Morning Note

13 September 2024

PhillipCapital
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US PPI growth challenges Fed's expected rate cut.

Market Outlook

1,415–1,430

The Thai stock market is poised to move sideways in today's trading session, as positive domestic factors are likely to be tempered by growing concerns over accelerating US inflation. On a positive note, the bourse could receive a boost from the government's policy statement delivered to parliament yesterday, covering both short- and long-term initiatives. Short-term policies focus on lowering living costs, boosting purchasing power and pursuing debt restructuring. The digital wallet handout, expected to be implemented on Sep 25, could provide a boost to commerce, finance and banking stocks. Regarding long-term policies, the emphasis is on enhancing national competitiveness and laying a foundation for the future. Key policies include promoting the green economy, advancing the digital economy, developing transport megaprojects and pursuing tax restructuring to improve income distribution. These policies are likely to benefit stocks in the construction, raw material, tourism, industrial estates and transport sectors. In addition, foreign investors have been net buyers of Thai stocks for six consecutive days, with yesterday's net purchase exceeding Bt827.23mn, a key driver for large-cap stocks. On the downside, there is a growing concern about US inflation. Data shows the US PPI and Core PPI in Aug grew by 0.2% and 0.3% m-m, respectively, exceeding the market expectations of 0.1% and 0.2%. On a y-y basis, the PPI growth in Aug was slower than in the previous month, while the Core PPI growth in Aug was on par with the previous month's level. The accelerated m-m inflation growth could pressure the Fed to raise its policy rate only by 25 bps in its meeting next week. Moreover, Thai consumer confidence in Aug dropped to 56.5, marking its sixth consecutive month of decline and the lowest level in 13 months, attributed to concerns over the economic slowdown and tepid recovery. Other notable developments include the ECB's move to lower its interest rate by 25 bps, in line with expectations. It has also reduced the economic growth forecast every year until 2026. Next week, attention will shift to the Fed, BoE and BOJ meetings, the release of US retail sales data for Aug, the CPI data for the UK and the EU in Aug and China's one-year and five-year loan prime rates.

Trading ideas: 1) State policy and Vayupak Fund: AP, BBL, BDMS, CPALL, GULF, ICHI, LHHOTEL, TTB, CK, MTC, SAWAD, STEC, BA and AOT, 2) industrial estate sector: AMATA, ROJNA, WHA, WHART and WHAIR and 3) stronger baht: BGRIM, GPSC, CRC, COM7, CPW and AAV

Positive Factors

- Rho Motion revealed that global sales of battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) increased by 20% in August year-over-year, driven by record sales in China.
- China is set to reduce mortgage interest rates, currently valued at over 5 trillion US dollars, in mid-to-late September to help ease the financial burden on millions of households and stimulate consumption.
- The Stock Exchange is studying the development of carbon credit regulation mechanisms and trading systems in line with the development of a carbon credit trading hub, aiming to position Thailand as a leader in ASEAN in reducing greenhouse gas emissions.
- CHAYO and BAM pointed out that an increasing number of bad debts have been auctioned off, reaching the highest level in many years since past crises, helping to reduce business operating costs.

Negative Factors

- China is set to kick off the Xiangshan Forum, aiming to increase its influence among Global South countries amid rising tensions in the South China Sea and around Taiwan.
- UBS revealed that the Fed's mission to combat inflation is not yet complete and may significantly lower interest rates at this month's meeting, with expectations of a 25 bps cut.
- A Bank of Japan official stated that the BOJ needs to raise its policy interest rate to at least 1% to avoid potential inflation risks.
- The Russian leader said that Russia should consider restricting the export of uranium, titanium, and nickel as a countermeasure against Western sanctions, which could impact the metals industry.
- Chiang Rai's real estate sector is struggling after the worst floods in 70 years, with appeals to the Prime Minister to restore confidence.

PICKS OF THE DAY

BUY

MTC

Target	Support
51.00 / 53.00	48.00

- Accelerated loan growth expected in 3Q, with potential earnings increase
- Highest asset quality in sector

BUY

WHA

Target	Support
5.80 / 6.00	5.30

- Upwardly adjusted land sale target for 2024
- Profit expected to reach all-time high in FY24

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