

17 October 2024

Interest rate cut finally arrives

>> 1475 – 1495 <<

Market Outlook

The Thai stock market looks poised to extend its gains in today's trading session, mainly driven by yesterday's policy rate cut by the Bank of Thailand's Monetary Policy Committee (MPC), while attention today will shift to the ECB meeting. The MPC voted 5-2 to lower its policy rate by 25 bps to 2.25%. Most members agreed that the rate cut may help alleviate the debt burden for borrowers and believed that the reduction would not lead to a significant amount of new debt while household debt is declining. They also indicated that the lower policy rate will not impede debt deleveraging. Two members voted to maintain the policy interest rate at 2.5%, deeming it is consistent with current economic conditions and future risks. The MPC noted that economic variables remain in line with its expectations, so it is unlikely for the committee to adjust its policy rate urgently, raising expectations that the rate will be kept on hold at 2.25% until the end of this year. In the short run, stocks in the finance, commerce, real estate, industrial estate and power plant sectors, as well as REITs could receive a boost from the rate cut. In addition, the bourse is benefiting from buying pressure from foreign investors. They became net buyers of over Bt4.2bn of Thai stocks once again yesterday – the first net buying in the past 15 trading days – while the Thai baht has been depreciating, supporting the fund inflows into the bourse. At the same time, institutional investors yesterday continued to be net buyers of Thai stocks for the 12th consecutive day, providing a boost to mid-and-large cap stocks. Furthermore, the market is likely to receive support from speculative buying in stocks of companies preparing to announce 3QFY24 earnings results, particularly those in the health sector, supported by the high season, and those in the property sector, with unit ownership transfers set to support their earnings in 3Q. Meanwhile, focus will be on the ECB meeting today, with anticipation of a 25 bps interest rate cut. Today also brings the release of US retail sales data for Sep, which is expected to rise 0.3% m-m, accelerating from 0.1% m-m growth in the previous month, reflecting a recovery in domestic purchasing power.

Trading ideas: 1) Interest rate cut by MPC: CPAXT, CPN, CPALL, TRUE, ADVANC, MTC, SAWAD, KTC, SIRI, SC, AP, SPALI, BGRIM, GPSC, GULF and WHAIR, 2) hopes for 3QFY24 earnings results: BDMS, BH, CPF, KBANK, KKP, KTB and WHA and 3) selective plays: INTUCH and ICHI

Positive Factors

- KKP Research has revised its economic growth forecast for 2024 upward from 2.6% to 2.8%, and for 2025 from 2.8% to 3.0%, reflecting short-term recovery trends. The adjustment is driven by two key positive factors: government measures and budget allocations, along with improvements in the export performance of certain sectors.
- The Prime Minister kicks off an economic recovery project, joining hands with big businesses to assist small enterprises. This includes helping to reduce rental costs, overhead expenses, providing sales spaces, and lowering product prices. It is expected to stimulate over 100 billion baht in economic circulation.
- Hong Kong will loosen mortgage rules and cut an alcohol tax in a series of measures seeking to support the flagging real estate sector and boost spending, as China's slowdown weighs on the city's economy.
- The Minister of Commerce expressed a desire to see a reduction in the policy interest rate, advocating for a 0.5% decrease over the remaining two meetings of the Monetary Policy Committee (MPC). He believes that a sustained lowering of interest rates will inject liquidity into the economic system.

Negative Factors

- The Federation of Thai Industries (FTI) reported that the Thai Industries Sentiment Index for September 2024 stood at 87.1, a decline from 87.7 in August. Negative factors included the impact of severe flooding, which caused significant damage to residential properties, agricultural areas, industrial zones, and tourist destinations. These disruptions have weighed heavily on the overall economy, with estimated losses ranging from 30 to 50 billion baht.
- The Chinese government announced that China "will never" rule out the option of using military force to bring Taiwan under its control.
- The president of the Chiang Mai Tourism Industry Association assessed the damage caused to the tourism and service sectors during the flooding situation in both waves at a figure exceeding 2.28 billion baht.
- The Minister of Finance revealed the possibility of introducing a congestion charge, which may start to be collected on roads where the electric train passes and where there are 700,000 vehicles on the road per day, with a fee of 50 baht per vehicle.

PICKS OF THE DAY

	Target
	11.00 / 11.50
	Support
BUY	10.00
AP	

- 25-bps policy rate cut
- Easier access to mortgage loans

	Target
	54.50 / 56.00
	Support
BUY	52.00
MTC	

- Surprise rate cut
- Loan growth expected to accelerate, potentially bolstering earnings

Strategy team

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