

26 September 2024

US PCE data to be watched closely

Market Outlook

>> 1450 - 1465 <<

The Thai stock market is expected to cool off in today's trading session, pressured by a short-term influence from external factors that could limit the upside. A key negative factor pertains to the Asian Development Bank's (ADB) decision to lower the Thai economic outlook for 2024 to 2.3% from the Apr estimate of 2.6%, citing lower-than-expected government spending, private investment and export growth, with tourism and private consumption remaining the only major supportive factors. The ADB also reduced the 2025 economic forecast for Thailand from 3% to 2.7% due to a continued decline in private consumption, weighed down by financial constraints and subdued consumer confidence. Additionally, it indicated that the Thai government's policies are expected to stimulate the economy only in the short term. This unfavorable outlook is likely to spook the market, which could result in reduced exposure to the Thai stocks and limit the SET's upside. Moreover, foreign investors yesterday turned net sellers of Thai stocks for the first time in six trading days, while capital inflows from foreign investors into the bond market have started to shift towards purchasing short-term bonds with maturities of no more than one year. This reflects their concerns about the health of the Thai economy. On a positive note, the cash handout for vulnerable and disabled people, now in its second day, is expected to boost liquidity and purchasing power in the economy. However, this factor has largely been priced in by stock investors, so it is unlikely to provide significant upward momentum for the bourse. Another positive sentiment comes from US new home sales, which reached 716,000 in Aug, exceeding the forecast of 699,000, reflecting stronger purchasing power in the real estate sector. Despite this, the market is likely to give more weight to US PCE data to be released on Fri, so the new home sale data is unlikely to have a significant impact on today's market. Tonight, the US 2Q24 GDP data and remarks from the Fed chairman will be under close watch for signals regarding interest rate direction in the central bank's Nov meeting.

Trading ideas: 1) Government policies: BE8, CENTEL, MINT, SPALI, AP, SIRI, SC, BJC and CPALL, 2) global interest rate-cutting cycle and stronger baht: AAV, BGRIM, GULF, GPSC, HANA and CRC, 3) China plays: SCGP, NER, STA, PSL and RCL and 4) export growth: AAI, ITC and TU

Positive Factors

- The ECB has indicated that there is a likelihood the European Central Bank will continue to reduce interest rates until at least mid-next year, bringing them down to a range of 2% - 3%. The ECB committee stated that the natural rate for the Eurozone would be around 2%.
- Trade Policy and Strategy Office (TPSO) revealed Thailand's international trade situation for August 2024. Exports amounted to USD 26.182 billion, representing a 7% y-y increase, bringing the total exports for the first eight months of this year to USD 197.192 billion.
- The Bank of Thailand (BoT) has expressed that it will closely monitor the fluctuations in the baht and is prepared to intervene should the currency experience abnormal volatility in order to mitigate its impact on real economic activity.
- The Governor of the Industrial Estate Authority of Thailand (IEAT) is moving forward with the "Now Thailand - The Golden Era" event in Shenzhen to encourage Chinese investors to invest in Thailand.
- The Energy Policy and Planning Office (EPPO) has ordered the LPG price to be capped at no more than 423 baht per 15-kg cylinder for another three months, ending on 31 December 2024.

Negative Factors

- GISTDA monitors the flood situation using satellite imagery from Sentinel-1, dated 25th September 2024, and has detected flooding in certain areas of three northeastern provinces: Nakhon Phanom, Sakon Nakhon, and Bueng Kan, covering approximately 200,000 rai. The affected areas mainly consist of rice fields, residential communities, and transportation routes.
- OPEC has revised up its global oil demand forecast for the medium and long term, supported by economic growth in India, Africa, and the Middle East, as well as delays in the transition to electric vehicles (EVs).
- China urged the United States on Wednesday to stop "unreasonable suppression" of its companies, in response to U.S. proposals to ban Chinese software and hardware in vehicles on its roads due to national security concerns.

PICKS OF THE DAY

	Target
	26.00 / 27.00
	Support
BGRIM	23.80

- Interest rate-cutting cycle and stronger baht
- Potential for elevated production capacity

	Target
	2.00 / 2.06
	Support
SIRI	1.90

- Fresh stimulus for real estate sector in pipeline
- Strong presales and transfers anticipated in 3Q24

Strategy team

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Ref.No.: CO2567_0185