

8 October 2024

War concerns fuel inflation risks

Market Outlook

>> 1440 - 1465 <<

The SET Index is expected to fluctuate within a range amid growing concerns about the Middle East conflicts and ongoing fund outflows. Despite this, the downside could be limited due to hopes for favorable effects from stimulus measures in Thailand and China. Investors now might delay their investments or reduce their positions in risky assets amid rising concerns about the widening war in the Middle East, particularly the possibility of Israel attacking oil facilities in Iran. This aligns with a jump in the CBOE Volatility Index (VIX) – Wall Street’s fear gauge – which reached 22.65, marking the highest level since Aug 8, 2024. This sparks concerns about rising supply-side inflation, which could prompt central banks around the world to delay interest rate cuts. This coincides with an increase in the US 10-year bond yield, reaching the highest level in about two months, exerting pressure on investment in risky assets. Additionally, the Thai stock market continued to face fund outflows yesterday, with foreign investors being net sellers of Thai stocks for the ninth consecutive trading day. The Thai baht has also weakened against the dollar, depreciating by 3.4% MTD. Nevertheless, the downside could be constrained as energy stocks are likely to gain support from a 3.7% jump in WTI crude oil to US\$77.14 per barrel on Mon, driven by escalating concerns about the Middle East conflicts. Moreover, the SET Index is likely to benefit from domestic stimulus measures after the prime minister revealed that a significant number of measures are planned, and will be gradually rolled out. Today, the focus will be on the cabinet meeting, where the interior ministry is set to propose a revision of compensation for flood victims to a flat rate of Bt9,000 per household. It is also important to monitor the press briefing by China’s National Reform and Development Commission regarding policies aimed at stimulating the economy.

Trading ideas: 1) Vayupak Fund-driven stocks: ADVANC, BBL, BDMS, GULF, INTUCH, SC, SIRI and TISCO, 2) construction materials-linked stocks: DCC, GLOBAL and HMPRO, 3) Chinese stimulus measures: HANA, PRM, SNNP and TKN, 4) energy stocks: BCP, SPRC and TOP and 5) export-linked stocks: CPF, ITC and TFG

Positive Factors

- FETCO reveals that the FETCO Investor Confidence Index from the September 2024 survey indicates that the index for the next three months is at a very high level of 175.64, marking the highest point since the survey began.
- The Prime Minister launches the "Amazing Thailand Grand Tourism Year 2025" campaign, joining forces with six global travel company executives to promote tourism in Thailand. A Tourism Taskforce network is being established to drive revenue of 3.4 trillion baht, with a target of 40 million international tourists.
- The Ministry of Energy has revealed that it is closely monitoring the situation regarding the war in the Middle East, which could potentially affect oil production and exports. At present, there is certainly an adequate supply of fuel for domestic use, with current oil reserves and stockpiles sufficient for 62 days.
- The probability for a US recession over the next year is back at the long-term average of 15% after a blowout payrolls report for September reduced the chances for such a downturn, Goldman Sachs Group Inc. economists said.

Negative Factors

- The Office of the National Water Resources has issued a warning for high tides between 13th and 24th October 2024. The high tide, combined with water masses flowing from the upper part of the basin, is expected to cause a rise in river levels. This increases the risk of flooding in low-lying areas along the Chao Phraya, Tha Chin, and Mae Klong Rivers, particularly in communities outside flood barriers and temporary dikes in areas without permanent flood protection (gaps in flood defenses).
- The Minister of Tourism pointed out that the "We Travel Together" project cannot be implemented in 2024 due to a lack of budget, but efforts are still being made to achieve the target of 36.7 million international tourists visiting Thailand.
- The Thai Rice Exporters Association has revealed the outlook for Thai rice prices extending through to 2025, predicting a downward trend. It is expected that rice exports next year will be around 6.5 million tones, a decline from this year due to several negative factors, such as India lifting its ban on white rice exports and the instability of the Thai baht.
- Germany reported a 5.8% m-m decline in factory orders in August 2024, reversing two consecutive months of growth. This marks the steepest contraction since January 2024, reflecting concerns over a potential recession in the German economy.

PICKS OF THE DAY



Target	17.50 / 18.00
Support	16.00
BUY	

GLOBAL

- Flood relief assistance to provide support
- Anticipated growth in 4Q24, and expansion plans for next year



Target	43.00 / 44.00
Support	40.00
BUY	

HANA

- Another set of stimulus measures in pipeline
- Income linked with Chinese economy

Strategy team

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