

3 October 2024

Middle East conflicts and
Vayupak Fund's boost in focus

Market Outlook

>> 1445 - 1460 <<

The SET Index is expected to move sideways in today's trading session as the stock market could face selling pressure from intensifying Middle East conflicts early on, before gradually improving during the day. Concerns over the Israel-Iran conflict still dominate the market, with the Guardian reporting that Israel may target oil production facilities or nuclear power plants for retaliation. This could lead investors to sell stocks to mitigate risks, with foreign investors' net sales of Thai stocks reaching Bt5.3bn yesterday, marking the sixth consecutive day of net sales. Accordingly, big-cap stocks typically targeted by foreign investors could be under pressure. Another negative factor is a warning from Saudi Arabia's energy minister, who said oil prices could drop to US\$50 per barrel if OPEC+ members do not stick to agreed-upon production limits. Iraq and Kazakhstan have been closely watched as Iraq exceeded quotas by 400,000 barrels a day in Aug, while Kazakhstan plans to increase production at the Tengiz oil Field, making it likely that its production will surpass the quotas. This limits an upside for WTI crude, which stood at US\$70.50 a barrel this morning. Meanwhile, OPEC+ remains committed to a planned oil production increase in December. On a positive note, the stock market continues to receive a boost from institutional investors, who were net buyers of Bt4.6bn in stocks yesterday, marking the third consecutive day of net purchases, propelling mid- and large-cap stocks. Another positive factor pertains to the non-farm payroll data from the private sector, which added 143,000 jobs in Sep, exceeding the estimated 124,000 and reaching the highest level in three months. This supports the Fed's employment and interest rate targets. Finally, it is important to closely watch Prime Minister Paetongtarn Shinawatra's remarks at the 3rd Asia Cooperation Dialogue (ACD) Summit in Doha, Qatar, from Oct 2-3, particularly her government's long-term policy, as it could support stocks in domestic plays. Tonight, US PMI data is on tap, with a recovery in PMI likely to provide a boost to the market.

Trading ideas: 1) government measures: AOT, BDMS, CPN, CRC, MINT, CK, STEC and PYLON, 2) Vayupak Fund-driven stocks: ADVANC, AP, FTREIT, GULF, INTUCH, LHHOTEL, BGRIM, SCC and CPF, 3) data center-related stocks: BBIK, BE8, INSET, TRUE and WHA and 4) selective plays: SISB and ITC

Positive Factors

- The Board of Investment (BOI) reveals that there are currently 46 projects related to Data Centers and Cloud Services requesting investment promotion from the BOI, with a total investment value of 167,989 million baht. Most of these projects are located in Bangkok, Samut Prakan, Chonburi, and Rayong.
- The board of the State Railway of Thailand (SRT) has approved the measure for a 20-baht fare for the Red Line electric train for another year and is preparing to submit this to the Cabinet before it expires on November 30. Meanwhile, the Mass Rapid Transit Authority of Thailand (MRTA) is waiting to set up a new board before finalizing measures for the Purple Line.
- The Director-General of the Department of Energy Business revealed that the overall fuel oil consumption over the past eight months is 156.37 million liters per day (+1%y-y), driven by economic growth, particularly in the tourism and service sectors.
- The Fuel Fund Office has stated that the tense situation in the Middle East will not affect retail oil prices, as the marketing margin is at a high level, and the strengthening baht helps keep the price of imported oil relatively low.

Negative Factors

- The Permanent Secretary of the Ministry of Labor announced that the increase of the minimum wage to 400 baht may need to be postponed indefinitely as it is necessary to wait for all relevant parties to be ready and to wait for the appointment of a new Director-General of the Department of Labor Protection and Welfare, following the retirement of the previous one not long ago.
- The U.S. Department of Commerce is preparing to impose tariffs on solar panels imported from ASEAN countries, including Thailand, to curb market dumping. The tariffs will take effect retroactively for 90 days from the date of the announcement, as it was found that companies had increased their export volumes in the period leading up to the announcement.
- The strike by the International Longshoremen's Association (ILA) union has blocked everything from food to automobile shipments across dozens of ports from Maine to Texas and may cost the economy billions of dollars a day.
- Toyota Motor will postpone the start of electric-vehicle production in North America to the first half of 2026 due to design adjustment and slowing EV sales.

PICKS OF THE DAY

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|  | Target |
| | 25.00 / 25.50 |
| | Support |
| BGRIM | 23.00 |

- Lower interest rates and stronger baht provide boost
- Clean energy-powered data centers

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|  | Target |
| | 37.00 / 38.00 |
| | Support |
| SISB | 33.50 / 34.00 |

- New academic term
- English skill development program

Strategy team

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