

4 September 2024

Unfavorable signs from US manufacturing sector

1,350–1,370

## Market Outlook

The Thai stock market looks set to open lower and fluctuate in a negative territory today, amid downward pressure from unfavorable US economic data and tumbling oil prices. However, the downside may be limited by hopes for progress in the formation of the new government and its policies. In the US, concerns are mounting over the economic recession, as reflected by a 33% jump in the CBOE Volatility Index — a measure of the stock market's expectation of volatility — which settled at 20.71, the highest level in 15 trading days. This increase came after US manufacturing PMIs in Aug remained below 50, which indicates a contraction in the manufacturing sector, weighed down by the impact of unfavorable new orders and employment. The S&P Global US Manufacturing PMI stood at 47.9 in Aug, below the estimated 48.0 and down from 49.6 in Jul, marking the second consecutive month of contractions. Meanwhile, the ISM Manufacturing PMI edged higher to 47.2 in Aug, up from 46.8 in Jul but below the expected 47.5. This reading marks the fifth consecutive month of contractions in the manufacturing sector. In addition, declining crude oil prices may weigh on energy stocks. WTI crude sank by 4.36% to settle at US\$70.34 a barrel, the lowest level since Dec 2023. This decrease was attributed to growing concerns about the economic health of the US, euro zone and China, as well as easing worries over oil supply amid signals that Libya's political conflicts have ebbed. On a positive note, the bourse is likely to be supported by progress in the formation of the new coalition government, as a new cabinet list under Prime Minister Paetongtarn Shinawatra has emerged. If the list is submitted for royal endorsement today, it would deliver positive sentiment for the SET Index. Furthermore, there are positive signs for the implementation of the digital wallet scheme, as the Budget Bureau indicated that Bt122bn in the 2024 central budget for emergencies can be used to support the program after the new cabinet is sworn in, and its policies are announced in parliament. The handout, according to the bureau, can be made immediately in Sep without a hitch, as eligible recipients have already been registered and the 2024 central budget for emergencies has been approved by parliament.

**Trading ideas:** 1) State budget and policy boost: BE8, BJC, CK, CPALL, CPAXT, CRC, HMPRO, KBANK, KTB, KTC, SAWAD and STEC, 2) tourism plays: AAV, AOT and CENTEL, 3) impact of seasonal diseases: BCH, BDMS, BH and CHG and 4) anti-commodity plays: GPSC, GULF, SCGP and TASCO

## Positive Factors

- The caretaker Cabinet has approved an emergency or necessary reserve fund allocation of 2.289 billion baht for the Royal Irrigation Department. This budget is to be used for the development of 1,072 water resource projects to enhance current water management and prepare for potential future events.
- The caretaker Cabinet approved measures to prevent illegal goods in order to address the issue of low-cost, substandard products entering Thailand. They endorsed five key measures and 63 action plans as part of the problem-solving strategy.
- The Ministry of Tourism and Sports revealed that from January 1 to September 1, 2024, Thailand had welcomed a total of 23.6 million international tourists, generating approximately 1.11 trillion baht in revenue from their spending.
- The World Travel and Tourism Council (WTTC) estimates the travel and tourism industry's contribution to global GDP in 2024 will increase 12.1% year-over-year to \$11.1 trillion, making up 10% of global GDP. This represents about a 7.5% increase from the previous record set in 2019.

## Negative Factors

- The Bank of Thailand (BoT) reported that the Business Sentiment Index (BSI) for August 2024 remained steady at 47.1, unchanged from the previous month. Meanwhile, the expected BSI (3-month forward) continued to decline, dropping to 49.8, falling below the 50 level for the first time in three years. This indicates a worsening outlook for future confidence compared to the present, primarily due to a significant decline in confidence in the manufacturing sector, which has been decreasing markedly since mid-year.
- China's troubled housing market will continue to see softness as a slew of government stimulus and support measures have not been "satisfactory" in propping up the sector, according to a JPMorgan economist.
- China's economy remains under the pressure of a "double whammy" of adverse weather conditions and weakening demand, Citi stated in a note to clients. This combination could further exacerbate the already challenging economic environment, potentially putting the government's "around 5%" growth target at risk.
- The Atlanta Fed's latest GDPNow model projection shows that the U.S. economy is expected to grow by 2% in Q3 2024, down from the previous forecast of 2.5%.

## PICKS OF THE DAY

	Target
	33.00 / 34.00
	Support
CPAXT	31.00

- 10,000-baht handout to be implemented
- Anticipated synergies through new firm

	Target
	39.50 / 41.00
	Support
SAWAD	37.00

- Potential higher loan growth in 2H24 compared to 1H24
- Anticipated lower loan-loss provisions

### Strategy team

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