

21 October 2024

A hopeful day that may falter amid political uncertainty

>> 1480 – 1500 <<

Market Outlook

The SET Index is likely to move sideways, supported by positive signals from the business sector and the US economy, along with hopes for economic measures from China and Thailand, provide support. However, political uncertainties in Thailand are holding the market back. Short-term sentiment benefits from investors' appetite for risk assets and positive signals from the business sector and the US economy, driven by several developments: 1) The Dow Jones and S&P 500 hit all-time highs last Friday. 2) As of 18 October 2024, 72 companies in the S&P 500 have reported Q3 results, with 56% exceeding revenue expectations and 76% surpassing EPS forecasts. 3) The Atlanta Fed's latest GDPNow forecast shows the US economy growing by 3.4% in Q3, accelerating from 3% in Q2. Markets are also watching China's Loan Prime Rate (LPR) decision today, with expectations of a cut in both the 1-year and 5-year rates from 3.35% and 3.85% to 3.15% and 3.65%, respectively. This could further boost market sentiment. Domestically, there are hopes for government measures. The Deputy Finance Minister recently announced that the economic stimulus board may meet by the end of the month to discuss the second phase of the digital wallet scheme. Additionally, new tourism stimulus measures will likely be submitted to both the economic stimulus board and the cabinet for approval. However, the upward movement of the SET Index remains limited by political risks. The Election Commission (EC) has received six petitions requesting the dissolution of Pheu Thai and six coalition parties, alleging that former Prime Minister Thaksin Shinawatra, who is not a party member, exercised control over them with their consent. The EC has found these petitions credible and set up a committee to investigate, with the results expected within 30 days. These political developments could prompt risk-averse investors and foreign investors to delay or reduce their exposure to Thai assets.

Trading ideas: 1) Hopes for 3QFY24 earnings results: AMATA, BEM, BH, CPF, INTUCH, PRM, TRUE and WHA, 2) interest rate cut by MPC: AEONTS, BAREIT, CPALL, CPAXT, CPN, CRC, DELTA, GULF, MINT, SAWAD and WHAIR and 3) selective plays: MAJOR, TASCO and WHAUP

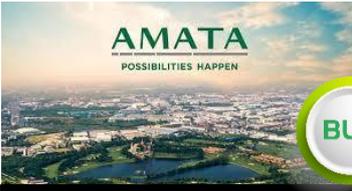
Positive Factors

- The Government Savings Bank and the Government Housing Bank announced a 0.25% reduction in all lending rates, effective from 1 November 2024 onwards.
- The Minister of Commerce disclosed that he had engaged in discussions with the State Secretary for Economic Affairs of the Swiss Confederation, along with the Swiss and Norwegian Ambassadors to Thailand, as well as representatives from the European Free Trade Association (EFTA). The talks aimed to expedite the final phase of negotiations for a Free Trade Agreement (FTA) between Thailand and EFTA, with the goal of concluding the agreement by the end of 2024.
- The Thai Retailers Association has aligned with the government's policy on economic revitalization through cost reduction, income generation, and opportunity expansion. As part of this initiative, essential consumer goods are being offered at reduced prices nationwide. Additionally, the association is hosting a series of continuous discount campaigns over a five-month period, running from September 2024 through to January 2025.
- China's central bank governor said the reserve requirement ratio for commercial lenders could be cut further by 25 to 50 basis points by the year-end depending on liquidity conditions, keeping the door open to more policy easing steps.

Negative Factors

- The Real Estate Information Center (REIC) has released its report on the confidence index for residential property developers in the Bangkok Metropolitan Region for Q3 2024. The index for current conditions stands at 45.1, reflecting a y-y decline of 4.6 points and a q-q drop of 0.1 points.
- The President of the Thai Condominium Association stated that Thailand's real estate market in the fourth quarter of 2024 continues to face challenges, with sales and transfers yet to recover. These difficulties stem from the surge in mortgage rejections, elevated interest rates, widespread flooding in several areas, and the appreciation of the Thai baht.
- The Permanent Secretary of the Ministry of Labour hesitated to confirm whether the consideration of the minimum wage adjustment to 400 baht per day would be completed within this year, as outlined in the government's policy. This uncertainty has been perceived as a negative sentiment among private-sector consumers.
- Goldman Sachs slashed its 2024 annual earnings growth forecast for Europe's STOXX 600 index, opens new tab to 2% from 6%, citing risks from rising corporate taxes and potential trade tariffs.

PICKS OF THE DAY

	Target
	26.50 / 27.00
	Support
BUY	25.50
AMATA	

- 2HFY24 sales expected to be close to 1HFY24's level
- Higher land transfers expected in 2H compared to 1H

	Target
	16.00 / 16.30
	Support
BUY	15.40
MAJOR	

- Anticipated q-q earnings improvement in 4QFY24, with further growth projected in FY25

Strategy team

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