

2 August 2024

Cloudy market despite interest rate downward trend

Market Outlook

>> 1310 – 1325 <<

The Thai stock market looks poised to retreat today amid the outflows from risky assets to bonds in the face of the global interest rate reduction trend. A rotation of money from risky assets to bonds has been observed as the central banks around the world look set to consider cutting policy rates. The BoE yesterday lowered interest rates by 25 bps, the first reduction in more than four years. In the US, a sell-off on Wall Street was witnessed on Thu, while two-year and 10-year Treasury yields declined to 4.11% and 3.95%, respectively. The Dollar Index edged up to 104.34. These developments reflect buying pressure in the bond market. Additionally, concerns are now mounting about the US economic challenges as data shows manufacturing PMI dropped to an eight-month low and fell below 50 for the fourth consecutive month. Thai bonds yesterday experienced buying pressure for the seventh consecutive day, with a net buy of more than Bt7.95bn. This has raised anticipations of the money rotation from risk assets to bonds, which could put downward pressure on the stock market. Another negative factor pertains to the prospect of deepening conflicts in the Hamas-Israel war, caused by the assassination of Hamas political leader Ismail Haniyeh in Iran. Israel has vowed to respond if Iran chooses to attack Israel in reprisal for the killing. This is stoking concerns about volatility in the Red Sea, which could entail higher transport costs and elevate inflation. Furthermore, the upside of upstream energy stocks is likely to be limited following a decision by OPEC+ to maintain the 2.2mn bpd cut until Sep 2025. Tonight, it is important to monitor the unemployment rate, non-farm payroll and average hourly earnings in the US in Jul. The softening of the labor market could lead to Fed rate cuts. Next week, focus will be on Service PMI for Jul in the US, import and export figures for Jul in the US, CPI for Jul in China and import and export figures for Jul in China.

Trading ideas: 1) Attractive dividends: SCB, PRM, STA, FTREIT, LHHOTEL and WHART, 2) hopes on global interest rate cuts: DELTA, HANA and KCE, 3) 2Q24 earnings speculations: BTG, OSP, PSL and COCOCO, 4) stronger baht: AAV, COM7, SYNEX, BGRIM, GPSC, GULF, PTTGC and IVL

Positive Factors

- The BOI has launched the "Matching Fund" under the Competitiveness Enhancement Fund, investing alongside private sector funds to support high-potential startups in target industries, with individual investments not exceeding 50 million baht.
- The ERC has decided to reduce electricity rates for the September-December 2024 period back to 4.18 baht per unit, following a public consultation on three proposed approaches.
- The Minister of Finance has announced plans to introduce measures to address bad car loans, as non-performing loans (NPL) have risen to 250 billion baht.
- The Stock Exchange of Thailand continues to drive the potential of family businesses in Thailand by hosting "The 2nd SET Annual Conference on Family Business: Family Business in the Globalized Asia" to promote sustainable growth.
- Foreign investors have made net purchases in the Thai bond market totaling over 7.957 billion baht, strengthening the baht and positively impacting stocks with high import ratios.

Negative Factors

- China's economic officials are not planning additional stimulus measures for the second half of the year, focusing instead on existing policies and long-term goals like technological advancement.
- CNBC reported that the EU has introduced the world's first AI law. This initial legislation targets major U.S. tech companies, which are the creators and developers of the most advanced AI systems today. This may impact businesses related to AI.
- Germany's final manufacturing PMI for July came in at 43.2, down from 43.5 in June but higher than the preliminary estimate of 42.6. A PMI below 50 indicates that the economy is in contraction.
- The Bank of Thailand revealed that the overall business confidence index in July 2024 dropped to 46.9 from 48.7 in the previous month, mainly due to declines in orders, production, and performance.

PICKS OF THE DAY

	Target
	42.50 / 44.50
	Support
	4.00

- Lower gas costs in 2QFY24
- Bond yield boost

	Target
	105.00 / 107.00
	Support
	100.00

- Beneficiary of easing minimum payment requirement for credit cardholders and LTV limits
- Highest interim dividend

Strategy team

Teerada Charnyingyong - Securities Investment Analyst and Technical Analyst #9501
 Chutikan Santimetvirul, CISA - Capital Market Investment Analyst and Technical Analyst #37928
 Pasut Ngowiwachai, CISA - Capital Market Investment Analyst #127632
 Pattharadanai Jaturaporn - Capital Market Investment Analyst #094041

Thanapong Saelo - Assistant Analyst

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