WEEKLY STOCK OUTLOOK 27 June – 1 July 2022

SET Trading Range 1540-1590

"Thai bourse under heavy foreign selling pressure"

- **Heavy foreign selling pressure, baht likely to weaken further to 36 per dollar**: The market witnessed strong foreign selling pressure in Thai shares and bonds in Jun, with MTD net sales of around $900mn and $416.5mn respectively, causing Thai baht to retreat to 35.50 versus the dollar. We think the foreign selling pressure was the aftermath of the Fed's repeated pledges that its top priority was to restore price stability, which could set the stage up for interest spread between Thailand and the US to widen from the current level (-1.25%). The baht is expected to depreciate further to 36 against the greenback, its previous low in 2016. It is unlikely that the central bank's Monetary Policy Committee (MPC) will not likely hold a special meeting ahead of its next meeting in Aug because (i) the Fed is open to another 0.75% rate hike during its next FOMC meeting scheduled for the end of Jul, a move seen to further widen the Thai-US interest spread to -2.00%, and (ii) Thailand's headline inflation looks set to rise higher after consumer prices jumped 7.1% in May, the highest in nearly 14 years, amid soaring food, energy and utility prices. On this basis, we foresee Jun inflation increasing further m-m.
- **Hopes pinned on tourism:** Consumption and private-public investment, a main engine driving the Thai economy, are under relatively high pressures from inflation, a slow post-COVID-19 recovery and a continued uptrend in public debt. While the export sector relies mainly on the economies of Thailand's trading partners, it should be noted that the economies of major partners like China and the US have not fully recovered yet, evidenced by their PMI figures that are still not out of the woods. It seems to us that the country needs to pin hopes on tourism, the remaining main economic engine, which still shows an optimistic outlook. In the latest development concerning relaxation of COVID controls, the government now makes face mask wearing voluntary in public places. The move will help keep the momentum in the tourism sector going.

SET Index Strategy

- The SET is expected to oscillate sideways between 1540 and 1590 as traders await the release of the US GDP for clues about the economic outlook while optimism about the domestic tourism is expected to support the market. We advise to keep an eye on the implementation of the changes of the SET50/SET100 rebalance.
- **Investment strategy:** We urge traders to invest in (i) tourism/reopening/retail stocks expected to benefit from increased domestic travel activities, (ii) low-beta stocks to reduce effects of external pressures, and (iii) weak baht plays on interest spread that dents the baht.

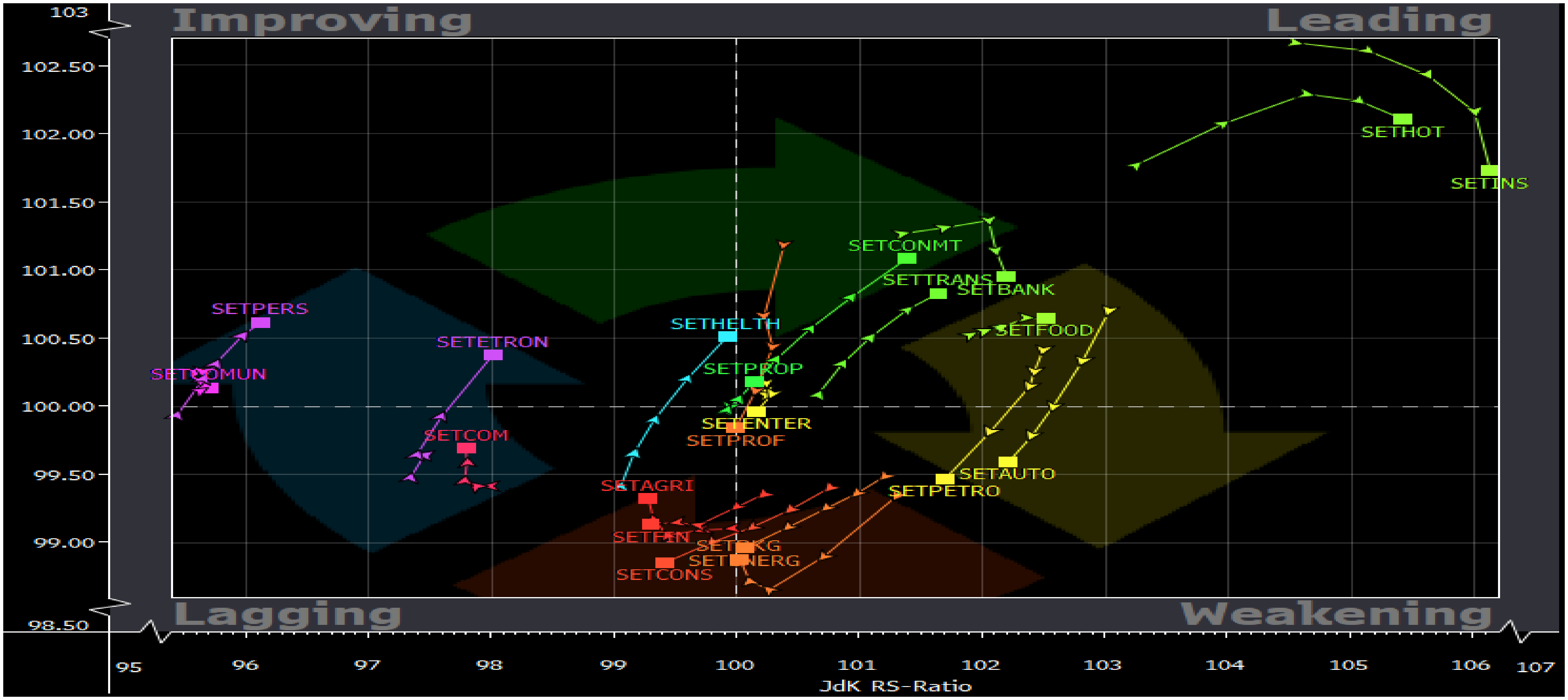
STRATEGIST PICKS

MAJOR
- MAJOR will benefit from optimism around the removal of face mask mandate that will encourage out-of-home activities.
- 'Thor: Love and Thunder' will debut in theaters soon

BDMS
- Defensive stock in the face of external pressures
- BDMS receives a boost from the planned scrapping of Thailand Pass registration on Jul 1.

Relative Rotation Graph

27 June – 1 July 2022



Sector	Quadrant	Leading Stock	Sector	Quadrant	Leading Stock
Agri-Business	Lagging		Health Care Service	Improving	BH, BDMS
Automotive	Weakening		ICT	Improving	ADVANC, DTAC, TRUE
Banking	Leading	KBANK, BBL	Insurance	Leading	BLA
Commerce	Lagging		Media & Publishing	Weakening	
Contruction Material	Leading	SCC, TOA, VNG	Petrochemicals & Chemical	Weakening	
Constrution Service	Lagging		Packaging	Lagging	
Energy & Utilities	Weakening		Property Development	Lagging	
Electronic Components	Improving	KCE	Tourism & Leisure	Leading	ERW, CENTEL, MINT
Finance & Securites	Lagging		Transportation & Logistic	Leading	AOT
Food & Beverage	Leading	GFPT, SAPPE, ASIAN			

Leading Quadrant	Sector with upward trend and positive momentum
Weakening Quadrant	Sector with upward trend and negative momentum (consolidation period)
Improving Quadrant	Sector with downward trend and positive momentum (upward reversal likely in store)
Lagging Quadrant	Sector with downward trend and negative momentum

Weekly Technical 27 June – 1 July 2022

MAJOR First breakout of big resistance in 7 months.

Support 21.40 / 21.00

Resistance 22.00 / 22.70

Recommend : Speculative buy

Buy on a support level. Place a stop loss around Bt20.70. Set a profit target of Bt22.70.

Analyst Comment

On a daily chart, the price ended its correction on EMAs and then moved higher above the big resistance in seven months in the Bt21.40 region before continuing to inch up. MACD crossed above the signal line and MACD-Histogram picked up speed in positive zone, while accumulated volume returned again. There is scope for a test of resistances at Bt22.00 and Bt22.70 respectively.