

2 October 2024

Worries over escalating Middle East conflicts

Market Outlook

>> 1450 - 1470 <<

The SET Index is poised to open lower and remain in negative territory in today's trading session amid escalating conflicts in the Middle East and concerns about the US economy. However, the downside is likely to be cushioned by rising oil prices, domestic state projects and the Vayupak Fund 1 (VAYU1). Pressure is mounting over the spread of military conflicts in the Middle East after Iran's elite Revolutionary Guards Corps (IRGC) said on Tue they launched missile attacks against Israel in response to the Israeli killings of people in Gaza as well as leaders of Hamas and Hezbollah. The IRGC also warned that if Israel retaliates, Tehran's response would be more crushing and destructive. This tension could lead to reduced investor positions in risky assets while prompting them to switch to safe assets, as evidenced by a surge in gold prices, with COMEX gold rising 1.16% to US\$2,690.30 per ounce. Additional downward pressure stems from rising concerns over the US economy after Sep's manufacturing PMI data suggested a contraction in the manufacturing sector. The S&P Global US Manufacturing PMI stood at 47.3, exceeding an estimate of 47 but declining from 47.9 in Aug. This reading marked the third consecutive month below 50, indicating contraction. Meanwhile, the ISM Manufacturing PMI came in at 47.2, on par with the Aug level but below the estimated 47.6. The level was below 50 for the sixth consecutive month. On a positive note, energy stocks could be driven by rising oil prices, with WTI crude surging 2.4% to settle at \$69.83 a barrel on Tue amid the escalating Middle East conflicts. Stocks linked with tourism and related industries could benefit from the ongoing Chinese Golden Week holiday, as well as the deputy finance minister's indication that the entertainment complex bill will be initially deliberated by the ministry today. A committee could be set up to examine the bill before forwarding it to the cabinet for further consideration. Furthermore, the SET Index could continue to be supported by VAYU1's investments, aligning with institutional investors' net purchases of Bt3.46bn in Thai stocks yesterday. Institutional investors bought Bt8.82bn worth of Thai stocks yesterday, marking the highest level in 17 trading days.

Trading ideas: 1) Tourism plays and related industries: AAV, AOT, BA, BDMS, BH, CENTEL, CPN, CRC and MINT, 2) Vayupak Fund-driven stocks: ADVANC, AP, FTREIT, GULF, INTUCH, LHHOTEL and SABINA, 3) energy stocks: BCP, SPRC and TOP and 4) data center-related stocks: BBIK, BE8, ITEL, TRUE and WHA

Positive Factors

- The Deputy Minister of Finance stated that the Cabinet meeting has approved the adjustment of the low-interest soft loan criteria under the GSB Boost Up programme by the Government Savings Bank, with a credit line of 50 billion baht out of a total 100 billion baht. This is aimed at enabling small SMEs and self-employed individuals affected by floods to access low-interest loans and use them to restore their businesses and livelihoods.
- The Deputy Minister of Finance revealed that the Ministry of Interior will propose a new approach for distributing flood relief payments. Previously, assistance was based on the number of days the floodwaters remained. Under the new scheme, a uniform payment of 9,000 baht per household will be proposed.
- The Ministry of Commerce revealed that border and cross-border trade in August 2024 had a total value of 155 billion baht, an increase of 16.2%, marking the fifth consecutive month of growth. Exports amounted to 88.1 billion baht, up by 18.4%, while imports totaled 66.9 billion baht, a rise of 13.4%.
- The Deputy Prime Minister and Minister of Finance mentioned the progress regarding upcoming discussions with the Governor of the Bank of Thailand, stating that the monetary policy they are set to discuss is expected to reach a conclusion this month.

Negative Factors

- The Department of Disaster Prevention and Mitigation (DDPM) reported that between 16 August and 1 October 2024, flooding occurred in 37 provinces, affecting a total of 220 districts, 942 sub-districts, and 5,004 villages. A total of 181,870 households were impacted, with 49 fatalities and 28 injuries reported.
- Chinese President Xi Jinping on Monday (September 30) said Taiwan is a "sacred territory" of China, and that "separatist activities" for Taiwan independence must be "resolutely opposed".
- Global passenger jet fuel demand across the last three months of this year is forecast to average 6.66 million barrels per day, a 5.5% reduction from previous quarter, according to BloombergNEF.
- The VIX surged more than 15%, closing at 19.26 points after climbing above 20 points during the day, reflecting investor concerns over the situation in the Middle East.

PICKS OF THE DAY

	Target
	44.00 / 45.00
	Support
BUY	40.00

- Data centers give boost
- Strong backlog in 2H24

	Target
	70.00 / 72.00
	Support
BUY	64.00 / 65.00

- Foreign tourist arrivals up 20% y-y in Aug
- Launch of Dusit Thani Bangkok Hotel

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