

21 August 2024

No Thai interest rate cut in sight

## Market Outlook

>> 1320 – 1335 <<

The SET Index is likely to move sideways today, as downward pressure from falling oil prices and restrictive monetary policy could be offset by the potential appreciation of the baht and political developments in Thailand. Energy stocks today are likely to face downward pressure from continued decline in oil prices, settling at US\$74.04 per barrel yesterday– the third consecutive day of declines, attributed to easing concerns about the supply from the Middle East and worries about weaker demand from China. Today, attention turns to the meeting of the Monetary Policy Committee (MPC), which is expected to keep the policy interest rate at 2.5% on hold. The MPC is unlikely to signal a rate cut for this year due to three key factors. First, the Thai economy is seen to be on the track of recovery, so there is no need for the fresh monetary policy to boost, as the country's GDP in 2Q24 grew 2.3% y-y, close to the MPC's estimate of around 2%. Second, the country is facing high household debt levels. An interest rate cut may help ease a short-term debt burden, but the move could lead to higher long-term outstanding debts. Third, the real interest rate gap between Thailand and the US remains below the historical average, so a rate cut would shrink this gap further and potentially drive fund outflows. The central bank's expected move to maintain the policy rate is likely to exert pressure on consumption, costs for the private sector and stocks, particularly in the financial sector. However, the pressure is unlikely to be significant, as the issue has been priced in to some extent. The possible move by the MPC to maintain the policy rate, against the backdrop of a potential US interest rate cut cycle, is likely to strengthen the baht. It is notable that the baht strengthened to Bt34.00 against the US dollar this morning, marking its strongest level in over a year. This sentiment is likely to boost fund inflows and benefit the stocks of companies with expenses in foreign currencies. Furthermore, it is important to monitor the formation of the new government by Prime Minister Paetongtarn Shinawatra, as any progress would be a boon for the Thai economy and the SET Index.

**Trading ideas:** 1) Anticipated unchanged interest rate: BBL, KBANK, KTB and SCB, 2) potential US rate cut/stronger baht: CCET, COM7, DELTA, GPSC, GULF and SYNEX, 3) recovery in tourism: AOT, BA and CPN, 4) anticipated further earnings growth in 3QFY24: ADVANC and INTUCH and 5) dividend stocks: SIRI, STA and STGT

## Positive Factors

- Yesterday, foreign investors recorded net buys of 1.79 billion baht in the SET Index and 18.9 thousand contracts in SET50 Index Futures, respectively. This marked three consecutive trading days of net purchases (excluding the Big Lot of SCCC).
- CBRE (Thailand) Co., Ltd. revealed that, as of the end of 2023, the number of expatriates working and residing in Thailand stood at 188,232, nearly reaching pre-COVID levels seen in 2019. This has had a positive impact on the luxury condominium rental market in downtown areas, where expatriates are the primary market, leading to rental prices increasing in certain locations.
- The Ministry of Tourism and Sports revealed that from January 1 to August 18, 2024, Thailand had welcomed a total of 22.5 million international tourists, generating approximately 1.06 trillion baht in revenue from their spending.
- PwC forecasts that the total revenue of Thailand's entertainment and media industry in 2024 will reach 691 billion baht, growing by around 4% from the previous year. They also project that the industry's total revenue will increase to nearly 800 billion baht over the next five years, driven by the growth of the streaming and online advertising businesses.

## Negative Factors

- Fitch Ratings has warned that if political disruptions in Thailand reach a level that affects economic policymaking and growth prospects, it could lead to a downgrade in the country's credit rating.
- Gold imports in July fell 24% to 44.6 tonnes, the lowest in more than two years, according to China's customs data. The dramatic drop-off in shipments shows how badly the double whammy of lofty prices and a weak economy is affecting Chinese buyers. Bruised by a prolonged property crisis and a weaker local currency, shoppers are now finding that gold is much less affordable.
- Taiwan demonstrated its precision missile capabilities yesterday by launching a land-based surface-to-air missile in front of reporters during a visit to a missile testing facility on the southeastern coast of Taiwan. This reflects Taiwan's efforts to strengthen its ability to counter the threat from China.
- Eurozone's Headline CPI for July 2024 expanded by 2.6% y-y, accelerating from 2.5% y-y in June 2024.

## PICKS OF THE DAY

|  |                      |
|--|----------------------|
|  | <b>Target</b>        |
|  | <b>21.50 / 22.00</b> |
|  | <b>Support</b>       |
| <b>BUY</b>   | <b>20.30</b>         |
| <b>BA</b>  |                      |

- Higher-than-expected profit in 1H24
- Positive outlook for next three quarters

|  |                      |
|--|----------------------|
|  | <b>Target</b>        |
|  | <b>23.00 / 23.30</b> |
|  | <b>Support</b>       |
| <b>BUY</b>   | <b>22.00</b>         |
| <b>COM7</b>  |                      |

- AI frenzy and new Apple products give boost
- Beneficiary of stronger baht

### Strategy team

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Ref.No.: CO2567\_0159