

25 September 2024

China's stimulus measures expected to give boost

## Market Outlook

>> 1455 - 1470 <<

The SET Index is likely to move upwards in today's trading session, supported by stocks linked to the prospect of economic recovery in China following the announcement of a broad range of stimulus measures. There is a likelihood of a shift from domestic plays to China-linked stocks. Several measures were announced by the People's Bank of China (PBOC) on Tue. They include: 1) a 50 bps reduction in bank's reserve requirement ratio (RRR) by end-2024, freeing up over 1tn yuan for new lending, 2) a reduction of the seven-day reverse repurchase rate to 1.5% from 1.7%, 3) a decrease in interest rates on existing mortgages by 0.5 percentage point on average and a 0.2-0.25 percentage point cut in the loan prime rate (LPR), 4) a decrease in the minimum down-payment ratio to 15% for second-home buyers, from current 25% and 5) the creation of a swap program to ease access to funding for stock purchases and the provision of cheap PBOC loans, amounting to a combined 800bn yuan in money injection. These are part of China's efforts to shore up its economy, aiming to achieve 5% growth this year, and tackle real estate problems. This factor is expected to boost Asian stocks tied to exports to China, with those in rubber, petroleum and electronics sectors poised to benefit. Another positive factor concerns yesterday's cabinet approval of the fresh funding for EV subsidy program, with a budget allocation of Bt7,125mn. The budget will be used to subsidize EV buyers and investors, potentially benefiting stocks in the power plant and auto parts sectors. Additionally, the deputy prime minister said stimulus measures are set to be rolled out to stimulate the real estate sector soon, which could benefit stocks in the segment. On a negative note, renewed concerns are mounting over the US's economic health, as the consumer confidence index dropped to 98.7 in Sep, falling from 103.3 in the previous month. This fell short of the estimated 103.9, marking the first time in five months it has dropped below the 100 mark, fueling concerns over weakening purchasing power. Today, it is important to monitor Thailand's import and export data for Aug. Imports are expected to expand by 6.5% y-y, compared with 13.1% growth in the previous month, while exports are projected to climb 6% y-y, versus the previous month's increase of 15.2%.

**Trading ideas:** 1) State budget and policies: BE8, CENTEL, CK, KTB, MINT, PYLON, STEC, SPALI, AP, SIRI and SC, 2) global interest rate-cutting cycle and stronger baht: AAV, BGRIM, DELTA, GULF, GPSC and HANA and 3) China plays: SCGP, IVL, SNNP, CPF, NER, STA, PSL and RCL

## Positive Factors

- The PBOC also introduced two new tools to boost the capital market. The first - a swap programme sized at an initial 500 billion yuan - allows funds, insurers and brokers easier access to funding in order to buy stocks; and the second provides up to 300 billion yuan in cheap PBOC loans to commercial banks to help them fund other entities' share purchases and buybacks.
- The Governor of the Bank of Japan stated that the BOJ is not in a hurry to raise interest rates anytime soon, noting that the BOJ still has plenty of time to monitor the market situation and the global economy before making a decision.
- The Office of Agricultural Economics reported that the direction of price and the volume of brown rice exports sold by farmers increased by more than 4.09% year-on-year and 21.96% year-on-year, respectively.
- The Ministry of Tourism and Sports revealed that from January 1 to September 22, 2024, Thailand had welcomed a total of 25.41 million international tourists, generating approximately 1.188 trillion baht in revenue from their spending.

## Negative Factors

- The Federation of Thai Industries reported that automotive production in August 2024 was 119,680 units, a decrease of 20.56%. Car sales amounted to 45,190 units, down by 24.98%, attributed to banks being more stringent in approving loans due to household debt and the rise in non-performing loans (NPL) in auto loans.
- The Ifo Institute published a survey report indicating that Germany's business confidence index stood at 85.4 in September, down from 86.6 in August. Additionally, the current business situation index decreased to 84.4 in September, lower than the 86.0 that analysts had predicted in a Reuters poll, reflecting a negative outlook for the eurozone's largest economy.
- Reuters reports that the U.S. government is considering regulations to curb the sale and import of hardware and software for connected vehicles produced in China and Russia, which could impact the production lines of major automotive companies like GM and Ford.

## PICKS OF THE DAY

	Target
	44.00 / 45.00
	Support
	41.00

- China's stimulus measures
- Links with Chinese economy

	Target
	33.00 / 34.00
	Support
	30.00

- China's stimulus boosts demand
- Continued recovery in sight

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