

6 August 2024

Hopes come despite persistent worries

## Market Outlook

>> 1265 – 1285 <<

The Thai stock market looks poised for a brief rebound today as it remains under pressure from several negative factors. The SET Index continues to be influenced by increasing concerns about the US economic recession, which caused a plunge in Dow Jones, S&P 500 and the Nasdaq on Mon and sent the CBOE Volatility Index (VIX), which gauges Wall Street's investor anxiety, to 65.73, the highest level since Mar 2020. Goldman Sachs analysts have raised their estimated odds for a US recession to 25% from 15% after data showed a softening labor market in Jul. This has an adverse impact on risky assets, including the SET Index, which continues to face a selloff by investors seeking to reduce their positions, particularly those focusing on short-term trading and with low-risk tolerance. The market is also likely to encounter outflows towards safe assets, including government bonds, aligned with the 2-year and 10-year US Treasury yields staying below 4%. Furthermore, energy stocks are likely to face a downward pressure from WTI crude sliding 0.79% to settle at US\$72.94 a barrel on Mon. This resulted from concerns about a US economic recession, which overshadows worries about the wider Middle East conflicts. Despite these gloomy factors, the bourse is likely to experience a brief rebound today after the US S&P Global Services PMI in Jul came in at 55.0. This exceeds a threshold of 50, highlighting that the service sector has increased for the 18th consecutive month. The figure however softened from 55.3 in the previous month. The US ISM Services PMI for Jul came in at 51.4, exceeding both the forecast of 51 and the previous month's reading of 48.8. These figures indicate the US economy has not yet entered a recession for all sectors. Moreover, yesterday's decline of almost 3% in the SET Index, which reached the lowest level since Nov 2020, is likely to attract middle- and long-term investors seeking to accumulate stocks with strong fundamentals and high dividends, corresponding with stock markets in Japan and Korea, which opened higher this morning.

**Trading ideas:** 1) 2QFY24 earnings speculations: ADVANC, INTUCH and OSP, 2) defensive plays: BDMS and BH, 3) dividend stocks/REITs: FTREIT, LHHOTEL, PRM, SCB and WHART and 4) short selling: CK, HANA, IVL, KCE, MINT and PTTGC

## Positive Factors

- The Minister of Commerce announced that the Ministry of Commerce has waived monthly rental fees for shop owners and welfare market stalls within the ministry for three months. Meanwhile, markets under the supervision of other ministries and the Bangkok Metropolitan Administration have recently begun announcing rent reductions.
- The Cabinet approved a central budget of 275 million baht from the fiscal year 2024 budget to promote the Muay Thai Soft Power project. It is expected to expand the awareness of Muay Thai in foreign countries to 190 nations by the end of 2024.
- The Minister of Finance revealed the idea of categorizing defaulted borrowers listed in the credit bureau into more detailed groups. One group would include those who have defaulted multiple times, while another group would consist of those who might have missed a payment only once in three years. This categorization aims to create a database that identifies the latter group as lower risk.
- The Minister of Finance revealed an update on the progress of the Vayupak Fund, which is currently in process. It is expected that there will be clear developments by October.

## Negative Factors

- The Federation of Thai Industries (FTI) released the results of the 40th FTI CEO Poll conducted in July 2024 under the topic "The Direction of the Thai Economy and Industry in the Second Half of the Year." The survey, which gathered opinions from 143 FTI executives (CEO Survey), found that 51.7% anticipate Thailand's GDP growth in 2024 to be less than 2%.
- The Ministry of Finance revealed that revenue collection over the past nine months was only 2.01 trillion baht, falling short of the target by over 26 billion baht, which is a 1.3% shortfall. However, it is still expected that revenue management can be aligned with the target for this year.
- The U.S. Commerce Department is expected to propose barring Chinese software in autonomous and connected vehicles in the coming weeks, according to sources briefed on the matter.
- UBS says 'going into Japan now is like catching a falling knife,' warns stock sell-off will continue. One factor why the yen has featured so heavily in Japanese market is what is known as the unwinding of the "yen carry trade."

## PICKS OF THE DAY

	Target
	12.00 / 12.50
	Support
	11.50

- Tourism recovery and new assets boost performance
- Potential Fed rate cuts

	Target
	23.00 / 23.50
	Support
	25.50

- Continued negative pressure
- Impairment loss in investment

### Strategy team

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

Thanapong Saelo - Assistant Analyst

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