

10 October 2024

Further gains with supportive factors

## Market Outlook

>> 1450 - 1470 <<

The SET Index appears poised to extend its gains in today's trading session, driven by positive external factors and the Vayupak Fund's investment. First, the minutes of the US's Federal Open Market Committee meeting held on Sep 17-18 show that a majority of central bankers supported two rate cuts of 25 bps each, targeting a range of 4.25%-4.50%. Some Fed officials agreed to only a 25-bps cut. Basically, they all agreed to cut rates further. According to the CME's FedWatch tool, the market is pricing in more than a 70% chance that the Fed will lower its interest rate by 25 bps at its upcoming meeting on Nov 7, which is likely to provide a boost to technology stocks and growth stocks. Second, the bourse continues to experience buying pressure from the Vayupak Fund, with institutional investors becoming the net buyers of Bt1.6bn of Thai stocks yesterday — marking the eighth consecutive day of their net purchases. Their net purchases amounted to Bt20.5bn MTD, providing a boost for mid- and large-cap stocks. On a negative note, oil prices show signs of further decline after crude oil inventories in the US rose by 5.81mn barrels in the week ended Oct 4, marking the highest increase in 23 weeks. This comes amid ceasefire negotiations between Israel and Lebanon's Hezbollah, with favorable results likely to limit the upside of crude oil prices. Moreover, close monitoring is needed for Hurricane Milton in the Gulf of Mexico, which risks disrupting the oil supply. Tonight, focus will be on the release of the US CPI and Core CPI for Sep. CPI growth is expected to soften y-y and m-m, while Core CPI growth is forecast to hold steady at 3.2% y-y but soften m-m. These figures are likely to support the Fed's interest rate cuts. On Friday, attention will shift to PPI and Core PPI for Sep, which are expected to show slower growth, potentially supporting further rate cuts and brining the US economy into the 'soft landing' mode.

**Trading ideas:** 1) 3QFY24 earnings outlooks: BEM, CK, DELTA, HANA, KBANK, KKP, KTB, SCB, SIRI and WHA, 2) Vayupak Fund-driven stocks: ADVANC, BBL and BDMS, 3) tourism and related industries: AOT, BA, CPALL, CRC, MINT, NSL and AWC and 4) selective plays: WHAUP, COM7, CKP, BGRIM and GPSC

## Positive Factors

- The Board of Investment (BOI) has granted approval to Continental Tires, the world's fourth-largest tire manufacturer, to expand its investment in Rayong Province amounting to over 13 billion baht. This expansion will include the construction of a new factory building and extensions to the existing plant within this year.
- The Tourism Industry Council of Thailand aims to attract 38 to 40 million foreign tourists by the year 2025, projecting revenues exceeding 2.9 to 3.1 trillion baht for the nation.
- The Minister of Transport anticipates that the Prime Minister will convene a meeting to discuss plans for utilizing the area around the Bangkok Port (Klongtoey) by October 2024. This area, spanning over 2,300 rai, may be developed into a Smart Port, with portions allocated for a mixed-use project that has garnered interest from companies under the Central Group.
- The Minister of Commerce revealed that following a bilateral meeting with Laos, a request was made to reopen the closed border checkpoints and facilitate the export of Thai goods through to China and Vietnam. This initiative is expected to generate a total trade value of over 360 billion baht between the two countries by the year 2025.

## Negative Factors

- Japanese manufacturers have expressed increased confidence regarding the business climate in October; however, they remain apprehensive about the pace of economic recovery in China.
- The Office of Industrial Economics (OIE) reports that the index for road freight transport services increased by 2.4% in the third quarter of 2024, marking a consecutive rise over two quarters. This uptick is aligned with the trend of rising diesel prices, as well as elevated wages, high interest rates, and the expansion of exports and industrial production, all of which may lead to an increase in the prices of agricultural commodities and food in the near term.
- The President of the Federation of Thai Industries (FTI) has indicated that the overall situation concerning cheap imported goods flooding the Thai market has yet to improve significantly. This stagnation persists as regulatory measures and monitoring efforts by governmental agencies remain in the nascent stages, resulting in the latest Manufacturing Production Index (MPI) still languishing below the 60% threshold, reflecting a continued underutilization of production capacity.

## PICKS OF THE DAY

	Target	67.75 / 70.00
	Support	64.00
	<b>BUY</b>	

- Strong outlook for CVS business
- Anticipated weaker sales in 3Q, but recovery expected in 4Q

	Target	5.15 / 5.30
	Support	4.86
	<b>BUY</b>	

- Demand for utilities expected to rise
- Attractive valuation

### Strategy team

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