

27 August 2024

Upbeat SET expected to extend its gains

Market Outlook

>> 1355 – 1380 <<

A sideways to sideways-up pattern can be expected for the SET Index today, driven by an offering for sale of the Vayupak Fund's investment units, the prospect of favorable trade data, hopes for an entertainment complex and rising oil prices. However, the increase is likely to be limited by intensifying conflicts in the Middle East. Regarding the Vayupak Fund, the deputy prime minister and finance minister stated that the Finance Ministry is in the process of preparing the sale of the fund's investment units and sounding out demands from various groups in order to design a suitable offering pattern. The sale is expected to take place later in Sep or early in Oct. Meanwhile, attention today will turn to Thailand's trade data for Jul, which could highlight the country's economic recovery and support the stock market. Thai exports in Jul are expected to expand 6.95% y-y, reversing the Jun contraction of 0.3% y-y. Imports are expected to rise by 1.35% y-y, accelerating from the Jun growth of 0.3% y-y. Additionally, sentiment for stocks in the tourism, property and construction sectors could be lifted by the Royal Turf Club of Thailand's announced plans to invest Bt200bn in building an entertainment complex, called "The Royal Siam Haven", through a collaboration with the Royal Sport Complex. The project will feature a horse racecourse, a six-star hotel, a golf course, luxury dining options and a hospital. Furthermore, energy stocks are likely to be supported by rising oil prices, with WTI crude increasing by 3.5% to settle at US\$77.42 per barrel. The increase was driven by Libya's Mon announcement of the closure of all oil fields, citing political tensions in the country, as well as intensifying conflicts in the Middle East after Israel and Hezbollah traded strikes on Sun. On the negative side, the rising tension is likely to limit an increase in risk assets, including stocks in the SET Index, amid inflows into safe assets, including gold, with COMEX gold increasing by 0.35% to settle at \$2,555.20 per ounce.

Trading ideas: 1) 'Thailand Focus' event: ADVANC, KBANK, GULF and WHA, 2) entertainment complex: AAV, AOT, AWC, BDMS, CENTEL, CK, CPN, CRC, LH and SPA, 3) US interest rate-cutting cycle: COM7 and GPSC, 4) flooding: BJC, DOHOME and HMPRO and 5) energy stocks: BCP, PTTEP and TOP

Positive Factors

- The Board of Investment of Thailand (BOI) has approved Western Digital Storage Technologies (Thailand) Co., Ltd.'s request for investment promotion for the expansion of its hard disk and related equipment manufacturing business, with an investment value of 23,516 million baht. It is expected to increase export value by more than 200 billion baht per year and create over 10,000 new jobs for Thai personnel.
- Government Savings Bank (GSB) issues urgent measures to assist flood victims: a three-month principal repayment holiday, a 50% reduction in interest, and emergency loans of up to 10,000 baht without collateral. Home repair loans will be available for up to 100% of the repair estimate. In addition, the bank plans to collaborate with partners to open repair clinics for post-flood recovery and rehabilitation.
- The Stock Exchange of Thailand (SET) revealed that out of 819 listed companies that submitted their 2Q24 performance results, 631 companies reported a net profit, accounting for 77.05% of all listed companies that submitted their financial statements. Furthermore, the performance results for the first half of 2567 of the companies listed on the SET showed an increase in sales and net profit by 6.3% y-y and 9.7% y-y, respectively.

Negative Factors

- The Office of the National Economic and Social Development Council (NESDC) reports on the labour situation in Q2 2024, with a total of 39.5 million employed, marking a 0.4% y-y decrease. This decline is attributed to a 5% reduction in agricultural employment. One of the key issues to monitor in the coming period is the impact of flooding on agricultural production and farmers' income, as floods between 16 July and 1 August 2024 have already damaged 308,238 rai of farmland.
- The President of the Thai Real Estate Association has projected that the real estate business is facing challenges. Currently, many factories are starting to reduce overtime, cut salaries, and some are even closing down, leading banks to be reluctant to grant loans to this group of clients. This situation has forced many entrepreneurs to adjust their business plans in the second half of 2024 by reducing the number of new projects.
- A major Chinese real estate company, Yuzhou Group Holdings Co., filed for Chapter 15 bankruptcy protection in the United States late last week. It becomes the latest Chinese property developer to seek bankruptcy protection abroad amidst the ongoing Chinese real estate crisis.

PICKS OF THE DAY

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|  | Target |
| | 62.00 / 64.00 |
| | Support |
| AOT | 59.00 / 60.00 |

- Anticipated y-y earnings growth in 4QFY24 despite low season
- Tourist season approaching

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|  | Target |
| | 44.00 / 46.00 |
| | Support |
| GPSC | 40.00 |

- Solar farm portfolio set to grow
- Drop in bond yields

Strategy team

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