

27 September 2024

Rising hopes for global and domestic economic growth

1,450–1,465

Market Outlook

The Thai stock market appears poised for fluctuations with an upward bias in today's trading session, driven by strong US economic data, hopes for economic recovery in China and domestic stimulus measures. However, the upside could be limited by falling oil prices. Concerns over a possible US recession have eased after data showed the country's GDP grew strongly at a 3% annualized rate in 2Q24, unchanged from the second estimate and stronger than the 1Q24 growth of 1.6%. In addition, initial claims for state unemployment benefits in the US dropped by 4,000 to 218,000 last week, marking the lowest level in four months and falling below the estimated 224,000. Moreover, optimism about the Chinese economic recovery is likely to boost sentiment, following the Chinese Politburo's commitment to achieving its annual economic growth targets and efforts to support the real estate sector. On the domestic front, the SET Index could receive a boost from economic measures introduced by the new government. The advisory panel appointed by the prime minister indicated that three measures will be implemented to move the economy forward, including assistance for flood-affected people, debt-tackling solutions and efforts to support the private sector and SMEs to expand overseas. Additionally, the Finance Ministry pointed out that real estate assistance measures are being studied, including the land usage rights for foreigners in Thailand. Despite these positive factors, the upside for the SET Index could be limited by energy stocks, aligning with a decline in WTI crude oil prices, which fell by 2.9% to US\$67.67 per barrel. The Financial Times reported that Saudi Arabia is ready to abandon its unofficial price target of \$100 per barrel, citing sources. Saudi Arabia could increase production as planned in Dec, even if it leads to a prolonged period of lower prices, it added. Tonight, the US PCE data for Aug will be under close watch, which could signal the Fed's monetary policy direction. Headline PCE is expected to grow by 2.3% y-y and 0.1% m-m in Aug, compared to the previous month's growth of 2.5% y-y and 0.2% m-m. Core PCE in Aug is projected to rise 2.7% y-y and 0.2% m-m, versus the previous month's growth of 2.6% y-y and 0.2% m-m.

Trading ideas: 1) State budget and policies: CK, CPALL, KTB, STEC and WHA, 2) global interest rate-cutting cycle and stronger baht: BGRIM, DELTA, GULF, GPSC, KTC and SAWAD, 3) Vayupak Fund-driven stocks: ADVANC, INTUCH, SABINA, SC and SIRI and 4) anti-commodity plays: SCGP, TASC0 and TOA

Positive Factors

- The Energy Regulatory Commission (ERC) is currently considering issuing an announcement to purchase electricity from renewable energy sources under the Feed-in Tariff (FIT) scheme for 2022–2030. This applies to the fuel-free group, with the announcement expected by September. The total electricity procurement will not exceed 2,180 megawatts.
- The Expressway Authority of Thailand (EXAT) has set a target for 2025 to open the bidding for the PPP (Public-Private Partnership) investment in the construction of the 'Srinakarin - Suvarnabhumi Airport Expressway', valued at 20 billion baht. It is anticipated that the traffic volume in the year of service opening (2030) will be approximately 68,000 vehicles per day, increasing to 90,000 vehicles per day by the 30th year.
- Shanghai unveils 500-million-yuan voucher plan to boost consumption after stimulus package. E-coupons will offer discounts on a wide range of purchases, from hotels and movies to restaurants and sporting events, in a bid to entice people to get out and spend more money.
- The ECB data indicates that bank lending to companies expanded by 0.8% in August 2024, following a 0.6% increase in July 2024. Meanwhile, lending to households grew by 0.6%, after a 0.5% expansion in the previous month.

Negative Factors

- Thailand runs a "very alarming" risk of credit rating downgrades if the government doesn't rein in its massive pile of debt to prop up economy, according to the country's biggest opposition group.
- The Office of Industrial Economics (OIE) reported that the Manufacturing Production Index (MPI) for August 2024 stood at 95.08, contracting by 1.91% y-y. This resulted in an average contraction of 1.55% over the first eight months, driven by pressure from household debt issues, the growing trend of cheap imports, rising production costs, and persistently high energy prices. The OIE has revised down its 2024 forecast, with the MPI expected to range from -1.0% to 0.0% (down from the previous forecast of 0-1%) and industrial GDP growth ranging from -0.5% to 0.5% (down from the previous forecast of 0.5-1.5%).
- The Deputy Minister of Finance stated that the Ministry of Finance is currently in the final stages of considering a carbon tax. It is expected that a proposal will be submitted to the CabiSnet for approval soon, with the aim of having it come into effect by 2024.
- The Department of Agricultural Extension has issued a warning to rice farmers, as there has been continuous rainfall in many rice-growing areas. Coupled with high humidity at night and hot weather during the day, these conditions are conducive to the outbreak of rice blast disease. Farmers are advised to regularly inspect their fields.

PICKS OF THE DAY

	Target
	21.50 / 22.00
	Support
KTB	20.00

- Beneficiary of government projects:
- Low proportion of fixed deposits, benefiting from interest rate cuts

Strategy team

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	Target
	5.70 / 5.80
	Support
WHA	5.30

- Anticipated 3Q24 presale improvement
- FY24 profit expected to hit all-time high

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