

7 August 2024

Easing concerns about global factors;
focus now on domestic pressure

Market Outlook

>> 1265 – 1285 <<

The Thai stock market looks set to move sideways today, as positive factors – easing concerns about the US economic recession and Thai stimulus measures – were tempered by domestic political uncertainty. Investors have turned their attention to risk assets once again following the easing worries about the US economic recession. Apart from upbeat US Service PMI data in Jul, the real GDP growth estimate, based on the Atlanta Fed's GDPNow model, was lifted to 2.9% in 3Q24, accelerating from 1.4% in 1Q24 and 2.8% in 2Q24. This aligned with the positive closing of the Dow Jones, S&P 500 and Nasdaq on Tue. At the same time, the CBOE Volatility Index, a gauge of investor anxiety, plunged 28.16% to 27.7. Selling pressure is mounting for safe assets, reflected by 1) 2-year and 10-year US Treasury yields climbing to 4% and 3.9%, respectively, and 2) COMEX gold sliding 0.52% to US\$2,431.6 per ounce. In addition, sentiment for bank and finance stocks is likely to receive a boost from the Bank of Thailand's assistance measures for debtors in credit cards, home and retail loans and a cash advance on credit cards. Furthermore, stocks linked to consumer spending are likely to be lifted by the Upper House's approval of additional Bt122bn budget bill for the 2024 fiscal year to pursue the digital wallet handout scheme. On a negative note, Thai politics continue to be a market overhang, putting pressure on private investment, foreign direct investment and the capital market. Today, all eyes will be on the Constitutional Court's ruling on a dissolution case against the Move Forward party, which may impact political stability. Next week, attention will turn to a case seeking the dismissal of the prime minister. Today, focus will be on Thailand's CPI data for Jul, with Headline and Core CPI estimated to grow 0.70% y-y and 0.40% y-y, respectively, accelerating from Jun's respective growth levels of 0.62% y-y and 0.36% y-y.

Trading ideas: 1) 2QFY24 earnings speculations: BGRIM, COCOCO, GFPT, GPSC and SAPPE, 2) defensive stocks: BDMS, BH and INTUCH, 3) stimulus measures: CPALL, KTC, SCB and TNP 4) upbeat earnings results, with potential growth ahead: ADVANC and ITC and 5) dividend stocks/REITs: FTREIT, LHHOTEL, PRM and WHART

Positive Factors

- The Minister of Tourism and Sports revealed that from January 1 to August 4, 2024, Thailand had welcomed a total of 21 million international tourists, generating approximately 991 billion baht in revenue from their spending.
- The Ministry of Tourism reveals that the Cabinet has approved a central budget of 433 million baht to quick win measures to stimulate tourism, promote the recovery of the tourism sector, and boost the domestic economy. The initiatives include a project to market Thai tourism through online platforms and a project to promote regional tourism by organizing activities highlighting local identities. These measures are expected to generate at least 17 billion baht in overall economic circulation.
- The University of the Thai Chamber of Commerce revealed a survey indicating that the majority of people still place importance on Mother's Day. It is expected that during this period, approximately 10.855 billion baht will be circulated, representing a 2.1% increase compared to last year.
- Germany reported that factory orders in June 2024 increased by 3.9% m-m, significantly surpassing the market's expectation of 0.4% m-m and rebounding from a contraction of 1.7% m-m in May 2024.

Negative Factors

- The Federation of Thai Capital Market Organizations (FETCO) has revealed the FETCO Investor Confidence Index. The survey results for August 2024 indicate that the index for the next three months stands at 60.40, categorizing it as "sluggish." The factors most significantly impacting investor confidence are the international conflict situation, followed by the monetary policy of the U.S. Federal Reserve (Fed), and the domestic economic downturn.
- The University of the Thai Chamber of Commerce (UTCC) revealed that the Consumer Confidence Index for July 2024 stood at 57.7, down from 58.9 in June 2024. This marks the fifth consecutive month of decline and the lowest level in 11 months, since September 2023.
- SCB EIC views that the housing market for properties priced at no more than 3 million baht in Bangkok and its surrounding areas is showing signs of a slowdown in purchasing power due to economic factors. Additionally, the profit margins for developers are decreasing because of rising land costs. Looking ahead, there is a tendency to develop projects further from the city and on a smaller scale.
- The recent unwinding in carry trade has more room to run as the yen remains one of the most undervalued currencies, according to JPMorgan Chase & Co.

PICKS OF THE DAY

	Target
	12.50 / 13.00
	Support
COCOCO	11.50

- Anticipated 2QFY24 earnings growth
- Expected upbeat earnings in 3QFY24

	Target
	28.00 / 29.00
	Support
BDMS	25.50 / 26.00

- Profit in 2QFY24 expected to see further growth
- Strong foreign tourist arrivals, plus high season

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

Ref.No.: CO2567_0150



PhillipResearch



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02 635 1700 Ext. 486