

15 August 2024

Political move in focus

Market Outlook

>> 1280 – 1305 <<

The SET Index is likely to fluctuate within a big range today amid increasing hopes for Fed interest rate cuts and domestic political uncertainty. On a positive note, the market sentiment is likely to receive a boost from softer CPI data in the US for Jul, raising expectations of a Fed interest rate cut in the Sep meeting. The headline CPI climbed 2.9% y-y, the lowest growth since Mar 2021, below both expectations and the Jun level of a 3% y-y increase. Core CPI expanded by 3.2% y-y, on par with estimates but softening from 3.3% in Jun. The Cboe Volatility Index (VIX), which reflects investor anxiety, declined by 10.55% to 16.2, falling below the long-term average level of 20 for the second consecutive day. This shows a positive sign for investment in risky assets. Moreover, attention is focused on the development of Thai political situations after the Constitutional Court yesterday found Prime Minister Srettha Thavisin guilty of a gross violation of ethics for appointing ex-convict Pichit Chuenban as a cabinet minister, which also resulted in the removal of the entire cabinet. This ruling is expected to cause short-term fluctuations in the SET Index. It is unlikely to exert a great deal of pressure on the market, as the House speaker has scheduled a special meeting on Aug 16 to choose a new prime minister. Additionally, reports emerged that coalition parties held a meeting yesterday, with the Pheu Thai Party nominating Chaikasem Nitisiri for prime minister. This could help ward off a political vacuum and potentially advance government policies, given that the new premier would come from the same party. However, the upside of the SET remains limited today, as energy stocks are likely to be pressured by the falling WTI crude prices, which dropped by 1.75% to settle at US\$76.98 a barrel. This decline came after the EIA reported an increase of 1.4mn barrels in US oil inventories in the week ended Aug 9, contrary to an estimated decline of 1.9mn barrels. This also marks the first increase in seven weeks. Today, attention will be on Chinese economic data for Jul, including 1) industrial production, which is expected to rise 5.2% y-y, softening from 5.3% y-y growth in Jun, 2) retail sales, anticipated to grow by 2.6% y-y, accelerating from Jun's 2% y-y growth and 3) the unemployment rate, estimated to reach 5.1%, up from 5% in Jun.

Trading ideas: 1) Anticipated upbeat earnings results or improved performance in 3QFY24: AAI, ADVANC, CPF, ITC, MAJOR, PTT and SAPPE, 2) expected Fed rate cuts/stronger baht: AAV, CCET, COM7 and DELTA, 3) selective plays: INTUCH and GULF and 4) dividend stocks/REITs: FTREIT, PRM, SCB, TTB and WHART

Positive Factors

- The Ministry of Industry has ordered the Thai Industrial Standards Institute (TISI) to expedite the crackdown on low-quality and low-priced imported goods. It is expected to add 1,400 more product standards. Additionally, there will be a collection of e-commerce taxes to ensure fair competition
- Haier Group announced an investment of 10 billion THB to establish a large new air conditioner manufacturing plant in Thailand, which will be the first of its kind in the ASEAN region.
- China's courier sector surpassed the 100-billion-parcel mark this year much faster than the previous year, reflecting a booming consumer market and sustained economic vitality. The milestone was reached on 13 Aug, 71 days earlier than in 2023, according to the State Post Bureau (SPB). This equates to an average of 71.43 packages per person in China, or 5,144 packages delivered every second.
- Foxconn exceeded expectations, reporting a 6% rise in net profit for Q2 2024, driven by a boom in demand for AI servers, and stood by its forecast for full-year revenue to grow significantly.

Negative Factors

- The Acting Director of the Real Estate Information Center (REIC) revealed that lowering interest rates is not the solution to the problem. This is because, in the decision-making process for home purchases through loans, interest rates account for only 11% of the decision weight.
- Firms across the euro zone slowed hiring in the second quarter amid mounting signs of economic weakness. Employment grew 0.2% in the second quarter after 0.3% in the previous three months.
- China's first bank loan contraction in nearly two decades has fanned fears the world's No. 2 economy is careening toward a "balance sheet recession" as Japan did decades ago.
- China's steel industry is facing a crisis more serious than the downturns of 2008 and 2015, the world's biggest producer warned, highlighting a need to preserve cash and likening conditions to a "severe winter", Hu Wangming, chairman of China Baowu Steel Group Corp., told.

PICKS OF THE DAY



| | |
|---------|-----------------|
| Target | 105.00 / 108.00 |
| Support | 98.00 / 100.00 |

BUY

- Growth in line with future trend
- Upbeat outlook through next year



| | |
|---------|---------------|
| Target | 49.00 / 50.00 |
| Support | 45.00 / 46.00 |

BUY

- Continued profit increase in 2QFY24
- Supportive factors in 2H24

Strategy team

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