

15 October 2024

Robust mode in US, lingering concerns for China

>> 1465 – 1480 <<

Market Outlook

The Thai stock market is likely to fluctuate with an upward bias in today's trading session, buoyed by positive factors from the US and optimism surrounding Thailand's economic measures. However, the rise could be capped by growing concerns over China's economic situation and falling oil prices. Sentiment in the Thai market could be boosted by rising risk appetite, following a new record high logged by the Dow Jones last night, amid hopes of future Fed rate cuts. There are also positive factors from the US private sector. First, headline PPI in Sep increased by 1.8% y-y and remained unchanged at 0.0% m-m, softening from the previous month's growth of 1.9% y-y and 0.2% m-m, while core PPI in Sep edged up by 0.2% m-m, compared to the previous month's growth of 0.3% m-m. Second, some US banks have reported higher-than-expected earnings results in 3QFY24. JPMorgan posted earnings per share (EPS) of US\$4.37, beating the estimated \$4.01, while Wells Fargo reported an EPS of \$1.52, above the expected \$1.28. Tonight, attention will shift to earnings results from UnitedHealth, J&J, Bank of America, Goldman Sachs and Citigroup. Domestically, there are high hopes for upcoming stimulus measures. The Ministry of Tourism and Sports is set to forward a co-payment tourism promotion scheme targeting the North to the cabinet for acknowledgement today, while the deputy finance minister expects the economic stimulus board to hold a meeting within this month to deliberate on stimulus measures to be rolled out later this year. Despite all good news, the market's upside could be constrained by rising concerns over China's economic recovery. The Chinese government indicated there is still big room for China to issue debt and increase the fiscal deficit, but stopped short of revealing the scale of the planned stimulus measures. China also reported weaker trade figures for Sep, with exports and imports rising by 2.4% y-y and 0.3% y-y, respectively, softening from the previous month's growth of 8.7% y-y and 0.5% y-y. In addition, WTI crude oil fell by 2.3% to settle at \$73.83 a barrel on Mon, potentially weighing on energy stocks. OPEC has cut its forecast for global oil demand growth in 2024 from 2mn barrels per day (mbd) to 1.9 mbd. For 2025, the oil alliance has lowered the growth projection from 1.7 mbd to 1.6 mbd.

Trading ideas: 1) Anticipated upbeat 3QFY24 earnings results: BEM, CK, KBANK, KKP, KTB, SCB, SIRI, SPALI and WHA, 2) tourism and related industries: AAV, AOT, AWC, BA, BH, CPN, ERW and KTC and 3) Vayupak Fund-driven stocks: ADVANC, BBL, FTREIT, GULF and TCAP

Positive Factors

- The Deputy Minister of Finance disclosed after a meeting of the Policy Committee and the drafting of legislation to establish a Financial Hub that a bill is being prepared to promote Bangkok as a financial center. The focus will be on key sectors such as commercial banking, payment systems, securities, derivatives, digital assets, and insurance.
- Damac's United Arab Emirates-headquartered Edgnex Data Centers plans to invest more than 32 billion baht in three to four data center projects. The first, to be located in downtown Bangkok, will go online by March.
- The Tourism Authority of Thailand (TAT) has revealed that Condé Nast Traveler has announced the results of the 2024 Condé Nast Traveler Readers' Choice Awards, placing Thailand 6th in the Top Countries in the World 2024, with a score of 92.09 points.
- The People's Bank of China (PBOC) injected CNY19.5 billion via 7-day reserve repos, with the rate unchanged at 1.50%, aiming to maintain adequate and appropriate liquidity levels within the banking system.

Negative Factors

- The Trade Policy and Strategy Office (TPSO) reported that the Road Freight Transport Index, structured by production activities, rose by 2.4% y-y in Q3/2024. The increase was observed across all product categories, with industrial products seeing a particularly notable rise of 2.7%.
- China is studying further trade measures against Taiwan, China's Ministry of Commerce said, after Beijing denounced a speech by Taiwan President Lai Ching-te.
- Credit ratings agency Fitch revised France's outlook to "negative" from "stable", citing increases in fiscal policy and political risks.
- The Geneva-based WTO projected that global goods trade will increase by 2.7% this year, compared with the 2.6% it forecast in April. But it predicted growth of 3% next year, down from the 3.3% it forecast previously.
- Volkswagen Group reported a 7% decline in third-quarter global deliveries, showing the extent of challenges faced by the European auto sector.

PICKS OF THE DAY



Target
285.00 / 290.00
Support
270.00

BUY

ADVANC

- Upbeat income outlook in 2HFY24
- Tourism-boosted SIM sales expected in 4Q



Target
1.94 / 2.00
Support
1.80

BUY

SIRI

- Strong presales continue
- This year's profit peak anticipated in 4QFY24

Strategy team

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