

11 October 2024

Unfavorable CPI, with PPI under close watch

1,460–1,472

## Market Outlook

The SET Index looks poised to return to a fluctuating mode amid negative external factors that could limit its upside. First, the US CPI and Core CPI data for Sep is likely to raise concerns in the market. The CPI climbed 2.4% y-y, exceeding the estimated growth of 2.3% y-y but declining from the previous month's level, while the Core CPI edged up 0.3% m-m, in line with Aug's level. These figures reflect a slow decline in inflation, raising the likelihood that the Fed will not be in a hurry to cut interest rates. In our view, the Fed may opt for only a 25-bps rate reduction at its Nov meeting to bring inflation down to its target, which may disappoint investors. Selling pressure in the US market is also likely to weigh on sentiment in the Thai bourse. Nevertheless, markets are pricing in over an 80% chance of a 25-bps rate cut at the Nov meeting. Tonight, it is important to closely monitor the US PPI data to determine future interest rate directions. Second, foreign investors continue to offload Thai stocks, with net sales yesterday amounting to over Bt1.6bn. YTD, foreign investors have been the only net sellers of Thai stocks, amounting to Bt111bn in net selling, exerting downward pressure on large-cap stocks. On a positive note, the bourse could be supported by buying pressure from institutional investors, particularly through the Vayupak Fund. Yesterday, institutional investors were net buyers of Bt3,579mn of Thai stocks, making them the only investor type with net buying activity. Next week, attention will shift to the ECB meeting and US retail sales for Sep, as well as 3Q24 GDP and Sep retail sales from China. Midweek, the Bank of Thailand's Monetary Policy Committee (MPC) is expected to keep its policy rate on hold at 2.5% in its meeting, though the voting must be closely watched as it could offer clues on future rate-cut direction.

**Trading ideas:** 1) 3QFY24 earnings results: 3Q67: BEM, CK, DELTA, HANA, KBANK, KKP, KTB, SCB and SIRI, 2) Vayupak Fund-driven stocks: ADVANC, BBL, BDMS, BGRIM, GPSC and WHA, 3) tourism and related industries: AOT, ERW, CPALL, CRC, MINT and NSL and 4) selective plays: WHAUP, COM7 and CKP

## Positive Factors

- The Deputy Minister of Transport revealed that the flooding situation in Chiang Mai province has eased. Meanwhile, the Aeronautical Radio of Thailand Company Limited reported an expected increase in overall flights to and from Chiang Mai by approximately 10% compared to last year.
- The Phuket Provincial Administrative Organization stated that Phuket aims for revenue of approximately 500 billion baht in the second half of 2024, up from the previous target of 420 billion baht. This is driven by its potential as a hub for tourism, transportation, and aviation.
- Thailand's government will restart negotiations with Cambodia to explore an offshore oil and gas field with at least \$300 billion worth of reserves that the two countries have been squabbling over since the 1970s, according to Bloomberg.
- The Department of Highways reveals plans to proceed with 14 highway/road development projects nationwide, with a budget of over 10 billion baht, expected to begin construction in early 2025.

## Negative Factors

- The University of the Thai Chamber of Commerce (UTCC) revealed that the Consumer Confidence Index for September 2024 stood at 55.3, marking a continuous decline for the seventh consecutive month and the lowest level in 14 months. This drop is attributed to consumers' concerns that the overall economic recovery remains slow, alongside high living costs, worries about flooding, and the appreciation of the baht.
- The University of the Thai Chamber of Commerce (UTCC) revealed that the Thai Chamber of Commerce Confidence Index (TCC-CI) for September 2024 stood at 49.4, down from 50.5 in August 2024. This marked the fifth consecutive month of decline, with the index falling below the 50-point threshold. The drop is attributed to the business sector's lack of confidence in the current situation, alongside growing concerns over the current economic conditions.
- TTB Analytics foresees increasing challenges for Thailand's export sector in the global market in the near future. These challenges arise from both the growing competition in key export products and the tightening of global trade regulations. This is especially true for industries that heavily rely on exports to and imports from China.
- The Tourism Council of Thailand reported that the Tourism Business Confidence Index for Q3 2567 stood at 68%, marking a significant decline from the previous quarter and lower than the same period last year.

## PICKS OF THE DAY

	<b>Target</b>
	<b>24.70 / 25.50</b>
	<b>Support</b>
<b>BGRIM</b>	<b>23.00</b>

- Signed power purchase agreements with EGAT and PEA
- Relocation of manufacturing base supports energy demand

	<b>Target</b>
	<b>4.58 / 4.70</b>
	<b>Support</b>
<b>ERW</b>	<b>4.30</b>

- Upbeat tourism boosts ERW's revenue
- Positive outlook for Hop Inn in Thailand for 4Q

### Strategy team

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Ref.No.: CO2567\_0196