

18 October 2024

1,500-point challenge ahead

## Market Outlook

>> 1490 – 1510 <<

The SET Index is likely to upwardly test 1,500 points in today's trading sessions, supported by various positive factors, although concerns about China's economic recovery continue to weigh on the market. On a positive note, first, US chip stocks surged on Thu after TSMC reported a net profit of 325bn New Taiwan dollars, a jump of 54.25% y-y, reflecting increasing demand for chips. This is fueling hopes for robust earnings among its major customers, such as Nvidia, which rose by over 3% on Thu. This could also lift sentiment in the electronics sector of the Thai stock market. Second, US retail sales and core retail sales for Sep expanded by 0.4% m-m and 0.5% m-m, respectively, surpassing the respective estimates of 0.3% m-m and 0.1% m-m, showing a recovery in the country's purchasing power and major economic activities. This could be a boon for Thailand, which exports significantly to the US. Third, the Monetary Policy Committee's (MPC) decision to cut its policy interest rate could provide support for stocks in the finance, commerce, ICT and property sectors by lowering borrowing costs and boosting purchasing power. Fourth, BBL reported a net profit of Bt12bn in 3QFY24, achieving a record high with a 9.9% y-y and 5.7% q-q increase. This could lift sentiment in banking stocks ahead of upcoming earnings announcements. On a negative note, concerns are growing over the recovery of the Chinese economy. Chinese stock markets closed lower on Thu as new stimulus measures appear to have disappointed investors. This morning, attention turns to the release of China's GDP data in 3Q24. If it grows 4.6% y-y, as expected, it would exert pressure on Asian stocks. Meanwhile, the ECB yesterday decided to lower its interest rate by 25 bps to 3.25% as inflation is coming down to its target. Next week, focus will shift to US home sales for Sep, US durable goods orders for Sep and China's 1-year and 5-year loan prime rates.

**Trading ideas:** 1) Lower policy interest rate: CPAXT, CPN, 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) ETRON sector: DELTA, CCET and KCE

## Positive Factors

- TSMC reported a record third-quarter profit for 2024, amounting to NT\$325 billion, which represents a 54% year-on-year increase, surpassing market expectations and generating positive sentiment for stocks in the ETRON sector.
- The Minister of Energy stated that the Ministry of Energy is currently preparing guidelines to stimulate the economy by reducing energy costs, particularly regarding electricity prices, which are being aimed to remain stable. Additionally, the price of diesel fuel is to be capped at no more than 33 baht per liter until the end of this year.
- The spokesperson for the Prime Minister's Office revealed that the flooding situation has improved in 46 provinces, with only 5 provinces remaining a concern, primarily agricultural areas that necessitate urgent drainage efforts.
- The Vice President of the Federation of Thai Industries indicated that the 0.25% interest rate reduction promotes sustained economic stimulation and helps reduce costs for individuals and businesses. Moreover, the depreciation of the Thai baht is expected to benefit exports, with the Federation predicting the exchange rate to range between 34 and 35 baht per dollar.

## Negative Factors

- Key US lawmakers are pressing the Biden administration to block Huawei Technologies Co. suppliers from buying American chipmaking gear, escalating efforts to prevent the sanctioned Chinese telecom giant from making progress on semiconductor manufacturing.
- Elevated levels of inflation and the impact of the war in Ukraine have forced companies across Europe to freeze hiring or cut jobs. Here are some of the layoffs announced since the start of July: DNB, UniCredit, NORTHVOLT, DYSON, UNILEVER, TELIA, INDIVIOR, AIRBUS, DEUTSCHE BAHN, INFINEON, MANCHESTER UNITED, PKP CARGO, SHELL, TAMEDIA, UPM and YARA
- SCB EIC views that Thailand is at risk of having its credit rating downgraded from BBB+ due to the following concerns: 1) Thailand's fiscal discipline is not robust, 2) there are risks related to stability and governance, and 3) the growth rate is lower than what Fitch has assessed.

## PICKS OF THE DAY

	Target
	21.50 / 22.00
	Support
<b>BUY</b>	20.00
<b>SPALI</b>	

- Robust earnings outlook for 3QFY24
- Low-and mid-tier property projects seen to benefit from interest rate cut

	Target
	12.50 / 13.00
	Support
<b>BUY</b>	11.80
<b>TRUE</b>	

- Reduced interest expense
- Awaiting spectrum auction in 1Q24

### Strategy team

Teerada Charnyingyong - Securities Investment Analyst and Technical Analyst #9501  
Chutikan Santimetvirul - CISA - Capital Market Investment Analyst and Technical Analyst #37928  
Pasut Ngowitachai, CISA - Capital Market Investment Analyst #127632  
Pattharadanai Jaturaporn - Capital Market Investment Analyst #094041

Thanapong Saelo - Assistant Analyst

Ref.No.: CO2567\_0200