

14 August 2024

Court ruling in focus

Market Outlook

>> 1290 – 1310 <<

The SET Index looks set to move sideways as the market awaits the Constitutional Court's ruling today on a case against the prime minister, accused of appointing a controversial figure as a minister. The ruling, anticipated around 3 pm, could impact market sentiment. If the premier is found not guilty, the market could respond positively, as concerns about government stability would ease, allowing budget disbursement and economic stimulus measures to progress. In this scenario, stocks in the commerce, tourism, industrial estate, construction services and banking sectors are likely to receive a boost. On the other hand, if the prime minister is found guilty, the SET Index could face selling pressure due to heightened concerns about political stability, which could disrupt budget disbursement. In this volatile environment, hospital stocks, REITs and dividend stocks may be more attractive investment options. Throughout the day, selective stocks with strong individual catalysts are likely to see movement. On a positive note, first, details have emerged for the state-backed Vayupak Fund, which will see the offering of between Bt100bn-150bn worth of investment units in the third quarter. The investment period will last 10 years, and the fund will include a minimum return guarantee. This investment is an attractive option amid market volatility. The inflows are expected to boost large- and mid-cap stocks targeted by the fund. Second, the cabinet has approved the establishment of the National Credit Guarantee Agency (NaCGA), which could benefit banks with a large portion of corporate and SME loans, particularly BBL and KBANK. This measure is likely to improve asset quality through the NaCGA's mechanism, which will provide financial risk guarantees for SMEs, potentially reducing banks' loan risks. Third, the US's PPI and Core PPI for Jul posted lower-than-expected growth of 2.2% y-y and 2.4% y-y, respectively. On a q-q basis, the PPI registered a 0.1% increase, while the Core PPI remained flat. These figures support the possibility of Fed policy rate cuts. Today, attention turns to the CPI and Core CPI data for Jul in both the US and the UK.

Trading ideas: 1) 2QFY24 earnings speculations: AOT, STA and NER, 2) NaCGA impact: BBL and KBANK, 3) Vayupak Fund beneficiaries: PTT SCB, TTB, KTB and BCP, 4) upbeat earnings with potential further growth: ADVANC, ITC, TOP, TU, COCOCO and BEM and 5) geopolitical risk: AMATA, WHA, DELTA, CCET and PIN

Positive Factors

- The Cabinet approved a budget of over 9 billion baht to manage water resources in response to La Niña during the rainy season.
- Recently, Thailand has recorded a total of 21.7 million tourists accumulated from January 1 to August 11, generating approximately 1.02 trillion baht in revenue from tourist spending, with the top five tourist sources being China, Malaysia, India, and South Korea.
- Rho Motion reported that global sales of PHEV and BEV vehicles grew by 21% in July, driven by soaring sales in China, which reached the highest level this year.
- The Ministry of Commerce is discussing with eight agencies to expedite measures to deal with TEMU and strategize to send over 500 items that Chinese consumers desire to penetrate the Chinese online market.

Negative Factors

- Bank of Japan Governor Kazuo Ueda will be called to parliament on Aug. 23 to answer questions on monetary policy, likely facing questions related to a July 31 rate hike.
- Tour bus business owner point out that Chinese capital has come to set up companies and monopolize the purchase of VIP vans for transporting Chinese tourists, urging the government to investigate Chinese national money transfer apps and reconsider reducing the number of days for free visa stays to cut off Chinese funding groups.
- Chinese banks extended 260 billion yuan in new yuan loans in July, down from the previous month and undershooting analysts' forecasts, highlighting weak demand as a prolonged property downturn and job insecurity drag on business and consumer confidence.
- The Hamas group announced that they fired two rockets from Gaza towards Tel Aviv, Israel, in retaliation for Israel's killing of civilians in Gaza.

PICKS OF THE DAY

	Target
	136.00 / 140.00
	Support
KBANK	130.00

- Forefront of SME loans
- Beneficiary of NaCGA

	Target
	35.00 / 36.00
	Support
PTT	33.00

- 2QFY24 profit swings back to q-q growth
- Risk likely priced in

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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