

24 September 2024

Hopes pinned on state stimulus measures

Market Outlook

>> 1440 - 1455 <<

The Thai stock market appears poised to move sideways in today's trading session, pressured by growing concerns about the global economy and conflicts in the Middle East. However, the downside is likely to be limited by hopes of Vayupak Fund's injection into the stock market, domestic policies and China's stimulus measures. The SET Index is expected to face pressure from rising worries about the global economic situation, as data shows the US PMI Output Index in Sep, which tracks the manufacturing and services sectors, slightly declined to 54.4 from 54.6 in Aug, marking a two-month low. The key factor is the manufacturing PMI, which dropped to a 15-month low of 47.0 from 47.9 in Aug. For the euro zone, the preliminary composite PMI fell to 48.9 in Sep from 51.0 in Aug, below the 50 mark that separates growth from contraction. This decline was caused by a fall in manufacturing PMI, which sank to 44.8 in Sep from 45.8 in the previous month, marking its lowest level this year. Additionally, investment in risk assets, including stocks in the SET Index, has been marred by increased interest in safe-haven assets like gold amid the Middle East conflicts. Israel reportedly targeted 1,300 sites in Lebanon in airstrikes on Mon, a major attack in almost one year against Hezbollah. Furthermore, stocks linked with consumer spending could face negative sentiment due to the delay in a hike in the daily minimum wage to Bt400 across the country, which was earlier scheduled to take place on Oct 1. However, this could boost sentiment for stocks of labor-intensive companies. On the other hand, the downside could be limited by optimism around the Vayupak Fund 1, which has attracted investment from both individual and institutional investors, with a fund offering amounting to Bt150bn. Today, attention will turn to the cabinet meeting and the first meeting of a board responsible for steering the government's economic stimulus policy, which could support the SET Index amid hopes for progress on economic measures. It is also important to monitor today's briefing by the People's Bank of China, which could roll out new measures to shore up China's economy.

Trading ideas: 1) State budget and policies: BE8, CENTEL, CK, KTB, MINT, PYLON, STEC and UNIQ, 2) global interest rate-cutting cycle and stronger baht: AAV, BGRIM, DELTA, GULF, GPSC and HANA and 3) Vayupak Fund-driven stocks: ADVANC, BBL, INTUCH, KBANK and TTB

Positive Factors

- Today, the Ministry of Interior is set to propose to the Cabinet an exemption from electricity and water bills for September 2024 for residents in areas declared as disaster zones.
- Digital travel platform Agoda has revealed that searches for overseas accommodations by Chinese tourists during the National Day holiday (1-7 October 2024), also known as Golden Week, surged by 137% y-y. This year, Seoul has emerged as the number one destination, followed by Tokyo, Bali, Bangkok, and Osaka.
- The PBOC added 160.1 billion yuan via 7-day reverse repos at 1.70%, it said in a statement. It also injected 74.5 billion yuan via 14-day reverse repos at 1.85%, compared with 1.95% during the previous injection.
- Fed officials including Raphael Bostic, Neel Kashkari and Austan Goolsbee supported the central bank's last rate cut and voiced support for more cuts in the rest of the year.

Negative Factors

- The Private Hospital Association revealed that since 2022-2023, the Social Security Office has reduced medical treatment fees for diseases with an Adjusted RW greater than 2 during the last quarter of both years. This has caused private hospitals contracted with the Social Security scheme to face financial losses. If this situation continues, hospitals may decide to withdraw from their contracts with the Social Security scheme.
- The Real Estate Information Center (REIC) reveals that Thailand's real estate sector continues to face significant challenges due to shifting demographics. The proportion of the elderly population is expected to exceed 25% of the total population, while the birth rate is declining. Moreover, more married couples are choosing not to have children, and the number of single individuals is increasing.
- India's commerce minister rejected the idea of joining the Regional Comprehensive Economic Partnership, maintaining that it is not in the country's interest to be part of a free trade agreement with China.

PICKS OF THE DAY



- Anticipated progress on state projects at cabinet meeting
- High business season



- State budget boost:
- Strong backlog

Strategy team

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