

3 September 2024

Hopes of quick government formation

Market Outlook

>> 1345 – 1360 <<

The Thai stock market is unlikely to show a clear direction today, as growing concerns about the economic health of Europe and China temper the positive sentiment arising from the progress in the Thai government formation and the prospect of new economic policies. It is reported that the qualification checks of potential cabinet ministers by the Council of State have already been completed and submitted to the Secretariat of the Cabinet. Now, the prime minister must consider and sign the appointments of the cabinet ministers. Given the government formation timeline scheduled to be completed by mid-Sep by Prime Minister Paetongtarn Shinawatra and Caretaker Deputy Prime Minister Phumtham Wechayachai, the cabinet list is expected to be forwarded for royal endorsement tomorrow. Then, the new cabinet will need to swear an oath of office before His Majesty the King, followed by the first cabinet meeting meant to formulate the government policy for parliamentary announcement, expected to take place on Sep 11-13, 2024. Meanwhile, it is important to follow the parliamentary meeting on the deliberations of the 2025 fiscal budget bill in the second and third readings during Sep 3-5, 2024, which could reveal the direction of the new government's economic policy. Nevertheless, the upside is likely be limited by increasing concerns about the economic health of the euro zone and China. The euro zone manufacturing PMI in Aug stood at 45.8, unchanged from the previous month, indicating a contraction in manufacturing for the 26th consecutive month as it remains below the 50 mark separating growth from contraction. This aligns with the PMI for German manufacturing, which declined to 42.4 in Aug from 43.2 in Jul, marking its 26th consecutive month below the 50 mark. HCOB indicated that there was an accelerated drop in new orders in Aug, potentially dampening hopes of a quick economic recovery in Germany. In China, the Caixin Manufacturing PMI in Aug rose to 50.4 from 49.8 in Jul, but the recovery pattern remains uncertain as the government's PMI data shows a different trend, with four consecutive months of declines. Tonight, attention will shift to the US's manufacturing PMI data for Aug, presented by S&P Global and ISM, which are expected to come in at 48.1 and 47.5, respectively, compared to the Jul readings of 49.6 and 46.8, respectively.

Trading ideas: 1) Industrial estate and power plant sectors: AMATA, GPSC, GULF and WHA, 2) effect of seasonal diseases: BCH, BDMS and BH, 3) Apple event: ADVANC, COM7, SPVI, SYNEX and TRUE and 4) state budget and policy: BE8, BJC, CK, CPALL, CPN, CRC and STEC

Positive Factors

- The Bank of Thailand (BoT) is in the process of amending the regulations on car hire purchase loans to allow family members to co-borrow. The income of co-borrowers will be considered in the loan approval process, which is expected to boost hire purchase loans and reduce the risk of loan defaults. Banks with a large proportion of car hire purchase loans compared to their overall loan portfolio, such as KKP, TISCO, TTB, BAY, and SCB, stand to benefit the most from this change.
- The Industrial Estate Authority of Thailand (IEAT) revealed that during FY2567, it achieved success in selling/leasing industrial estate land totaling 6,174 rai, setting a new record for the second consecutive year. The skyrocketing land sales in industrial estates reflect the high demand for industrial estate land.
- Mr. Suriya, Deputy Prime Minister and Minister of Transport, provided an update on the progress of the Land Bridge project, affirming that the Ministry of Transport and the government, led by the Pheu Thai Party, will certainly push forward to bring the Land Bridge project to fruition during this administration.
- The S&P Global UK Manufacturing Purchasing Managers' Index rose to 52.5 from 52.1 in July. "The upturn is broad-based across manufacturing, with the investment goods sector the stand-out performer," Rob Dobson, Director at S&P Global Market Intelligence, said.

Negative Factors

- The Thai Chamber of Commerce and the University of the Thai Chamber of Commerce have initially assessed the damage from the flooding in the northern region at approximately 8 billion baht, equivalent to 0.05% of GDP, assuming the situation resolves within 15 days. However, if the flooding persists for up to a month and spreads further, the damage could exceed 10 billion baht, or 0.06% of GDP.
- The Meteorological Department stated that during 3-7 September 2024, Thailand will experience increased rainfall with heavy rain in many areas, and very heavy rain in some areas, particularly in the eastern and southern regions. The public in these areas is advised to be cautious of the dangers posed by heavy to very heavy rain and accumulated rainfall, which may lead to flash floods and forest runoffs, especially in foothill areas near waterways and low-lying areas.
- Volkswagen is considering closing factories in Germany for the first time and threatened further job cuts as its savings plans stalled.

PICKS OF THE DAY

 POSSIBILITIES HAPPEN	Target
	23.00 / 23.50
	Support
BUY	21.50

- Higher demand than supply
- Land transfers set to increase in 2H due to higher backlog

	Target
	42.50 / 44.00
	Support
BUY	40.00

- Supportive factors
- Solar power portfolio in progress

Strategy team

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