Morning Note

16 August 2024

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End of Political vacuum

Market Outlook

>> 1280 – 1300 <<

The SET Index is unlikely to show a clear direction today due to the impact of political sentiment. Despite a scheduled House vote on Thailand's 31st prime minister today, concerns have been raised about whether the digital wallet handout scheme will ultimately be implemented, a decision that could impact the economy and the stock market, particularly commerce stocks. However, the situation regarding the new prime minister seems to have stabilized, as the coalition parties yesterday announced the nomination of Pheu Thai Party leader Paetongtarn Shinawatra as the new premier for today's House vote. There is a high possibility that she will be elected as the next premier, as nine parties in the coalition government command 312 votes, exceeding the majority of the House of Representatives. Additionally, the SET Index's sentiment is likely to be supported by easing concerns about a US recession. Data showed that US retail sales for Jul rose by 1% m-m, exceeding the estimated 0.4% m-m growth and reversing a 0.2% m-m decline in Jun, while initial jobless claims in the US dropped 7,000 to 227,000 for the week ended Aug 10, below the estimate of 236,000. These figures reflect that consumer spending is beginning to recover, and the labor market is strengthening. Furthermore, these positive factors led to an increase in WTI crude prices, rising 1.53% to settle at US$78.16 a barrel, giving the sentiment of energy stocks a boost. Tonight, attention will turn to the United States Michigan Consumer Sentiment Index in Aug, which is expected to increase to 66.9, up from 66.4 in Jul. On Mon, it is important to monitor Thailand's GDP data in 2Q24, which could indicate the recovery potential of the Thai economy. The market estimates the GDP growth of 2.1% y-y in 2Q, accelerating from 1.5% y-y growth in the previous quarter. This forecast is close to the Bank of Thailand's projection of 2% growth, driven by private consumption and service exports.

Trading ideas: 1) Food export stocks: CHAO, CPF, GFPT, TFG and TU, 2) anticipated further earnings growth in 3QFY24: AAI, ADVANC, INTUCH, ITC and MAJOR, 3) energy stocks: PTT and TOP, 4) defensive plays: BEM and TTW and 5) dividend stocks/REITs: FTREIT, LHHOTEL, SCB, STA and TTB

Positive Factors

- The National Food Institute, the Federation of Thai Industries and the Board of Trade of Thailand revealed that Thai food exports in 1H24 were valued at 852 billion baht, up 9.9%. The outlook for Thai food exports in 2H24 is expected to reach 798 billion baht, a 7.8% increase. For the entire year of 2024, Thai food exports are projected to reach 1.65 trillion baht, an increase of 8.8%.
- California Democrats are calling on the Biden administration to freeze reported plans to impose fresh restrictions on U.S. technology exports to China, arguing unilateral curbs benefit foreign rivals at the expense of U.S. businesses.
- UK industrial production in June 2024 expanded by 0.8% m-m, continuing the growth from May's 0.3% m-m, and surpassing market expectations of only a 0.1% m-m increase.

Negative Factors

- Yesterday, foreign investors made a net sale of 8.832 billion baht in the Thai bond market, reflecting concerns over the political and economic situation in Thailand.
- China's commerce ministry said that it would impose export controls on antimony and other elements, in the name of protecting national interests and security, effective from Sept. 15. China, the world's largest producer of antimony, a strategic metal used in flame-retardants, batteries and munitions, accounted for 48% of global antimony mine production last year, U.S. Geological Survey data showed.
- Chinese steel production in July plunged about 9% on both the month and the year to 82.94 million tons, the lowest figure reported in 2024, according to the statistics bureau on Thursday. That leaves the total over the first seven months at 613.72 million tons, 2.2% off last year's pace.

PICKS OF THE DAY

BUY

CHAO

Target	Support
12.30 / 12.80	11.50

- Double-digit sales growth target for 2024
- Foreign market penetration

BUY

MAJOR

Target	Support
14.00 / 14.50	13.20

- Positive outlook in 2H24, particularly 3Q24
- Stronger performance expected in 2025, compared to 2024

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Ref.No.: CO2567_0156