

1 August 2024

Hope pinned on policy rate cuts and digital wallet

Market Outlook

>> 1315 – 1330 <<

The SET Index is likely to gather pace in a positive direction due to increasing favorable factors. The bourse is expected to be supported by various factors today. First, the US's FOMC yesterday kept the policy rate in the 5.25-5.5% range, with the Fed chairman stating, "We're getting closer to the point at which it'll be appropriate to reduce our policy rate." According to the Fedwatch tool, traders now see an 86% chance of a rate cut in Sep, 2024, declining from 89% the previous day. Three rate cuts are expected this year, each by 0.25%. Dollar index has weakened to 104, thereby strengthening the baht to Bt35.48 a dollar and subsequently boosting stocks of companies benefiting from a stronger baht, including power plants, airlines and export-oriented firms. Second, registration for the 10,000-baht digital wallet handout scheme began today at 8 am. The registration can be carried out around the clock. The program is expected to lift sentiment for commerce stocks. Third, WTI crude oil rose to US\$78 a barrel, potentially boosting the stocks of upstream energy companies. The increase was driven by the assassination of Hamas chief Ismail Haniyeh in Tehran on Wed, reportedly by Israel. In addition, US crude inventories fell by 3.436mn barrels in the week ending Jul 26, according to the EIA, a larger decline than the estimated 1.6mn barrels. The rise in oil prices also resulted from the weakening US dollar. Fourth, big-cap stocks have begun to see buying pressure as they are likely to be targeted by TESG funds. On a negative note, the Bank of Thailand (BoT) indicated a slow recovery in the manufacturing and export sectors. Some industries are marred by structural problems and high inventories, it said. The central bank also expressed concerns about the auto industry following commercial banks' move to tighten lending restrictions. Today, it is important to follow the BoE and OPEC+ meetings, as well as the US PMI for Jul.

Trading ideas: 1) TESG funds-supported stocks: ADVANC, BDMS, INTUCH, GULF, KBANK and SCB, 2) hopes on global interest rate reductions: DELTA and KCE, 3) 2QFY24 earnings speculations: BTG, ITC, OSP and PRM, 4) consumer spending-tied stocks: CPN, CPALL, CPAXT, MOSHI and CPF and 5) stronger baht: AAV, COM7 and SYNEX

Positive Factors

- Officials from the Chinese Ministry of Finance stated that China will implement a robust fiscal policy to support the economic recovery through the issuance of special government bonds worth 3.9 trillion yuan, with 1 trillion yuan to be issued this year.
- The House of Representatives voted in the third reading with 291 votes in favor and 161 votes against, approving the draft additional budget bill for the fiscal year 2024, amounting to 122 billion baht used for Digital wallet.
- The Department of International Trade Promotion, in collaboration with RX Tradex, is organizing TILOG - LOGISTIX 2024 from August 15th to 17th to enhance international trade connections.
- The Bank of Thailand is set to issue guidelines to increase the flexibility of exchange rates and to promote the FX Ecosystem, aiming to establish the New FX Ecosystem Phase 3 in Q4 2024.
- The Bank of Thailand is in the process of reviewing and discussing with credit card businesses about reducing the minimum payment rate for credit cards from the current rate of 8% to 5%. A conclusion is expected by this August.

Negative Factors

- The Biden administration plans to unveil a new rule next month that will expand U.S. powers to stop exports of semiconductor manufacturing equipment from some foreign countries to Chinese chipmakers, two sources familiar with the rule said.
- The Office of Industrial Economics reported that the Manufacturing Production Index (MPI) for June 2024 was at 96.08, a decrease of 1.71% compared to June 2023. As a result, the average MPI for the first six months of this year decreased by 2.01%.
- The Office of Agricultural Economics (OAE) has revealed that the El Niño phenomenon continues to impact Thailand's agricultural economy. In the second quarter of 2024, the sector contracted by 1.55% y-y
- Bank of Thailand views the Thai economy as recovering slowly, as expected, due to a gradual recovery in exports facing structural issues. It hopes that in the second half of the year, particularly in the fourth quarter, global exports will begin to rebound.

PICKS OF THE DAY

	Target
	2.40 / 2.50
	Support
AAV	2.20

- Normal and net profits in 2QFY24 expected to grow y-y
- Higher passenger numbers in 2H24 compared to first half

	Target
	60.00 / 61.00
	Support
CPALL	57.50

- Anticipated Fed rate cut in Sep
- Increase in foreign tourist arrivals

Strategy team

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