

5 August 2024

Negative factors prevail

## Market Outlook

>> 1300 – 1315 <<

The SET Index looks poised to extend its decline today amid various negative factors. First, concerns are mounting about the US economy after data showed nonfarm payrolls rose by only 114,000 jobs last month, falling short of the estimated increase of 176,000 jobs and hitting a new low since Feb 2021. Average hourly wages rose 3.6% y-y, below an expected increase of 3.7%, while the unemployment rate jumped to 4.3%, above the estimated 4.1%. This reflects a softening US labor market, thereby adversely affecting the US stock market. At the same time, selling pressure was led by AI stocks in the US, which could subsequently hinder the sentiment for the SET Index. The dollar index dropped to 103, which is likely to strengthen the baht and subsequently benefit stocks of power plants and petrochemical producers that have a higher proportion of debts in foreign currencies. Second, worries are escalating about broader Middle East conflicts over the weekend after the US reinforced Israel with more weapons for its defense against Iran and its proxies following about 50 rocket attacks at Israel by Hezbollah in Lebanon, which were intercepted by Israeli military forces. Attacks are likely to expand to the central areas of Israel, according to Iran. Third, domestic political uncertainty continues to be a market overhang. On Aug 7, the Constitutional Court is set to rule on a dissolution case against the Move Forward Party. This case, in our view, is likely to have a limited impact on the government's stability. More focus will be on the ruling on a case seeking the dismissal of the prime minister on Aug 14. Clarity on the market direction is likely to come after the rulings, while selling pressure can be expected from time to time ahead of the judgements. Fourth, renewed concerns about the government's digital wallet handout scheme are heightening after the deputy prime minister said the news conference about the registration of the program-eligible shops has been postponed to Sep to allow the public to focus more now on people's registration of the scheme. This deferral is likely to put pressure on commerce stocks. Other important figures that require attention today include the Service PMI and Composite PMI for the US in Jul and the Caixin Service PMI for China in Jul.

**Trading ideas:** 1) Favorable earnings: SCB, PRM, STA, FTREIT, LHHOTEL and WHART, 2) defensive plays: BH and TTW, 3) 2QFY24 earnings speculations: ADVANC, OSP and INTUCH, 4) stronger baht: AAV, COM7, SYNEX, GPSC, GULF, PTTGC and IVL and 5) short selling: SAWAD and ERW

## Positive Factors

- A Chinese Ministry of Commerce official stated that China will have no restrictions on foreign investment in the manufacturing sector, as part of China's ongoing efforts to open up the country.
- The Securities and Exchange Commission (SEC) approved the improvement of principles for establishing a Green Investment Trust (GIT) to enhance the regulation of stock trading and investment units.
- The Prime Minister revealed plans to launch an economic recovery program from August to November before kicking off the 'Digital Wallet', which aims to reduce expenses, increase income, and create more trading opportunities, thus alleviating tangible costs for the public.
- The Director of the Oil Fund Office revealed that the oil fund is currently experiencing a positive cash inflow averaging 88.15 million baht per day and is confident that the oil fund will be able to gradually repay its loans amounting to 105 billion baht on schedule within 5 years.
- The National Institute of Statistics and Economic Studies of France reported that French industrial production in June 2024 increased by 0.8% month-on-month after contracting by 2.2% in May.

## Negative Factors

- The Director-General of the Department of Energy Business reported that fuel oil consumption for the first half of 2024 decreased by 0.05% year-on-year, with a significant decline in heavy fuel oil consumption compared to other fuels, dropping by more than 19.7% year-on-year.
- The Japanese Ministry of Agriculture, Forestry, and Fisheries reported that the value of exports of food, agricultural, forestry, and fishery products in the first half of 2024 decreased by 1.8% year-on-year, marking the first decline in 4 years due to a significant drop in exports to China.
- Major banks are preparing to tighten governance in lending and are looking to review old customer portfolios to reduce risks, anticipating a slowdown in loan growth.
- Citibank and JP Morgan believe that the Fed may have to reluctantly cut interest rates by 0.5% consecutively two times to avoid the U.S. economy facing a recession

## PICKS OF THE DAY

	<b>Target</b>
	245.00 / 250.00
	<b>BUY</b>
<b>ADVANC</b>	<b>Support</b>
	230.00 / 235.00

- Anticipated y-y earnings growth in 2QFY24; slight q-q decline
- Partnership with Oracle

	<b>Target</b>
	29.00 / 30.00
	<b>SHORT</b>
<b>SAWAD</b>	<b>Support</b>
	32.50

- Potential rise in NPL, leading to high loan loss provision
- Loan rates beyond legal limits

### Strategy team

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