each month which are translated into positive or negative index value movements. The percentage change in index value is also examined. In addition to this the authors have also randomly checked other financial market resources including Bloomberg Business and CNBC in case they indicate contrary or dissimilar index from those of the SetSmart.

5. RESULTS

Monthly Index Movement During Year 1991 to 2010

Figure 1 shows the monthly closed index from January 1991 to December 2010. The market topped at 1682.85 at the end of December 1994, then dropped to bottom at 214.53 at the end of August 1998 and slowly rose to third peak at 907.28 at the end of October 2007 which is in the second interim government period and then fell again to 401.84 at the end of November 2008 before rose up to the second peak at 1032.76 at the end of December 2010. By overall, during the first interim government the index fell down and then rose up while during the second interim government the index moved upward and reached to the third peak of the study period.

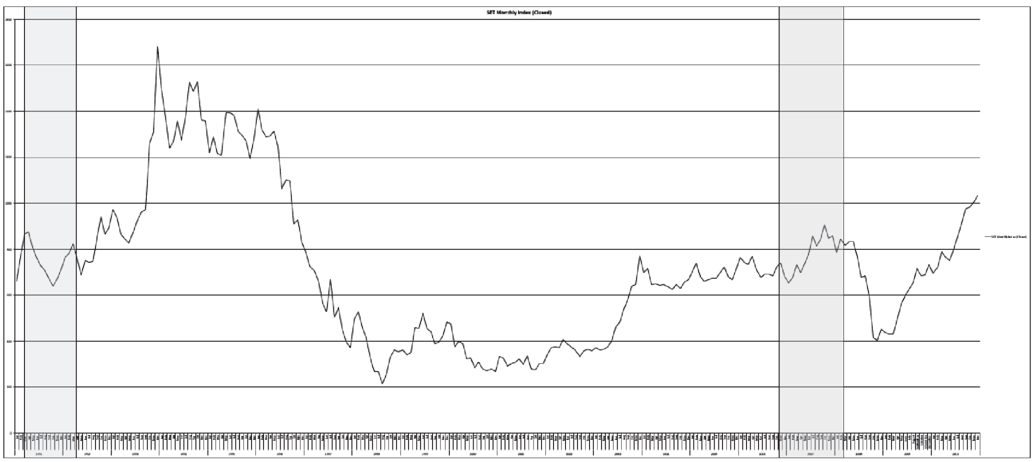


Figure 1: SET monthly closed index during year 1991 to 2010

Percentage Change of Monthly Closed Index During Year 1991 to 2010

Figure 2 shows percentage change of monthly closed index from January 1991 to December 2010. The most 4 positive percentage change in monthly index were in January 1998 (+32.88%) following with in October 1998 (+30.52%), in April 1999 (+30.49%) and in October 1993 (+29.80%). While 4 most negative percentage change were in October 2008 (–30.18%), February 2000 (–21.62%), May 1998 (–21.00%) and in July 1997 (–26.24).

Explanation: Positive Percentage Change

Further scrutiny found that the period from January 1998 - October 1998 which showed the most positive percentage change started mainly since the Thai government on December 8, 1997 announced that it will close 56 insolvent finance companies as part of the IMF's economic restructuring plan. Thirty-thousand white-collar workers would lose their jobs. Then the IMF's Managing Director, Michel

Camdessus, praised Thailand for "solid progress." ("A Look at Thailand," 2011; "The crash – timeline of the panic," n.d.). And as a catalyst positive sentiments moved the market upwards.

Explanation: Negative Percentage Change

The four most negative percentage change were in October 2008 (–30.18%), February 2000 (–21.62%), May 1998 (–21.00%) and in July 1997 (–26.24).Therefore both most negative and positive percentage change in monthly index were not in the interim government periods.

When further investigated the study found a direct correlation since on July 2, 1997 Bank of Thailand devalued the baht. This news of devaluation dropped the value of the baht by as much as 20%–a record low. The Thai government requests "technical assistance" from the International Monetary Fund (IMF) ("The crash – timeline of the panic," n.d) and the market obviously had to fall. The negative percentage change (fall) in May1998 was probably attributed to the Letter of intent Thai government issued. This LoI (Letter of Intent) of the government of Thailand described the policies that Thailand intended to implement in the context of its request for financial support from the IMF and the market expectation was that due to the various controls and austerity measures business would further slowdown.

Finally February 2000, October 2008, around this period especially February 2000, there were no major international or domestic crisis or conflicts, however the authors found that in this month there was a radiation accident in Samut Prakan Province caused by scrap metal collectors acquiring and dismantling an insecurely stored cobalt-60 radiation source, resulting in 3 deaths and 7 injuries (International Atomic Energy Agency Vienna, 2002).This might be a possible reason for the negative spike.

Year 2008: This was a very eventful year for Thailand. The following events which not only were very chaotic but also explain the reason for the negative percentage change.

2008 August: Former Prime Minister Thaksin Shinawatra flees to Britain with his family after failing to appear in court to face corruption charges ("Thaksin flees Thailand corruption trial," 2008).

2008 September: Opposition protesters occupy Bangkok's main government complex and begin mass anti-government protests calling for the resignation of Prime Minister Samak Sundaravej. Constitutional Court dismisses Prime Minister Sundaravej for violating a conflict of interest law by hosting two television cooking shows while in office. Somchai Wongsawat chosen by parliament as the new prime minister, but the street protests against the PPP government continued ("Thailand profile," 2015).

2008 October: Thai troops shoot dead two Cambodian soldiers in a firefight on the disputed stretch of the two countries' border, near the Preah Vihear temple. Border tension escalates ("Thailand profile," 2015).

Thai Supreme Court gives fugitive former Prime Minister Thaksin Shinawatra a two-year jail sentence after finding him guilty of corruption over a land deal ("Former Thai PM," 2008).

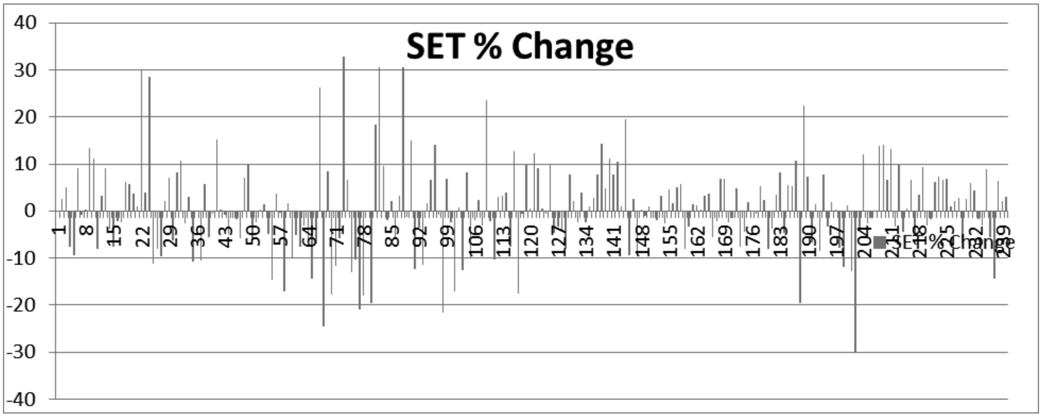


Figure 2: Percentage change of SET monthly closed index

Volatility of SET Index by Year During Year 1991 to 2010

Table 2 shows the minimum, maximum, weighted average, and weight variance of SET index by year during year 1991 to 2010. By considering the most period of time that the interim governments were in position in a year, the first interim government is in year 1991 and second interim government is in year 2007. Weighted variance were used to examine the volatility of the index value. The highest volatility of index value was in year 1993 (weighted variance = 90,551.92) following by year 1996 (weighted variance = 33,891.50), year 2008 (weighted variance = 24543.61). The lowest volatility of index value was in year 2001 (weighted variance = 362.11) following by year 2002 (weighted variance = 387.14), year 2005 (weighted variance = 635.66), and year 2004 (weighted variance = 864.11). For the interim government years, 1991 and 2007, the volatility of index value were in the moderate range (year 1991: weighted variance = 5,932.24; year 2007: weighted variance = 5,901.32).

Table 2
Minimum, maximum, weighted average, and weighted variance of SET index by year during year 1991 to 2010

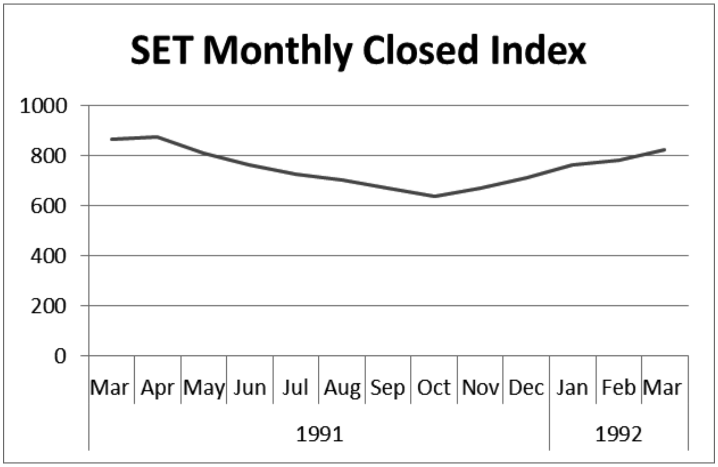
Year	*Minimum*	*Maximum*	*Weighted Average*	*Weighted Variance*
1991	638.84	876.01	756.67	5,932.24
1992	688.84	940.35	817.71	4,965.29

Year	*Minimum*	*Maximum*	*Weighted Average*	*Weighted Variance*
1993	825.71	1682.85	1,202.15	90,551.92
1994	1239.99	1528.83	1,417.29	9,172.47
1995	1196.62	1394.77	1,316.01	5,279.50
1996	831.57	1410.33	1,188.07	33,891.50
1997	372.69	788.04	600.60	14,815.08
1998	214.53	528.42	379.55	8,490.41
1999	340.94	521.77	444.45	2,776.44
2000	269.19	477.57	354.74	5,044.06
2001	275.09	335.57	311.29	362.12
2002	331.79	407.96	369.46	387.14
2003	361.32	772.15	583.30	15,848.73
2004	624.59	716.30	661.57	864.11
2005	658.88	741.55	694.56	635.66
2006	678.13	768.29	723.97	1,023.85
2007	654.04	907.28	803.99	5,901.32
2008	401.84	845.76	704.34	24,543.61
2009	431.50	734.54	619.07	8,918.81
2010	696.55	1032.76	890.58	12,224.14

As the table clearly indicates the highest volatility were in the years 1993, 1996-1998, 2008. We have already seen the reason for this volatility in 1996-1998 (the Asian financial crisis), and events in 2008 as set out under Table 1 above. However the volatility in 1993 was not so simple to explain since there were no major global or local issues (manmade or natural in 1993.) However the authors found that 1992 was a notorious year in the turbulent history of Thailand. Black May is today a common name for the 17–20 May 1992 popular protest in Bangkok against the government of General Suchinda Kraprayoon and the bloody military crackdown that followed. Up to 200,000 people demonstrated in central Bangkok at the height of the protests. The military crackdown resulted in 52 officially confirmed deaths, many disappearances, hundreds of injuries, and over 3,500 arrests. Many of those arrested were allegedly tortured ("February 1991 Coup," n.d.). Elections in September saw Chuan Leekpai, leader of the Democratic Party, chosen as prime minister (Liow, 2015). These in our option were the prior period events causing the massive volatility spikes in 1993.

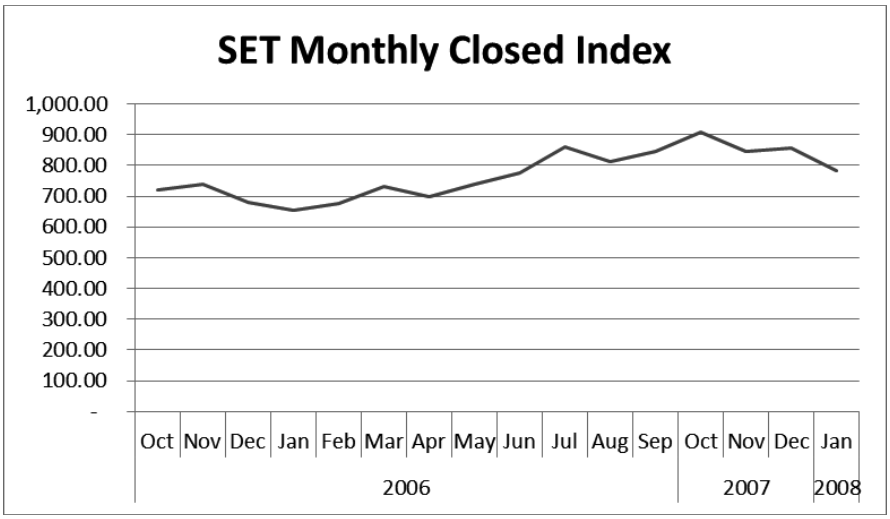
The Movement of Monthly Closed Index During the Interim Government Periods

Figure 3 shows the movement of the monthly closed index during the first interim government and Figure 4 shows the movement of the monthly closed index during the second interim government. By comparing Figure 3 and Figure 4, it showed that there was no the same pattern of index value movement.



First interim government

Figure 3: Monthly closed index during the first interim government



Second interim government

Figure 4: Monthly closed index during the second interim government

Percentage change of monthly closed index during the interim government periods.

Table 3 shows the SET index value and percentage change in index value during the first interim government period (13 months) and table 4 shows the movement SET index value and percentage change in index value during the second interim government period (16 months). By comparing percentage change direction in both interim government periods, it showed that there was no the same direction of percentage change.

Table 3
SET index value and percentage change in index value during the first interim government period

First interim government

Month		*SET Index Value*	*% Change*
1991	Mar	865.74	12.56
	Apr	876.01	1.19
	May	808.91	-7.66
	Jun	765.21	-5.40
	Jul	728.7	-4.77
	Aug	705.65	-3.16
	Sep	670.79	-4.94
	Oct	638.84	-4.76
	Nov	671.07	5.05
	Dec	711.36	6.00
1992	Jan	763.45	7.32
	Feb	782.85	2.54
	Mar	822.72	5.09

As it is observed that during the 1st interim government period the SET monthly closed index moved between a low of 638 to a high of around 876 before closing the year just below 823**.** The highest positive percentage change in the monthly index was in March (+12.56%) which is the first month of this period. Then percentage change in the monthly index dropped to +1.19 in the second month and turned to negative percentage changes for following 6 months. Then the percentage change in the monthly index turned to positive until the end of this period (last 5 months).

Table 4
SET index value and percentage change in index value during the first interim government period.

Second interim government

Month		*SET Index Value*	*% Change*
2006	Oct	722.46	5.30
	Nov	739.06	2.30
	Dec	679.84	-8.01
2007	Jan	654.04	-3.80
	Feb	677.13	3.53
	Mar	733.25	8.29
	Apr	699.16	-4.65

Month		SET Index Value	% Change
	May	737.4	5.47
	Jun	776.79	5.34
	Jul	859.76	10.68
	Aug	813.21	-5.41
	Sep	845.5	3.97
	Oct	907.28	7.31
	Nov	846.44	-6.71
	Dec	858.1	1.38
2008	Jan	784.23	-8.61

As it is observed that during the 2nd interim government period the SET monthly closed index moved between a low of 677 to a high of around 859 before closing the year just 784**.** The highest positive percentage change in the monthly index was in July (+10.68%) which is the tenth month of this period. During this period, the percentage change in the monthly index switched between negative and positive changes for 6 rounds. Therefor the two patterns under the 2 interim governments are dissimilar.

Policy Recommendation and Conclusion

This research paper studied both- historical facts and events which were significant for Thailand and monthly market index, using closed index of each month which were then translated into positive or negative index value movements for each of the 20 years (including the two interim government ruling term periods). Then these were statistically compared the volatility of the index value in each year during the period of study by computing the weighted average, and weighted variance.

Based on the above results and historical facts to substantiate our findings we conclude could find no direct effects on stock markets during the two interim governments in Thailand hence the hypothesis that there is a negative correlation between interim governments and stock markets is disapproved.

In conclusion, there were no interim government's effects on the stock markets. This is we believe in our opinion a very significant finding since interim governments by themselves do not cause negative sentiments in the market as is generally believed since under the democratic set up, the role of an interim government is solely limited to protecting the national assets and allow the election commission to set up the machinery for the next democratically held elections or in many cases as seen in many countries to stall for time. This study shows that there are compelling reasons which in spite of interim governments being in power does not cause any negative impact on the stock markets.

The research team however agrees that there are other relevant studies which are possible and need to be explored further since our findings show a total disconnection between the interim governments and stock markets movements. One area of research is obviously would be on the popularity of such interim governments as compared to the other choices before the people at large from regular parties contesting the selections. The second important study should be around polices and measures of such interim governments in creating level playing field which a capitalism focused market demands. Third area of study would be exploring the special role played by an interim government in capitalist economy either one as an administrator of a going system, and the other as an innovator.

Acknowledgement

This research has been supported by a grant from Burapha University International College, Thailand.

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