

22 October 2024

Light from policy transmission

Market Outlook

>> 1480 – 1495 <<

The SET Index remains range-bound, supported by domestic fiscal and monetary policies as well as a rebound in crude oil prices, but weighed down by fund outflow pressure and potential pre-holiday risk-off selling. Key support comes from the transmission of Thailand's monetary policy; as commercial banks have begun to lower lending rates. Yesterday, KBANK, SCB, and TTB announced cuts to their lending rates by up to 0.25%, effective from 1 November 2024, aiming to ease the debt burden on retail customers and business operators. Additionally, investors will be watching today's Cabinet meeting, which may provide further support. Key agenda items include: 1) A proposal from the Ministry of Finance to assess the appropriateness of the fee collected from state-owned banks. Previously, the Cabinet had agreed to reduce the contribution to the Specialized Financial Institutions Fund (SFIF) from 0.25% to 0.125% of deposits for one year, a measure set to expire at the end of this year, with a potential extension of another year under discussion. 2) The Ministry of Tourism is expected to propose a revision to the incentive programme for foreign film productions in Thailand, increasing the cash rebate from 20% to 30%. Meanwhile, energy stocks are likely to benefit from positive sentiment after WTI crude oil prices rose 1.94%, closing at \$70.56 per barrel, driven by geopolitical tensions in the Middle East. These concerns escalated after the Israeli prime minister held meetings with top officials to discuss potential strikes on Iran. However, the upside for the SET Index remains limited amid fund flow pressure. Foreign investors have continued to be net sellers, offloading Thai equities for 13 of the past 14 trading days this month. Additionally, more selling may occur today as investors trim risk exposure ahead of tomorrow's market holiday. Linger concerns further dampen sentiment, including the potential escalation of the Middle East conflict, uncertainties in global trade should former President Trump—known for his hardline trade policies towards China—return to office, and ongoing concerns over domestic political stability.

Trading ideas: 1) Hopes for 3QFY24 earnings results: BEM, BTG, CPF, INTUCH, PRM, TRUE and WHA, 2) defensive plays: BCH, BDMS, BH and CHG, 3) interest rate cut by MPC: BAREIT, CPALL, CPAXT, DELTA, GULF, MINT, SAWAD and WHAIR and 4) selective plays: BCP, MAJOR, SPRC and WHAUP

Positive Factors

- The Board of Investment (BOI) reported that investment promotion applications for the first nine months of 2024 have shown a consistent upward trend, both in terms of project numbers and investment value. A total of 2,195 projects were submitted, marking a 46% y-y increase, while the total investment value reached 723 billion baht, up 42% y-y. This represents the highest investment level in a decade.
- The Minister of Commerce revealed that Thailand has requested Germany's support in expediting the negotiations for the Thailand-EU Free Trade Agreement (FTA) to reach a prompt conclusion. Both sides concurred that the FTA would greatly benefit trade and investment between Thailand and Germany. This agreement is expected to broaden opportunities and sustainably enhance the economic relationship between the two countries.
- The Mass Rapid Transit Authority of Thailand (MRTA) revealed plans to propose an extension of the flat 20-baht fare for the Purple Line to the Ministry of Transport. The ministry is expected to submit the matter to the Cabinet by 26 November 2024, ensuring the measure's continuity before its scheduled expiration on 30 November 2024.
- Ratings agency Moody's changed its outlook on the United States' banking system to stable from negative, saying that the change reflects expectations that interest rate cuts and sustained moderate economic growth will stabilize bank asset quality and drive profitability.

Negative Factors

- The Office of Agricultural Economics (OAE) reported that the agricultural economy contracted by 0.7% y-y in Q3 2024. As for the outlook for the agricultural economy in 2024 is expected to range between -0.8% and +0.2%. This projection reflects the impact of the El Niño phenomenon, which is anticipated to cause drought in the first half of the year, followed by La Niña conditions in the latter half, leading to severe flooding.
- The Federation of Thai Industries (FTI) revealed the findings of a survey titled "The Influx of Low-Cost E-commerce Platforms in Thailand: How Can the Industry Adapt?" The results indicate that 35.1% of FTI executives who participated in the survey reported a decline in sales due to the entry of foreign e-commerce platforms offering low-priced goods.
- "This year, global oil demand is very weak, much weaker than previous years, and we expect this will continue because of one word — China," Fatih Birol, the executive director of the IEA, said in an interview with Bloomberg television on Monday. He reiterated that crude supply and spare capacity was ample.
- China will account for less than half of global steel consumption in 2024 for the first time in six years, according to the World Steel Association, as the decline in the country's real estate sector pummels demand for the metal.

PICKS OF THE DAY

	Target
	26.50 / 27.25
	Support
	25.50
CPF	

- Lower Feed Raw Material Prices Boost Profits
- CPF Ranked Among World's Best Employers

	Target
	30.00 / 31.00
	Support
	29.00
BDMS	

- BDMS expected to maintain its position as the market leader in the private healthcare service sector in Thailand

Strategy team

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