

28 August 2024

Positive external factors, rising concerns about domestic elements

Market Outlook

>> 1355 – 1375 <<

The Thai stock market looks poised to move sideways today due to a mix of positive and negative factors. The SET Index is likely to receive support from favorable economic indicators in the US, the 'Thailand Focus' event, which begins today, and upbeat trade figures. However, the rise is likely to be limited by growing concerns about domestic political stability and consumption. On the positive side, appetite for risk assets is gathering momentum, with the Dow Jones notching a record-high close on Tue. This rise was driven by upbeat US economic indicators, as data showed that the consumer confidence index rose to 103.3 in Aug — the highest level in six months. The reading is up from 101.9 in Jul and above the market estimate of 100.9. The 'Thailand Focus' event is also highly expected to be a key driver for the stock market. Based on the historical data from 2011 to 2023, the SET Index climbed by an average of 0.5% one week after the event and by 1.1% two weeks after the event. Thailand Focus could therefore help boost the stocks of companies participating in the event, particularly those featured on the agenda. Furthermore, the bourse is likely to receive a boost from favorable export trade figures. Thailand's exports in Jul expanded by 15.2% y-y, reversing a 0.3% y-y contraction in the previous month. This could be a boon for the country's GDP in 3Q24 and the stocks of the companies that showed strong export growth, including para rubber, chicken, pet food, canned seafood and ambient seafood, computers and mobile devices. Imports also grew by 13.1% y-y in Jul, accelerating from a 0.3% y-y increase in the previous month, covering almost all product categories. This highlights the upbeat outlook for the country's economic activities. Despite these positive elements, the rise in the stock market is likely to be limited by escalating concerns about the formation of the coalition government and political stability after the Pheu Thai secretary-general pointed out that the party will not work with the Palang Pracharath Party to form the government. Other negative factors include rising concerns about Thailand's economic fundamentals and domestic consumption. According to the Bank of Thailand, slower SME loan growth continued in 2Q24, while consumer loan growth softened due to heightened credit risks. The NPL level showed a slight increase to Bt540.8bn, mainly boosted by consumer loans, marking an NPL ratio of 2.84%.

Trading ideas: 1) 'Thailand Focus' event: BBIK, BCP, BH, DELTA, GULF and WHA, 2) Vayupak Fund-driven stocks: AP, PTT and TU, 3) export-linked stocks: ASIAN, CCET, CPF, GFPT, NER, STA and STGT and 4) interest rate-cutting cycle: BGRIM and GPSC

Positive Factors

- The Ministry of Tourism and Sports revealed that from January 1 to August 25, 2024, Thailand had welcomed a total of 23 million international tourists (+32% y-y).
- The caretaker Cabinet has approved a central budget of 345 million baht to cover expenses for promoting foreign film productions in Thailand. The cash rebate measure (15-20%) has been in continuous operation since January 2017, with 71 films participating in the scheme, generating approximately 16,218 million baht in circulation within the Thai economy.
- The caretaker cabinet approved a budget of 3.5 billion baht from the central budget as a contribution to the Pracharath Welfare Fund for grassroots economy. This budget will be allocated to the state welfare card program to ensure sufficient funds until 30th September 2024.
- The U.S. labor market has seen major changes since the start of the year. "The unemployment rate has increased rapidly since the start of the year, rising from 3.7% in January to 4.3% in July," UBS said. Historically, such an increase has been associated with economic downturns. However, UBS suggests that this time could be different, noting that the labor market, while no longer as overheated as it was two years ago, remains strong by historical standards.

Negative Factors

- The Federation of Thai Industries (FTI) revealed that a total of 124,829 vehicles were produced in July 2024, a decrease of 16.62% y-y. This decline was due to a 40.85% drop in production for the domestic market, in line with lower domestic vehicle sales caused by stricter lending criteria from financial institutions, driven by high household debt and a weak economy.
- The Ministry of Finance has revealed that the government's net revenue collection for the first 10 months of FY2024 fell short of the budget projection by over 25 billion baht.
- Goldman Sachs adjusted its forecast for Brent crude oil prices, lowering the expected trading range to \$70-\$85 per barrel. This revision marks a \$5 per barrel reduction from previous estimates and is driven by several key factors, including unexpectedly high OECD inventories, slower-than-anticipated demand growth from China, and an increase in U.S. oil production.
- IBM is shutting down its hardware research and development team in China, a move influenced by ongoing geopolitical tensions between the US and China.
- Canada announced it is launching a 100% tariff on imports of Chinese-made electric vehicles, matching U.S. tariffs imposed.

PICKS OF THE DAY

	Target
	BUY 107.00 / 110.00
	Support
DELTA	100.00

- Continued recovery expected in 2HFY24
- Business outlook remains positive

	Target
	BUY 16.00 / 16.50
	Support
TU	15.00

- Canned seafood and pet food show strong exports
- Further revenue growth expected in 3QFY24, supported by accelerating income in PetCare business

Strategy team

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