

4 October 2024

Growing concerns over wider war

Market Outlook

>> 1430 - 1450 <<

The Thai stock market looks poised to decline further in today's trading session as buying pressure by institutional investors is marred by net selling from foreign investors. Accordingly, the SET Index is likely to retreat due to selling pressure on big-cap stocks. Negative factors are led by growing concerns over wider military conflicts in the Middle East, which have an adverse impact on risky assets. Yesterday, Israel stepped up airstrikes in Lebanon's capital, Beirut, while standing ready to respond to Iran's missile attack on Tue. Concerns over the wider war in the region are reflected in the VIX index, used as a barometer for market uncertainty, which has risen by 21% in the past three days. Yesterday, foreign investors continued to be the net sellers of Thai stocks for the seventh consecutive day, with net sales amounting to Bt2.7bn. Meanwhile, oil prices rose to US\$74 a barrel this morning, which may support upstream energy stocks. Another negative sentiment comes from the prospect of no interest rate cuts in the near future, following a meeting between the finance minister and the governor of the central bank. Bank of Thailand Governor Sethaput Suthiwartnarueput stressed that credit access and debt restructuring are more important challenges, suggesting the solutions to these problems could be more effective in tackling debt problems than a minor interest rate reduction. He also noted that the stronger baht is unlikely to hurt the country's exports and could even support export growth in 4Q24 and tourism. He added that the inflation target range will be discussed this month. As a result, we anticipate that stocks in the commerce, finance and real estate sectors could remain under pressure from high interest rates, while the banking stocks may receive a boost from the retained policy rate. On a positive note, institutional investors were the net buyers of Bt2.74bn worth of Thai stocks yesterday, amid anticipated buying pressure from the Vayupak Fund, potentially cushioning the market's downside. Secondly, China's ongoing Gold Week holiday could continue boosting tourism-related stocks. Looking ahead to next week, attention will shift to Thailand's inflation data for Sep, the minutes from the latest FOMC meeting and the US CPI/PPI data for Sep.

Trading ideas: 1) Tourism plays: AOT, CPN, CRC, MINT, AWC, CENTEL and ERW, 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) defensive plays: TTW and BEM

Positive Factors

- The Deputy Minister of Finance revealed that the government is striving to drive Thailand's economic growth above 3% next year. Additionally, fiscal stimulus measures, including tax incentives and spending boosts, are already in the pipeline for the end of this year.
- The Visa Country Manager disclosed that Thailand is a regional leader in payment systems. Furthermore, he pointed out that Thailand is poised to become a cashless society between 2023 and 2028, which will significantly reduce transaction costs within the economy.
- The Thailand Convention and Exhibition Bureau (TCEB) is organizing the Mini EEC Fair 2024 to position Thailand as a hub for five target industries: medical, digital, automotive, bio-economy, and services. The aim is to attract foreign investment.
- The U.S. Department of Commerce plans to allocate \$100 million to promote the use of artificial intelligence (AI) in developing sustainable new semiconductor materials. This move is expected to positively impact technology stocks worldwide that are part of the same supply chain.
- The price of WTI crude oil has risen to test the level of \$74 per barrel amid concerns about the Middle East conflict, boosting upstream energy stocks.

Negative Factors

- China's meteoric rise as the world's powerhouse of electric vehicle production makes Western efforts to curb their exports a tough sell -- and means they could even stifle the fight against climate change, analysts warn.
- Bloomberg reported that the price of Thai white rice has plummeted by more than 11% to \$509 per ton, reaching its lowest level in over 15 months. This decline follows India's relaxation of export restrictions on non-basmati white rice to alleviate domestic oversupply.
- The U.S. Department of Homeland Security has announced a ban on imports from Chinese steel and sweetener companies, alleging that these companies are using forced labor in the Xinjiang Uyghur Autonomous Region. This action is based on accusations of China's human rights abuses against Uyghur Muslims and other minority groups.
- Reuters reported that the Services PMI of Euro area for September came in at 49.6, a significant decline from 55.0 in August, indicating a negative trend in the services sector.

PICKS OF THE DAY

 	Target
	25.50 / 26.00
	Support
CPF	24.00

- Decline in animal feed costs, as expected
- Favorable trend for meat prices

 	Target
	9.70 / 10.00
	Support
TTW	9.00 / 9.20

- Water sales volume up in 3Q, increased share of profit
- Low volatility in the water business allows for consistent dividend payments

Strategy team

Teerada Charnyingyong - Securities Investment Analyst and Technical Analyst #9501
Chutikan Santimetvirul, CISA - Capital Market Investment Analyst and Technical Analyst #37928
Pasut Ngowiwatchai, CISA - Capital Market Investment Analyst #127632
Patharadanai Jaturaporn - Capital Market Investment Analyst #094041

Thanapong Saelo - Assistant Analyst

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