

20 August 2024

Positive developments observed

Market Outlook

>> 1315 – 1335 <<

The Thai stock market looks set to extend its gains in today's trading session, boosted by rising risk appetite among investors, positive economic developments and domestic political stability. Despite that, the upside may be limited by declining oil prices. The sentiment of the SET Index is likely to receive a boost from rising demand for risk assets, in line with positive closes of Dow Jones, S&P 500 and Nasdaq last night, amid growing hopes that the Fed will signal rate cuts at the Jackson Hole economic symposium later this week. This aligns with the CME FedWatch Tool, which shows a 100% chance of an interest rate cut in Sep, with 76% odds for a 25 bps cut. This reflects hopes that the Fed's rate cut at its next meeting will not be severe, easing concerns about the health of the US economy. Risk appetite for the Thai stock market is expected to increase, as foreign investors were net buyers of Bt1.7bn yesterday, excluding a big lot for SCCC. This comes amid positive developments in the Thai economy and politics. The National Economic and Social Development Board reported GDP growth of 2.3% y-y in 2Q24, accelerating from 1.5% in the previous quarter. It also forecasts economic growth of 2.3-2.8% for 2024, accelerating from a 1.9% expansion in 2023. This projected growth is driven by a continued recovery in tourism, a strong expansion in domestic consumption, elevated state spending and investments in 2H24, as well as a gradual improvement in exports. Furthermore, significant development has been observed for the formation of the new government, with coalition parties submitting lists of potential ministers to the Pheu Thai party. Caretaker Deputy Prime Minister Phumtham Wechayachai pointed out that the lists must be completely submitted by today. Despite several positive factors, the upside is likely to be limited due to dwindling oil prices, with WTI crude falling 2.97% to settle at US\$74.37 per barrel yesterday. The decline in oil prices followed a visit to Israel by US Secretary of State Antony Blinken, who aims to achieve a ceasefire deal in Gaza, as well as rising concerns about weak Chinese oil demand.

Trading ideas: 1) Anticipated unchanged policy rate by MPC: BBL, KTB, KBANK and SCB, 2) weaker dollar/stronger baht: AAV, DELTA and GULF, 3) expected further earnings growth in 3QFY24: AAI, ADVANC, BEM, ITC, TU and CPF, 4) recovery in tourism: AOT, BA and CPN and 5) budget disbursement: CK and STEC

Positive Factors

- The Thai baht has strengthened this morning to nearly 34 baht per dollar, marking its strongest level in seven months, viewed as a positive sign for fund flows.
- The Tourism Authority of Thailand (TAT) has launched a major project called "Nihao Month" to encourage Chinese tourists to visit Thailand from September to October 2024, aiming to increase the number of Chinese tourists entering Thailand by an additional 250,000 this year.
- The number of foreign visitors to China soared 129.9 percent year on year to 17.25 million in the first seven months of this year thanks to a series of measures facilitating the entry of foreigners, the National Immigration Administration (NIA) said.
- China's central bank said a meeting in Shanghai produced an agreement with the US Treasury to appoint contact people to deal with any future "financial stress events," a rare example of the world's two biggest economies seeking common ground.
- Rightmove Plc said the number of buyers contacting estate agents to view houses for sale jumped 19% from a year ago since the BOE decision to lower interest rates on Aug. 1, an acceleration from the 11% increase across the month of July.

Negative Factors

- The Home Builder Association (HBA) revealed that the overall home construction market in the first half of 2024 has slowed across all price levels, except for the segments priced over 20 million baht and those priced between 5.01-10 million baht. The total value of signed home construction contracts amounted to 4.505 billion baht, a decrease of approximately 15% y-y. Additionally, it is expected that the total value of home construction for the entire year 2024 will be around 12 billion baht, a reduction of about 4% y-y.
- Advanced Info Service (AIS) revealed a study showing that although Thais have improved their understanding of digital usage, resulting in an overall basic level of competence, there are still concerns. More than half of Thais remain lacking in knowledge and understanding of cyber security and safety.

PICKS OF THE DAY

 <p>AAV</p>	Target	2.40 / 2.50
	Support	2.14 / 2.20
	BUY	

- Tourism boost
- Higher passenger numbers in 2H24, compared to 1H24

 <p>BBL</p>	Target	140.00 / 145.00
	Support	130.00
	BUY	

- Beneficiary of expected unchanged policy rate
- Expertise in large corporate loans

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
Patharadanai Jaturaporn - Capital Market Investment Analyst #094041

Thanapong Saelo - Assistant Analyst

Ref.No.: CO2567_0158



PhillipResearch



PhillipThailand



02 635 1700 Ext. 486