Morning Note

31 July 2024

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New TESG fund conditions coming

Market Outlook

>> 1300 – 1315 <<

The SET Index is expected to continue moving sideways due to a mix of positive and negative factors. On a positive note, the Thai stock market is likely to receive a boost from the cabinet's approval, in principle, of new conditions for TESG funds, with the tax deduction raised from Bt100,000 to 300,000 and the holding period shortened from eight years to five years. These new conditions are set to be implemented from Jan 1, 2024 to Dec 31, 2026. The TESG funds are also enabled to expand their investment scope to include stocks with excellent governance levels. According to the Securities and Exchange Commission (SEC), about Bt6bn is expected to flow into the Thai stock market each month following the implementation of the new conditions. For the remaining five months of this year, at least Bt30bn are anticipated to flow into the Thai bourse, potentially shoring up the stock market in the second half. On the external factors, the SET Index is projected to receive support from the release of the euro zone's GDP for 2Q24, which edged up 0.6% y-y. The figure topped the market estimate and the 1Q24 growth of 0.5% y-y, signaling an economic recovery in the euro zone. In addition, the decline in 2-year and 10-year US bond yields to 4.37% and 4.15%, respectively, is likely to lift the sentiment for risk asset investment. The sentiment for energy stocks is likely to be boosted by the better-than-expected earnings in 2QFY24 for PTTEP. Nevertheless, the upturn could be tempered by a decline of 1.42% in the crude oil price to US$74.73 per barrel, the lowest since Jun 5, 2024. On a negative note, the SET index could be pressured by AOT, which is likely to drop today following its announced cessation of King Power Duty Free (KPD)'s operation of inbound duty-free shops, potentially leading to a revenue reduction of Bt143.32mn a month. Today, attention is required for 1) China's manufacturing and service PMI in Jul, which is expected to come in at 49.4 and 50.2, respectively, compared to June's respective readings of 49.5 and 50.5, 2) the BoJ meeting outcome, 3) the euro zone's CPI for Jul, which is anticipated to rise 2.5% y-y, on par with the June level and 4) the FOMC meeting and the post-meeting remarks by the Fed chairman.

Trading ideas: 1) TESG funds: ADVANC, BDMS, CPALL, GULF, KBANK and SCB, 2) hopes on global interest rate reductions: DELTA, HANA and KCE, 3) 2QFY24 earnings speculations: BTG, CPF, ITC, OSP and PRM, 4) accumulation of high dividend stocks and trust funds: INTUCH, FTREIT, LHHOTEL, SIRI and TKN

Positive Factors

- The Cabinet has approved the SME Development Bank to implement the SME Green Productivity Loan Project with a total fund of 15 billion baht. The maximum loan amount per borrower is 10 million baht, with an interest rate of 3% per annum for the first three years.
- The Cabinet has approved a budget of 275.65 million baht for the operational expenses of the MUAYTHAI SOFT POWER project in 2024. It is expected that this initiative will generate revenue and economic value amounting to 2.234 billion baht for the country and promote awareness of Muay Thai activities in 190 countries worldwide.
- The Minister of Tourism and Sports revealed that from January 1 to July 28, 2024, Thailand had welcomed a total of 20.34 million international tourists, generating approximately 957 billion baht in revenue from their spending.
- The Minister of Finance announced that he is preparing to provide updates for groups without smartphones and bedridden patients regarding registration in mid-September 2024. He emphasized that there is no concern about legal issues, as discussions have already taken place with the relevant agencies during the committee stage.

Negative Factors

- Toyota's, opens new tab global production tumbled 12.9% to 795,862 vehicles in June, down for a fifth straight month with the automaker hit hard by a certification scandal in its home market and a fierce price war in China.
- More Chinese solar manufacturers are falling into restructuring or bankruptcy, with a deepening oversupply and fierce price wars causing massive financial losses and threatening many smaller players' survival. A subsidiary of Zhejiang Akcome New Energy Technology was the latest to declare bankruptcy.
- The Israeli military issued a statement indicating that it had conducted a targeted strike in Beirut, the capital of Lebanon, to eliminate a Hezbollah military commander. This action has raised concerns that the war in the Middle East may escalate further.
- Microsoft released its Q4 2024 financial report, with revenue and profit surpassing market expectations. However, its cloud business performance was disappointing.

PICKS OF THE DAY

BUY

Target	Support
138.00 / 140.00	130.00

KBANK

- Market leader in SME loans
- Benefits from TESG

BUY

Target	Support
47.00 / 49.00	44.00

KCE

- Next play after DELTA's earnings announcement
- Expected growth in 2Q normal profit

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