

30 August 2024

Potential range-bound movement, with hopes pinned on domestic plays

## Market Outlook

>> 1350 – 1365 <<

The SET Index is likely to fluctuate within a narrow range today due to a mix of positive and negative factors. On a positive note, first, US Q2 2024 GDP in the 2nd preliminary reading grew 3% q-q, surpassing the estimated increase of 2.8% q-q and marking the highest expansion of the year. Initial jobless claims fell to 231,000 in the week ended Aug 24, below the estimated 232,000 and declining from the previous week's 233,000. This could support global stock sentiment. Second, progress has been observed in the formation of the coalition government under Prime Minister Paetongtarn Shinawatra. The caretaker deputy premier indicated that the cabinet line-up is being vetted by the Secretariat of the Cabinet and the Council of State, a process that could take about one week, or two weeks at the latest. Accordingly, the coalition government is set to be formed by mid-Sep. The caretaker deputy prime minister also pointed out that several projects are being pushed by various agencies and ministries to the cabinet meeting for approval, including double-track rail projects in provinces, the hosting of the Volleyball World Championship and the digital wallet scheme. Progress in the formation of the new coalition government is likely to support stocks in domestic plays. On a negative note, the MSCI rebalancing, with changes to be implemented as of the close on Aug 30, could lead to selling pressure on several stocks. It is expected that AWC, GPSC, EA and IVL will be removed from the MSCI Global Standard, leading to continued sell-offs for these stocks. Furthermore, BAFS, BYD, EPG, NEX, ORI, PTG, RBF, THANI, SC, SJWD, SKY, SNNP and THCOM could face selling pressure as they are expected to be removed from the MSCI World Small Cap Index. Tonight, attention will turn to the PCE and Core PCE data in the US for Jul, both of which are expected to increase. The CPI and Core CPI in the euro zone for Jul are also on tap, with both anticipated to rise. Next week, the focus will shift to China's Caixin Manufacturing/Service PMI for Aug, US ISM Manufacturing PMI for Aug, US nonfarm payrolls for Aug, the US unemployment rate for Aug and Thailand's inflation data for Aug.

**Trading ideas:** 1) 'Thailand Focus' event: BBIK, BCP, BH, DELTA, GULF and WHA, 2) stocks in domestic plays: CPALL, CPN, CRC BJC, MTC, KTC, TFG, KBANK, BBL, CBG and CPAXT, 3) US interest rate-cutting cycle: BGRIM and GUNKUL and 4) state investment: CK

## Positive Factors

- The Fiscal Policy Office (FPO) reported that the regional economy in July 2024 continued to expand, supported by increased consumer spending in nearly all regions, especially in the South and the West. Additionally, industrial confidence improved in several regions.
- The Fiscal Policy Office (FPO) reported the Thailand Regional Economic Sentiment Index (RSI) for August 2024, reflecting positive economic confidence for the next six months, especially in the service sectors of the Northern and Southern regions.
- The Ministry of Commerce reported that 7,837 new businesses were established in July 2024, marking a 14% y-y increase, with registered capital totaling 23,704.59 million baht, a 42% y-y rise.
- The BOI revealed that in the first half of 2024, the value of investment promotion applications in the PCB industry exceeded 140 billion baht, compared to the average annual value of only 15 billion baht during 2021-2022.

## Negative Factors

- Toyota Motor said its global production slipped for a sixth straight month in July. Output for July slid 1% compared to the same month a year earlier to 804,610 vehicles, with production in China down 6% and that in Thailand falling 13%.
- UBS Group AG cut its forecasts for China's growth this year and the next. The bank now expects China's gross domestic product to expand 4.6% this year, down from an earlier forecast of 4.9%. This comes as China's economic momentum has remained subdued since March amid the real estate downturn and a tight fiscal policy stance. For next year, UBS sees growth at 4%, down from 4.6%.
- New-car registrations ticked up just 0.4% y-y to 1.03 million units in July 2024, the European Automobile Manufacturers' Association said. While sales of battery-electric cars increased in countries including France and the UK, those gains weren't enough to offset a 37% decline in Germany.

## PICKS OF THE DAY

	Target
	62.00 / 64.00
	Support
<b>CPALL</b>	58.00

- 10,000-baht handout slated for Sep
- Continued growth despite tepid economic expansion

	Target
	148.00 / 153.00
	Support
<b>KBANK</b>	140.00

- Beneficiary of state projects
- Forefront of SME loans

### Strategy team

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