

Thailand Market Strategy

If the cloud is gone, the sky is quite blue

- We expect the global economy to remain resilient in 2H24; inflation is likely to gradually retreat, opening the door for central banks to cut rates.
- Expect the Thai economy to accelerate in 2Q-2H24, assuming that the PM wins the court case and stays in the position.
- Maintain our SET target at 1,470. Uptick rule and TESS fund upgrade to limit downside and support the market's recovery.

Expect resilient global economy in 2H24; central banks to start cutting rates

We think the global economy in 2H24 will continue to be resilient, with 3% growth projected per year in 2024-26. The US might see some slowdown from the tight monetary policy, but should remain healthy. Meanwhile, the Eurozone should have better economic growth in 2H24 after the ECB started cutting its rate. In Asia, we expect India and ASEAN to experience strong growth, while China is likely to gradually recover. In terms of inflation, we expect CPIs to gradually slow, opening the door for many central banks to cut rates, which could ease the market conditions for risky assets.

Thai economy to accelerate; MPC to hold rate throughout this year

We maintain our positive view on the growth momentum with the expectation of c0.7-1% q-q growth in the next three quarters, thanks to an acceleration of the 2024 budget disbursement. Meanwhile, CPI is likely to gradually rise and reach the target range within 4Q24. Hence, we expect the MPC to hold its interest rate throughout this year. We expect that the soonest the rate cut might come would be in 2Q25, as the MPC might need to see the impact from the digital wallet scheme in late 4Q24, assuming it can be released.

Our base case expects the PM to remain in the position

Our base case scenario is that the decision from the court will be favorable for Mr. Srettha Thavisin and that he will remain in the PM position. In this case, we think the overhang would ease and the street would turn to focus on fundamentals and upward economic and earnings growth in 2H24. Moreover, it should significantly lower the risk of a delay in the 2025 fiscal year budget's approval, which we expect to be finalized within September 2024 before starting the disbursement in 4Q24. This should support growth into 2025 and add more confidence for the release of the digital wallet scheme.

Maintain our SET target at 1,470; uptick rule and TESS fund upgrades to support

We maintain our 2024 SET target of 1,470, based on 2024E EPS of THB91.50 and a target PER of 16x. We have seen limited downward revisions by only c1% to our current EPS forecast. The current valuation of the index is still attractive for long-term investment, trading at a 2024 PER of 14.3x with an earnings yield gap of c4.4%. We think the upcoming uptick rule and the TESS fund upgrade should limit the downside risk for the index in 2H24. We reaffirm our selective strategy, focusing on food exports and domestic plays with strong earnings outlooks, limited impact from political uncertainty, and attractive valuations compared to the pre-Covid period. Our 2024 favorites are AOT, BDMS, CPALL, CPN, GPSC, KCG, SHR, SJWD, TIDLOR, and TU.



Veeravat Virochpoka

Fundamental Investment Analyst on Securities; License no. 047077
veeravat.v@fssia.com, +66 2646 9965

The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also AOT's Chairman of Board of Directors.

Resilient global economy; central banks to start cutting rates

We think the global economy in 2H24 will continue to be resilient. The Bloomberg consensus expects global GDP growth at 3% per annum in 2024-26, slightly lower than the 3.2-3.5% growth rate in 2022-23, but still healthy.

- **US** – We expect to see a slowdown in the US economy from the high interest rate of 5.25-5.5% that should cool the strong labor market down. The market expects GDP to grow by 1.7% q-q SAAR in 3Q-4Q24, and 2.4% y-y for 2024. Inflation is likely to gradually slow from 2.8% to meet the Fed's target of 2% by 2026. We expect at least one interest rate cut in 4Q24.
- **EU** – We expect to see slightly better economic growth of 0.4% q-q per quarter in 2H24-2025, compared to 0.2-0.3% q-q in 1H24E. The ECB cut its rate by 0.25% in June 2024 after inflation eased, and we expect 2-3 more rate cuts in 2H24, which should support GDP growth onward.
- **China** – We project China's economy to grow by 4.2-5% per year in 2024-25, and that should be the new baseline going forward compared to 6-7% per annum in the last decade. Property sector problems and a high debt level are continuing to be challenging, but they should see some recovery. Meanwhile, the resumption of the trade war is another key risk.
- **Asia** – The economic outlook remains positive, in our view, with 3-5% y-y growth projected on average in 2024-26, led by India and ASEAN and driven by strong domestic demand, recovering tourism, and robust exports, particularly of semiconductors. Inflation is expected to moderate.

For geopolitics, we think that the tensions will be prolonged for a while. There is some risk that the situation between Russia-Ukraine and Israel-Hamas could worsen into proxy wars, which could put more pressure on the global economy. However, we do not expect tensions to spread into regional or world war.

Exhibit 1: Global economy looks resilient in 2024-26

	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024E (%)	2025E (%)	2026E (%)	Probability of recession (%)
World	2.8	-2.7	6.5	3.5	3.2	3.0	3.0	3.0	-
US	2.5	-2.2	5.8	1.9	2.5	2.4	1.8	2.0	30.0
Eurozone	1.6	-6.1	5.9	3.4	0.5	0.7	1.4	1.4	30.0
UK	1.7	-10.4	9.6	4.5	0.1	0.6	1.2	1.4	30.0
China	6.0	2.2	8.4	3.0	5.2	4.9	4.5	4.2	10.0
Japan	-0.4	-4.2	2.7	1.0	1.9	0.4	1.1	0.9	25.0
South Korea	2.3	-0.7	4.6	2.8	1.4	2.5	2.2	2.2	15.0
Taiwan	3.1	3.4	6.6	2.6	1.3	3.4	2.6	2.7	15.0
Thailand	2.1	-6.1	1.6	2.5	1.9	2.6	3.2	3.1	15.0
Indonesia	5.0	-2.0	3.7	5.3	5.1	5.0	5.1	5.1	1.0
Malaysia	4.3	-5.6	3.1	8.7	3.7	4.3	4.5	4.8	5.0
Singapore	0.9	-4.1	9.1	3.9	1.1	2.5	2.6	2.4	
Vietnam	7.0	2.9	2.6	8.0	5.1	5.9	6.5	6.6	
Philippines	6.1	-9.5	5.7	7.6	5.6	5.8	5.9	6.0	10.0
India	6.5	3.9	-5.8	9.7	7.0	7.8	6.8	6.5	0.0

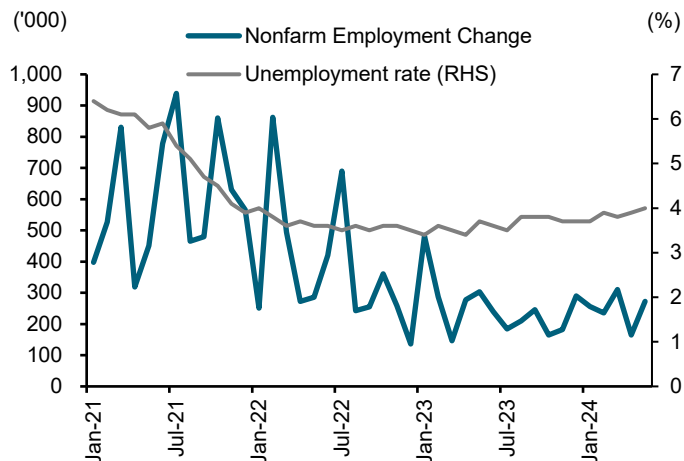
Source: Bloomberg; FSSIA's compilation

Exhibit 2: Bloomberg's quarterly GDP growth projections by country (q-q)

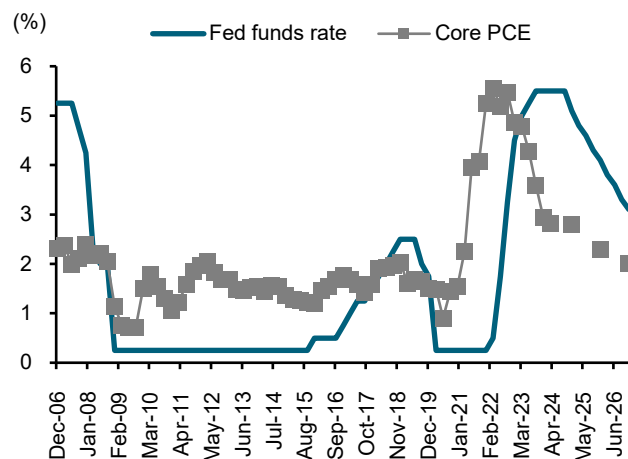
	3Q23 (%)	4Q23 (%)	1Q24 (%)	2Q24E (%)	3Q24E (%)	4Q24E (%)	1Q25E (%)	2Q25E (%)	3Q25E (%)	4Q25E (%)
US*	4.9	3.4	1.3	2.1	1.7	1.7	1.7	1.7	1.8	1.9
Eurozone	0.0	(0.1)	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4
UK	(0.1)	(0.3)	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3
China	1.8	1.2	1.6	0.9	1.1	1.1	1.1	1.1	1.1	1.1
Japan*	(3.7)	0.4	(1.8)	2.2	1.9	1.3	1.1	0.9	0.8	0.8
South Korea	0.8	0.5	1.3	0.1	0.4	0.5	0.7	0.6	0.6	0.6
Thailand	0.5	(0.4)	1.1	1.0	0.9	0.9	0.7	0.7	0.7	0.7
Indonesia	1.6	0.5	(0.8)	3.8	1.6	0.4	(0.8)	3.8	1.7	0.4

Note; * = q-q SAAR

Sources: Bloomberg; FSSIA's compilation

Exhibit 3: US non-farm employment change and unemployment rate

Sources: US Bureau of Labor Statistics and Bloomberg

Exhibit 4: US Core PCE and Fed funds rate based on latest dot plot

Sources: US Bureau of Economic Analysis, FOMC, and Bloomberg

How did indices and fund flows react during the last two US elections?

The 2024 US general election is scheduled to take place on 5 November 2024. The current data shows that Donald Trump's popularity is at 46.2%, ahead of Joe Biden by a very small margin of only 1%. This could create concerns for the market in the case that Trump returns as the US president again, as some of his policies might be unpredictable. We have studied the last two elections in 2016 and 2020, which were Trump-Biden duels. This is what we found:

- **Index movements** – We did not see significant upward or downward trends during the US election campaigns in 2016 and 2020, but saw some volatility in global equity indices in the months leading up to the vote, from uncertainty over the election outcomes. However, indices often rally after elections, as the uncertainty is resolved and investors adjust their expectations to the new administration's policies. For 2016, index rallies were supported by expectations of business-friendly policies and tax cuts, while the 2020 rallies were because of easing monetary policy during the Covid-19 pandemic.
- **Foreign fund flows** – During the election campaigns, fund flows looked cautious as the market was not confident as to who would win the election, leading to a more conservative flow of foreign equities as investors waited to see the outcome. In 2016, we saw stronger foreign inflows in Asian markets than the US before the election. Meanwhile, in 2020, the inflows to the US were higher than Asian markets. We think the reason behind that was the loose monetary policy with a near-zero interest rate and unlimited quantitative easing, which were key factors that drove the foreign fund inflow in the US equity market vs 2016.

For the 2024 US election, we expect that foreign fund flows could be mute, as many markets have had strong rallies YTD with strong inflows, i.e. Japan, South Korea, Taiwan and the US. Moreover, there is some chance that Donald Trump could return to his ex-position and could lift trade and geopolitical tensions. However, we think there are many factors that could affect the market's movement. If the global economy remains resilient as expected, especially the US, and inflation slows down faster than the market anticipates in 2H24, these should be positive for risky assets and fund flows.

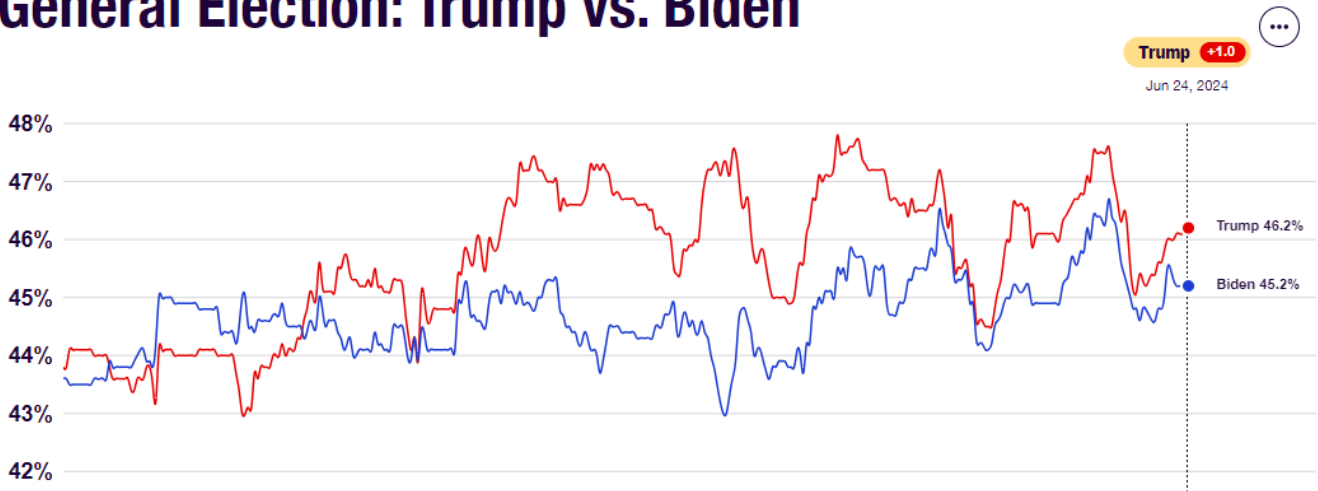
Exhibit 5: 2024 US general election popularity



RealClearPolitics Poll Average

46.2 Trump +1.0 45.2 Biden

General Election: Trump vs. Biden



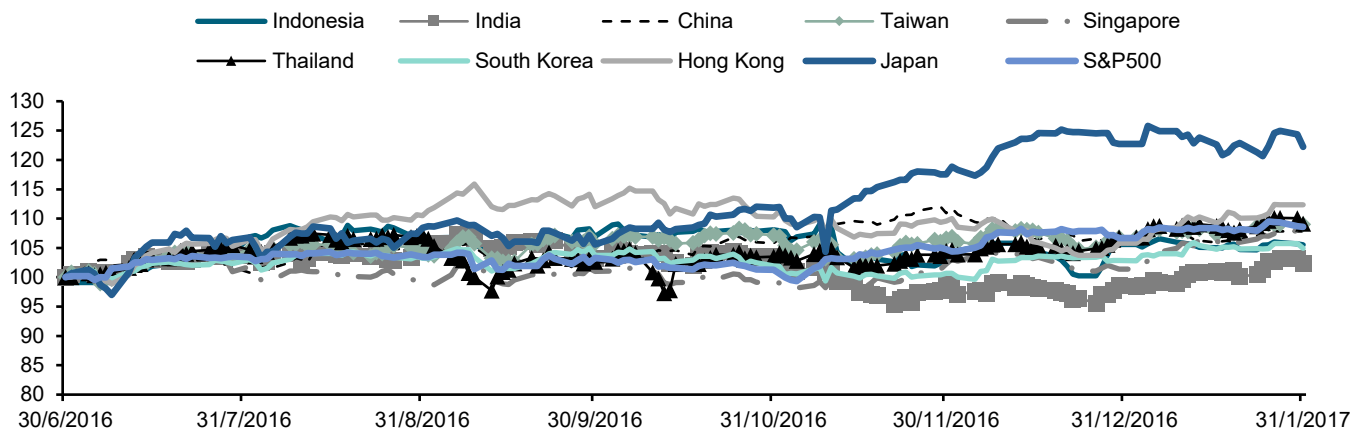
Source: RealClearPolitics

Exhibit 6: S&P500's returns during US elections

Year	President	Party	S&P500 returns						SET Index returns					
			Jul	Aug	Sep	Oct	Nov	Dec	Jul	Aug	Sep	Oct	Nov	Dec
1980	Reagan	GOP	6.5%	0.6%	2.5%	1.6%	10.2%	-3.4%	-	-4.9%	-1.2%	0.1%	7.4%	-2.5%
1984	Reagan	GOP	-1.6%	10.6%	-0.3%	0.0%	-1.5%	2.2%	-	0.5%	0.0%	2.2%	5.4%	-0.6%
1988	Bush	GOP	-0.5%	-3.9%	4.0%	2.6%	-1.9%	1.5%	1.0%	-4.5%	1.8%	-5.8%	-6.2%	-1.6%
1992	Clinton	DEM	3.9%	-2.4%	0.9%	0.2%	3.0%	1.0%	-0.9%	0.3%	13.5%	11.0%	-8.0%	3.3%
1996	Clinton	DEM	-4.6%	1.9%	5.4%	2.6%	7.3%	-2.2%	-14.7%	3.6%	-0.3%	-17.2%	1.7%	-10.2%
2000	Bush	GOP	-1.6%	6.1%	-5.3%	-0.5%	-8.0%	0.4%	-12.6%	8.1%	-9.9%	-2.0%	2.2%	-3.1%
2004	Bush	GOP	-3.4%	0.2%	0.9%	1.4%	3.9%	3.2%	-1.5%	-1.9%	3.2%	-2.6%	4.5%	1.7%
2008	Obama	DEM	-1.0%	1.2%	-9.1%	-16.9%	-7.5%	0.8%	-12.0%	1.2%	-12.8%	-30.2%	-3.5%	12.0%
2012	Obama	DEM	1.3%	2.0%	2.4%	-2.0%	0.3%	0.7%	2.3%	2.3%	5.8%	0.0%	1.9%	5.1%
2016	Trump	GOP	3.6%	-0.1%	-0.1%	-1.9%	3.4%	1.8%	5.5%	1.6%	-4.2%	0.8%	1.0%	2.2%
2020	Biden	DEM	5.5%	7.0%	-3.9%	-2.8%	10.8%	3.7%	-0.8%	-1.3%	-5.6%	-3.4%	17.9%	2.9%
Average Trump-Biden			4.5%	3.4%	-2.0%	-2.4%	7.1%	2.8%	2.3%	0.1%	-4.9%	-1.3%	9.4%	2.5%
Average			0.7%	2.1%	-0.2%	-1.4%	1.8%	0.9%	-3.8%	0.5%	-0.9%	-4.3%	2.2%	0.8%

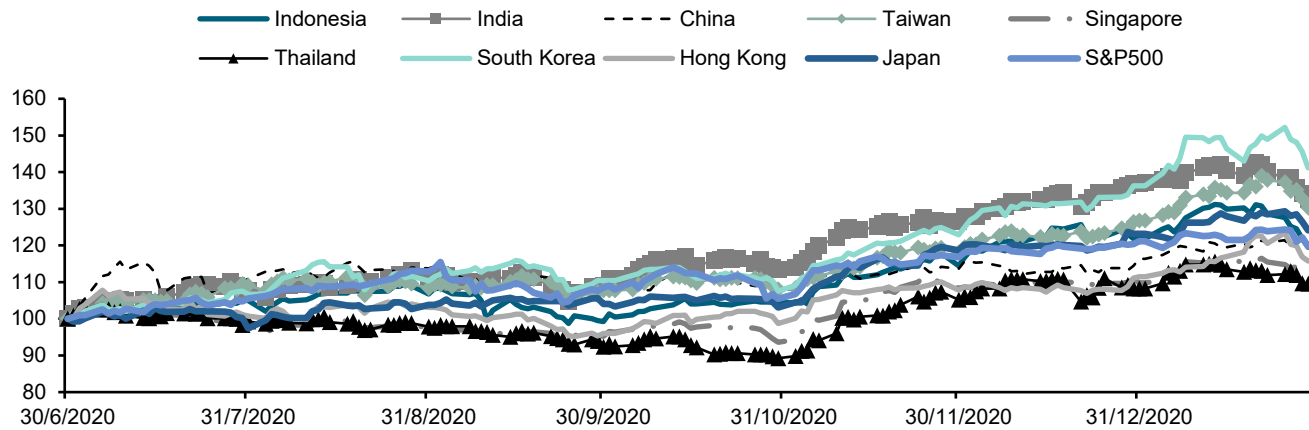
Sources: Bloomberg and FSSIA

Exhibit 7: Indices' returns during 2016 US election (index start at 30 June = 100)



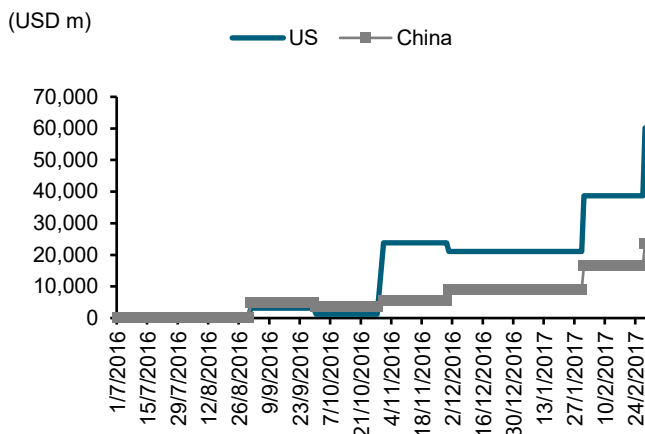
Sources: Bloomberg and FSSIA

Exhibit 8: Indices' returns during 2020 US election (index start at 30 June = 100)



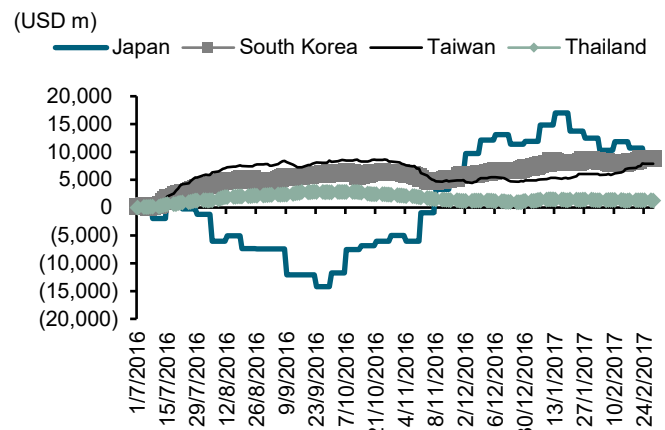
Sources: Bloomberg and FSSIA

Exhibit 9: Foreign equity fund flow during 2016 US election



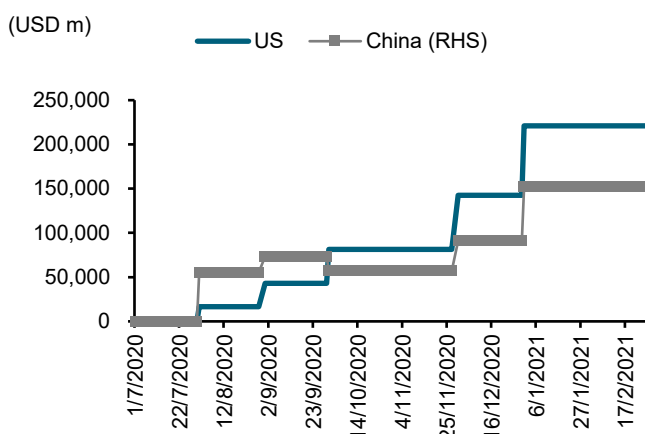
Sources: Bloomberg and FSSIA

Exhibit 10: Foreign equity fund flow during 2016 US election



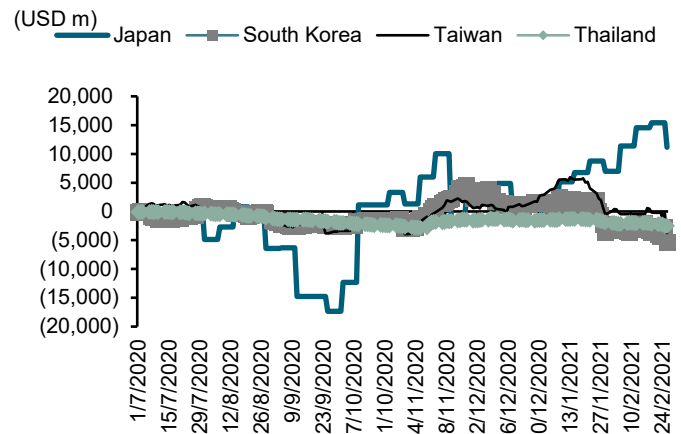
Sources: Bloomberg and FSSIA

Exhibit 11: Foreign equity fund flow during 2020 US election



Sources: Bloomberg and FSSIA

Exhibit 12: Foreign equity fund flow during 2020 US election



Sources: Bloomberg and FSSIA

TH GDP growth q-q every quarter in 2024; expect no rate cut this year

For Thailand, we maintain our view on the positive momentum for the economy after a good start in 1Q24 of +1.1% q-q and +1.5% y-y. The Bank of Thailand (BoT) expects Thai GDP to grow by c0.7-1% q-q each quarter in 2Q-2H24, as the private segment, both consumption and investment, should continue to grow, while the public segment, especially investment, should add more growth momentum from an acceleration of the budget disbursement. Moreover, exports are likely to continue their strong recovery thanks to the resilient global economy and restocking.

As a result, the Thai central bank anticipates that headline inflation should gradually rise and stay within its target of 1-3% by end-2024, which has reduced the probability of the Monetary Policy Committee (MPC) to cut its rate this year. We see that the BoT is focusing on longer-term sustainable growth and financial stability. Hence, we retain our view that the MPC will hold its policy rate at 2.5% throughout this year, in order to let the interest rate bring down household debt to GDP from 91% in 2023 to its target of c80%.

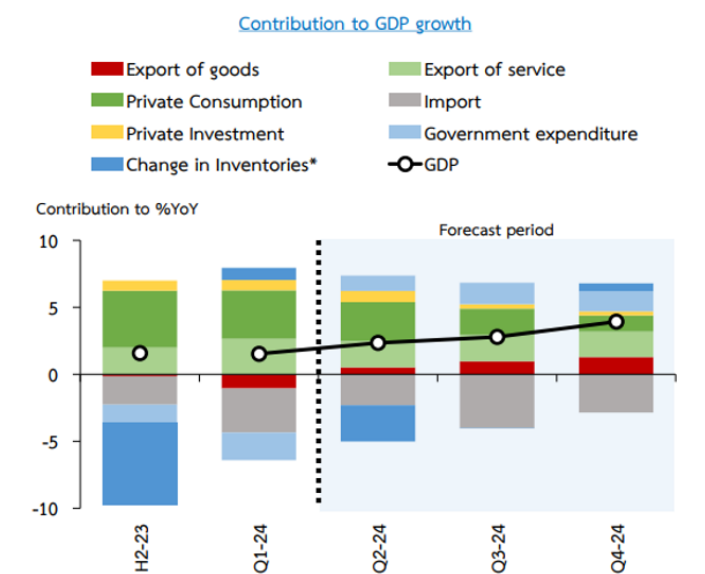
Our assumption for this scenario is that there will be no dissolution of the parliament and the 2025 fiscal budget approval will not be delayed.

Exhibit 13: NESDC and BoT economic projections

	2018	2019	2020	2021	2022	2023	--- NESDC --- 2024E	--- Bank of Thailand --- 2024E	2025E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	1.9	2.0-3.0	2.6	3.0
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.1	4.5	4.2	2.5
Private investment	4.1	2.7	(8.1)	3.0	5.1	3.2	3.2	3.3	3.2
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.6)	1.7	1.8	3.3
Public investment	2.8	0.1	5.1	3.4	(4.9)	(4.6)	(1.8)	3.6	2.6
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.7)	2.0	1.8	2.6
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.2	0.1-1.1	0.6	1.3
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	1.2	-	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	36.5	35.5	39.5

Note: 2024 NESDC and BoT projections do not include the digital wallet scheme
Sources: NESDC and BoT

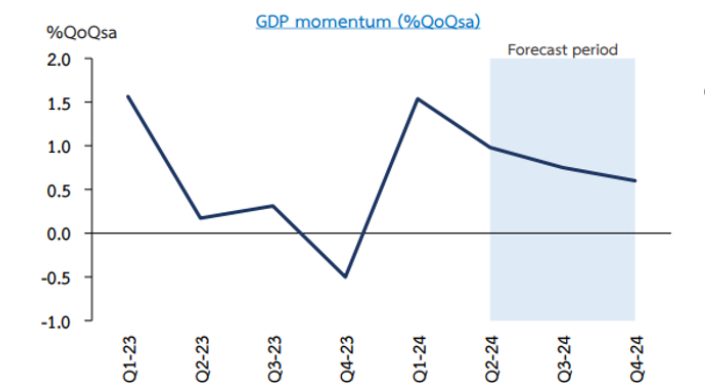
Exhibit 14: Quarterly TH GDP growth and contribution



Sources: NESDC and BoT

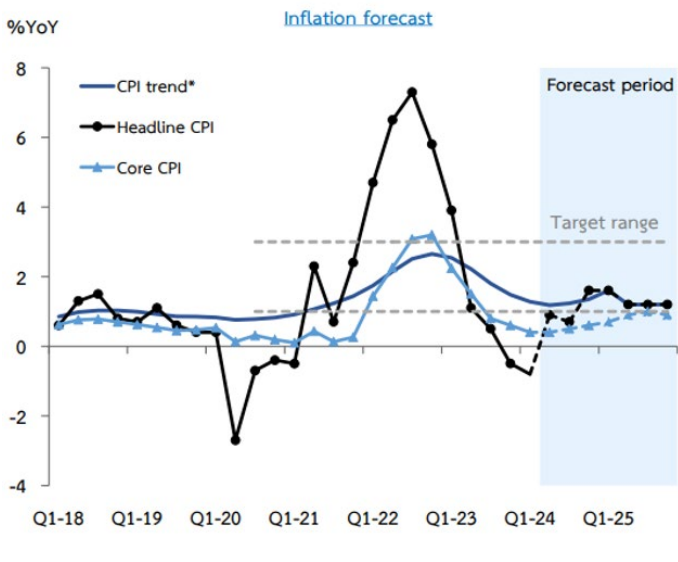
Exhibit 15: Inflation forecast by the MPC

GDP growth	Avg. 15-19	2023	2024F	2025F
%QoQsa	0.8	0.4	1.0	0.7
%YoY	3.4	1.9	2.6	3.0



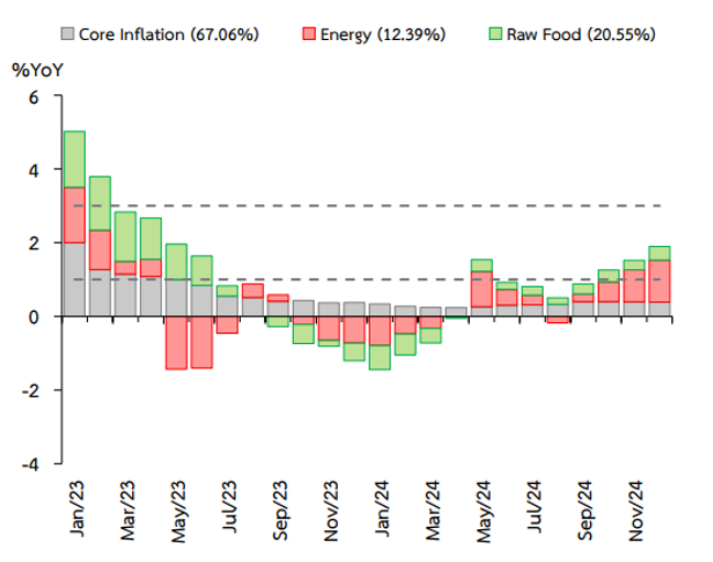
Source: BoT

Exhibit 16: Headline inflation to return to target in 4Q24



Source: BoT

Exhibit 17: Contribution of TH inflation



Source: BoT

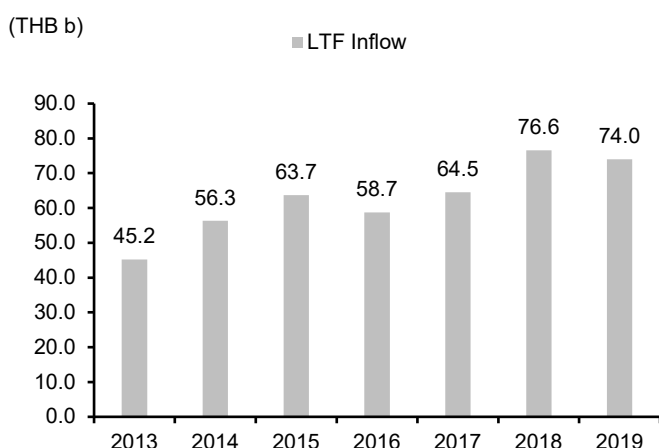
TESG fund upgrade, uptick rule to limit downside, enhance index recovery

On 24 June 2024, three parties consisting of the Ministry of Finance (MoF), the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission, Thailand (SEC), announced measures to boost the Thai capital market. They will propose to the cabinet revisions of the investment conditions for the Thai ESG (TESG) fund by raising the tax deduction cap from THB100,000 to THB300,000 and shorten the holding period from 8 years to 5 years, to improve the attractiveness for local investors.

In 2013-19, local investors bought LTF consistently, with average inflows of cTHB60b per year during that period. Based on the latest TESG fund conditions, which are very close to the old LTF, we expect to see stronger inflows compared to only cTHB6b under the old TESG conditions in late 2023. Our regression analysis between the LTF's NAV and the SET index shows that every THB10b NAV increase could benefit the index by 25-27 points.

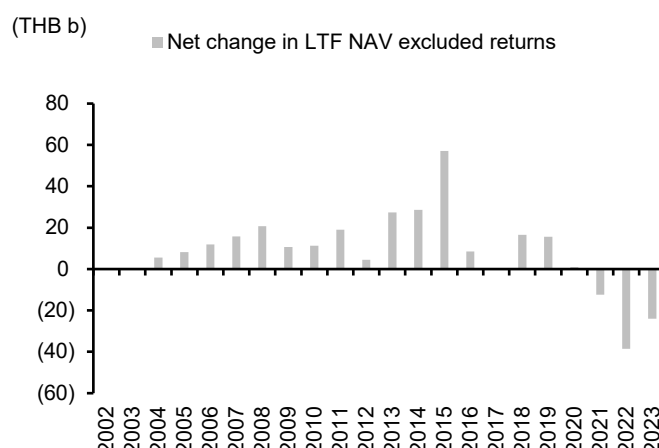
For the uptick rule, the SET had implemented this measure in 2020 during the Covid-19 pandemic, effective from the afternoon session of 13 March 2020 to 30 September 2020. The SET index had plunged by 29% from January 2020 to 13 March 2020 before this rule went into effect. However, during that period, the SET index rebounded from its low of 969.08 to hit a high at 1,454.95 in June 2020, and settled at 1,237.04 in September. In terms of short-selling value, from January 2020 to 13 March 2020, the average short-sell value was cTHB4b per day. However, the value dropped by 83% to an average of cTHB0.7b during 14 March 2020 to 30 September 2020. Hence, we think this measure should help limit the downside after taking effect in July 2024 onward, and could be another key to support the market's recovery.

Exhibit 18: LTF inflow from 2013-19



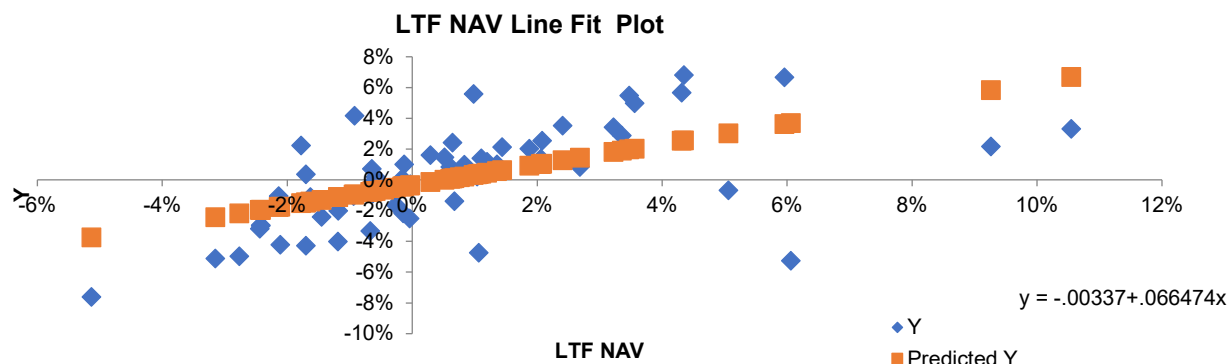
Source: AIMC

Exhibit 19: Change in LTF NAV excluded returns



Sources: AIMC and FSSIA estimates

Exhibit 20: Regression between LTF NAV and SET index



Sources: AIMC, SET and FSSIA estimates

Maintain our SET target at 1,470 from limited downward earnings revision

After the 1Q24 earnings season, we have seen limited downward revisions by only 1% to our current 2024 EPS forecast of THB91.50, +18% y-y. Hence, we maintain our 2024 SET target of 1,470, based on a PER of 16x, SD -0.35 of its ten-year average.

We continue to see the current valuation as attractive for long-term investment, as the index is trading at a 2024 PER of 14.3x with an earnings yield gap of c4.4% – both cheaper than the historical average. We think the uptick rule, effective in 1 July 2024, should limit the downside risk for the index from the short-selling pressure we have seen in 1H24. Moreover, with the positive earnings and economic outlook in 2Q24-2H24, we think the index is likely to rebound and should have passed its bottom already.

However, the internal political uncertainty from the PM court case could continue to limit the upside of the recovery until a decision is made, which we expect to be in late July 2024. We have provided our scenario analysis based on three likely outcomes. Our analysis shows our expectations on the SET index's movement and sector and stock picks for each potential result in Exhibit 21.

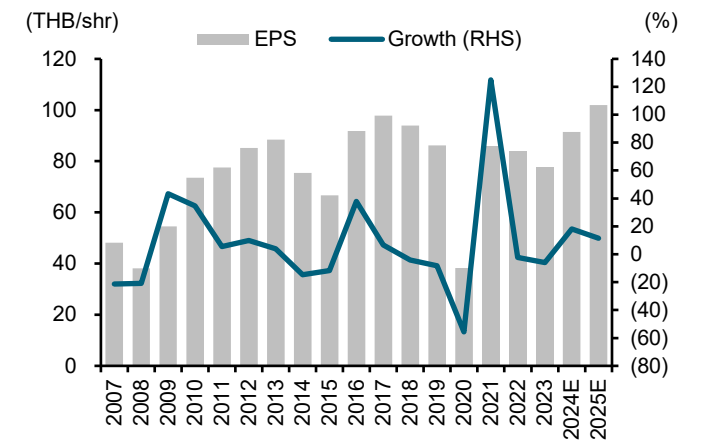
We reaffirm our selective strategy, focusing on food exports and domestic plays with strong earnings outlooks, limited impact from political uncertainty, and attractive valuations compared to the pre-Covid period. For 3Q24, from our base case scenario, we expect the index to trade within a range of 1,280-1,430, and could hit our target by year-end. Our 2024 favorites remain **AOT, BDMS, CPALL, CPN, GPSC, KCG, SHR, SJWD, TIDLOR, and TU**.

Exhibit 21: Our scenarios on the PM court case

Scenario	----- SET Index -----		Sectors and stocks
Base case	- Mr. Srettha is still in the PM position	Expect the index to rebound to 1,360-1,400	Commerce, Finance, Food, Tourism, Healthcare >>> AOT CPALL TIDLOR KTB CPN CHG KCG TU ITC CPF MINT SHR
Worse case	- Mr. Srettha out of the PM position and replaced by Ms. Paethongtan as the new PM	Expect a smaller rebound to 1,330-1,360	Commerce, Finance, Food, Tourism, Healthcare, Electronics >>> AOT CPALL TIDLOR CPN CHG HANA TU ITC CPF MINT
Worst case	- Mr. Srettha out of the PM position and a new PM cannot be chosen - Dissolution of parliament - 2025 fiscal budget delayed	Expect the index to dip to 1,280-1,250	Healthcare, ICT, Food, Utilities, Electronics >>> BDMS CHG ADVANC BEM GPSC SCB HANA TU ITC CPF

Source: FSSIA estimates

Exhibit 22: SET EPS



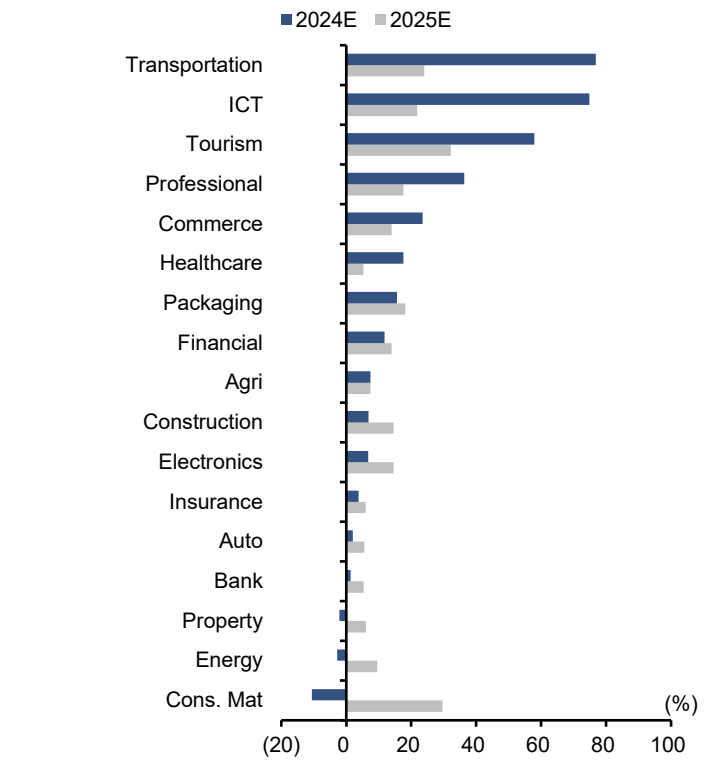
Sources: Bloomberg and FSSIA estimates

Exhibit 23: SET target sensitivity

----- Earnings per share -----			
		2024E	2025E
EPS		91.5	102
- Target index based on FSSIA estimates -			
	P/E (x)	2024E	2025E
SD+1.0	19.6	1,794	2,000
SD+0.5	18.3	1,672	1,864
SD+0.25	17.6	1,610	1,795
10-year average	16.9	1,549	1,727
SD-0.25	16.3	1,488	1,659
SD-0.5	15.6	1,426	1,590
SD-1.0	14.3	1,304	1,454
SD-1.5	12.9	1,181	1,317

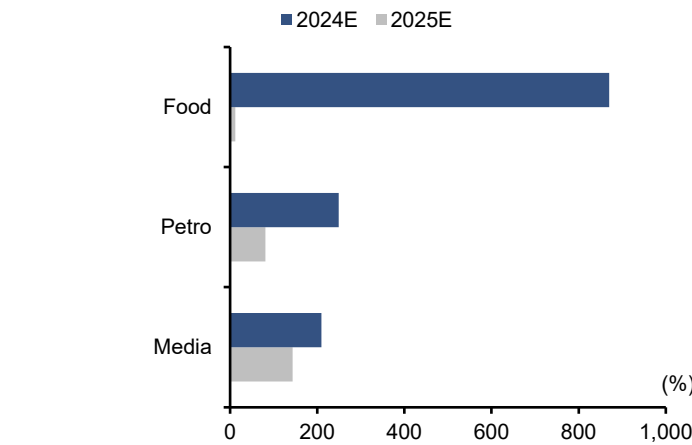
Source: Bloomberg and FSSIA estimates

Exhibit 24: Earnings growth by sector



Sources: Bloomberg and FSSIA estimates

Exhibit 25: Earnings growth by sector



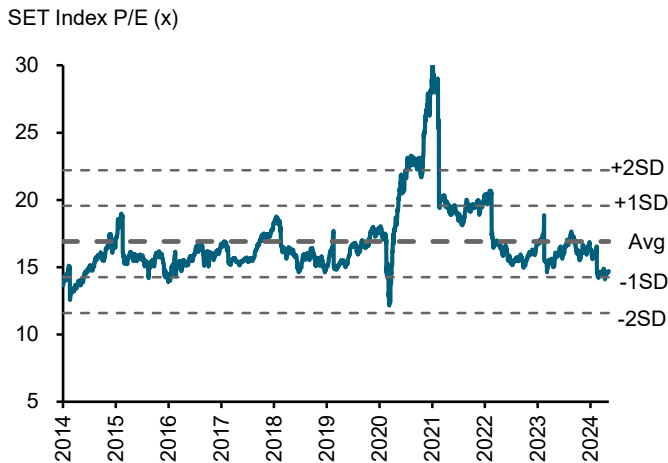
Sources: Bloomberg and FSSIA estimates

Exhibit 26: 2Q-2H24 outlooks by sector

Sector	Weight	---- 2Q24 ----		---- 2H24 ----		2H24E outlook
		q-q	y-y	h-h	y-y	
Agribusiness	Overweight	+	+	+	+	We have a positive outlook on the trend of agricultural product prices in the 2H24, particularly for rubber and soybeans. For rubber prices, we expect support from increased demand from China, following a decrease in inventory and a gradual recovery in purchasing power. Meanwhile, we expect soybean prices to be supported by a potential shift in weather conditions towards a La Nina pattern, which may impact soybean production.
Food & Beverage	Overweight	+	+	+	+	We are bullish on the export sector in the 2H24 period, as it is during the high season and has passed the low base in 1Q24 when customers still had inventory. As for the meat sector, we expect earnings to accelerate in 2Q-3Q24 due to the benefits of higher meat prices and reduced costs. However, we expect 4Q24 to start facing rising raw material costs. Currently, domestic meat prices are starting to decline, making it difficult for the meat sector's stock prices to find a catalyst.
Banking	Underweight	0	+	-	-	The expected 2H24 net profit will decline from 1H24, dragged down by declines in NIM (from the rising cost of funds), rises in ECLs, and operating expenses in 4Q24. Compared to 2H23, we anticipate the 2H24 net profit to contract due mainly to the pressures on NIM, particularly for big banks, for which the expected positive impact from the rising NIM will expire.
Finance & Securities	Underweight	0	+	+	+	Despite the expected 2H24 recovery from 1H24, we maintain our Underweight rating for the sector. We reaffirm our selective strategy due mainly to its negative outlook for most segments (truck and motorcycle hire purchase, credit card/personal loans, and asset management operators), except for title loans.
Automotive	Underweight	-	-	+	-	The automotive industry should continue to struggle with high household debt, weak consumer purchasing power, and high rates. The competition has intensified with the influx of new Chinese EV brands, impacting local manufacturers' and car dealers' financial performances.
Petrochemical & Chemicals	Underweight	-	-	-	0	We expect that 2H24 net profit should be flat or slightly positive for PTTGC and IRPC due to a refinery margin and petrochemical product spread recovery. For IVL, we expect a small core profit improvement from the high season of PET and a demand recovery on other products, but expect net profit to jump h-h due to the absence of an impairment loss from the investment in the US. Meanwhile, we expect SCG Chemical's core profit to be flat h-h despite some small recovery in petrochemical spreads, but its naphtha cracker is quite a bit higher than the gas base. Overall, the petrochemical outlook in 2H24 remains cautious due to the oversupply situation with new additional supplies. A China petro demand recovery could absorb the demand/supply balance.
Packaging	Overweight	+	+	+	+	Thailand's packaging industry is showing grow along with the country's consumption expansion, the global retail sector, and the resumption of e-commerce services. Furthermore, the downstream should enjoy the down cycle of crude oil prices and other upstreams.
Construction Materials	Neutral	-	-	+	+	We project 2H24 performances to improve h-h, supported by the government budget expenditure and economic recovery.
Construction Services	Neutral	+	0	+	-	We prefer main contractors (CK, STEC) to foundations (SEAFCO, PYLON) due to their strong backlog. In 2H24, we anticipate new auctions such as for the double-track rail project (Khon Kaen-Nong Khai portion). Also, more government projects may progress. This could provide catalysts for share prices in the short term and increase construction revenue from 2025 onwards.
Property Development	Neutral	+	-	+	-	We think 2H24 performances should improve from the low base in 1H24, supported by more newly built condos and new low-rise launches amid an economic recovery and benefits from stimulus measures. However, earnings should drop y-y due to weak purchasing power, financial institutions' tight credit underwriting, and fierce competition.
Energy	Neutral	-	-	0	0	We estimate 2H24 earnings to be flat from 1H24, supported by the strong global oil demand outlook. We expect crude oil prices to stand at a high level of around 80-85 USD/bbl due to a US demand recovery from the driving season and higher China oil demand, driven by the expectation of increasing travel and more tourism in 2H24. Meanwhile, there are fewer new supplies, which should increase product margins.
Utilities	Neutral	0	0	+	+	We expect the 2H24 power plant business to improve, backed by the single pool gas price scheme, which would support lower gas costs, while the Ft should remain flat. A potentially lower interest rate would reduce the financial cost of power plants. Moreover, the new Power Development Plan (PDP2024) will focus on renewable energy for around 51% of fuel used for power generation by 2037, which is expected to be finalized in September 2024 and bidding announced in 4Q24.
Commerce	Overweight	-	+	0	+	We expect the commerce sector's 2H24 core profit to increase y-y in line with a tourism recovery and fiscal budget disbursement. In particular, we anticipate the SSSG of consumer staples to remain positive. Additionally, the SSSG of consumer discretionary should turn positive, particularly home improvement, which benefits from the fiscal budget.
Health Care Services	Overweight	-	+	+	+	Expect strong growth q-q from seasonal effect. 3Q24 should be the peak of the year due to the rainy season and strong revenue growth from Middle East patients post Ramadan period. We also expect strong y-y growth due to higher insurance patient numbers, and more Chinese and CLMV patients.
Tourism & Leisure	Overweight	-	+	+	+	Expect strong growth q-q from seasonal effect. Tourist arrivals should slightly increase in 3Q24, led by Chinese tourists during the school break, and the numbers should peak in 4Q24. We also expect strong y-y growth from the low base of Chinese tourists last year.
Transportation (Shipping)	Neutral	+	-	+	+	The supply/demand for dry bulk carriers looks set to strengthen in 2024. Supply is estimated to grow by 2.4% in 2024, while demand is anticipated to rise by 2.4%, according to Clarkson Research. Moreover, the order-book remains low at 9% of total fleet capacity. These factors support the dry bulk freight rates. Container ships are another story. Without the Red Sea crisis and the trade dispute between US-China, the container freight rates should fall in 2024 as fleet growth is as high as 10% in 2024.
Electronic Components	Overweight	+	-	+	+	We are Overweight for investment in 2H24, maintaining our previous view that earnings have bottomed out in 1Q24 and are expected to recover in 2H24, driven by the recovery of orders, particularly in the consumer sector, which is launching new products with upgraded AI software. We also expect the automotive sector to stabilize and gradually recover in line with the global economic outlook and downward interest rate trend.
Information & Communication	Overweight	+	0	0	+	Mobile operators should continue to enjoy robust growth due to the increasing demand for 5G both from enterprise and consumer clients. Fixed broadband is also growing consistently, driven by the expansion of users and VAS. The fiscal 2024 budget disbursement should benefit SI operators in 2H24 onwards.

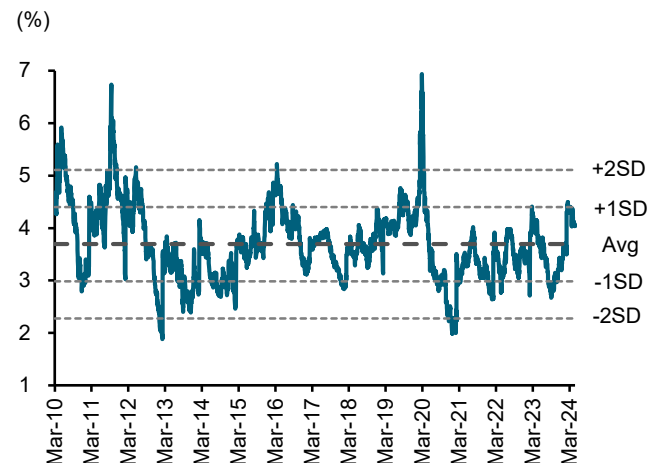
Source: FSSIA estimates

Exhibit 27: SET historical forward PER



Sources: Bloomberg and FSSIA

Exhibit 28: SET earnings yield gap



Sources: Bloomberg and FSSIA

Exhibit 29: PER Z-Score by Asian country

	Thailand	Indonesia	Singapore	Malaysia	Vietnam	South Korea	Hong Kong	Japan
10-year average	16.7	17.1	13.8	16.2	13.8	11.7	11.4	20.3
Pre-Covid average	15.7	16.9	14.0	16.7	14.3	10.8	11.5	18.7
SD	2.7	2.9	2.1	1.7	2.4	2.3	1.4	4.6
Pre-Covid SD	1.1	1.5	1.1	0.6	2.2	1.4	1.0	1.7
Current PER	14.3	12.4	10.7	14.4	11.4	11.0	8.8	22.2
Z-score	-1.0	-1.6	-1.5	-1.1	-1.0	-0.3	-1.8	0.4
Pre-Covid Z-score	-1.3	-3.1	-2.9	-3.7	-1.3	0.1	-2.8	2.0

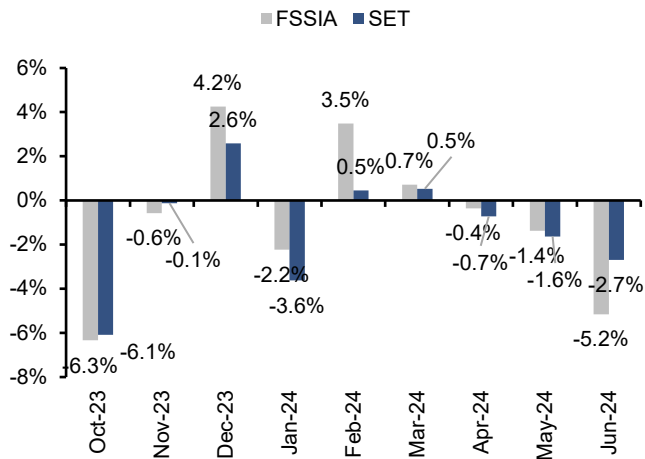
Sources: Bloomberg and FSSIA analysis

Exhibit 30: PER Z-Score by sector

	Current PER	10-year average PER	SD	Z-Score	Pre-Covid average PER	Pre-Covid SD	Z-Score
Agribusiness	10.9	11.9	4.6	-0.2	13.5	4.5	-0.5
Food & Beverage	20.2	23.7	6.1	-0.8	19.9	4.3	-0.3
Banking	6.9	9.7	1.6	-1.5	11.4	1.7	-2.3
Finance & Securities	13.4	16.7	3.3	-1.1	14.6	3.6	-0.4
Automotive	8.0	10.5	2.4	-1.3	15.1	13.3	-1.8
Petrochemical & Chemicals	20.8	16.7	21.0	0.1	11.8	2.7	2.7
Packaging	22.7	15.9	4.2	1.7	13.4	4.5	2.5
Construction Materials	12.8	13.7	1.6	-0.7	14.2	1.8	-0.9
Construction Services	35.1	33.1	35.5	-0.3	23.5	7.1	-0.3
Property Fund & REIT	10.5	16.7	2.8	-1.8	17.2	1.9	-3.3
Property Development	12.0	15.2	2.0	-1.5	14.8	1.8	-1.5
Energy	11.0	13.1	3.9	-0.6	11.4	1.5	-0.5
Commerce	22.1	30.4	5.2	-1.6	28.0	3.9	-1.5
Health Care Services	27.0	36.5	5.6	-2.1	32.4	7.7	-1.0
Media & Entertainment	42.5	61.3	80.7	-0.2	31.4	13.2	0.7
Tourism & Leisure	25.3	32.3	6.6	-1.3	37.4	19.9	-1.1
Transportation	28.8	80.0	223.3	-0.2	32.7	27.2	0.0
Electronic Components	38.8	27.3	18.4	0.9	13.2	3.1	9.9
Information & Communication	19.5	20.4	2.5	-0.2	19.2	2.8	0.2

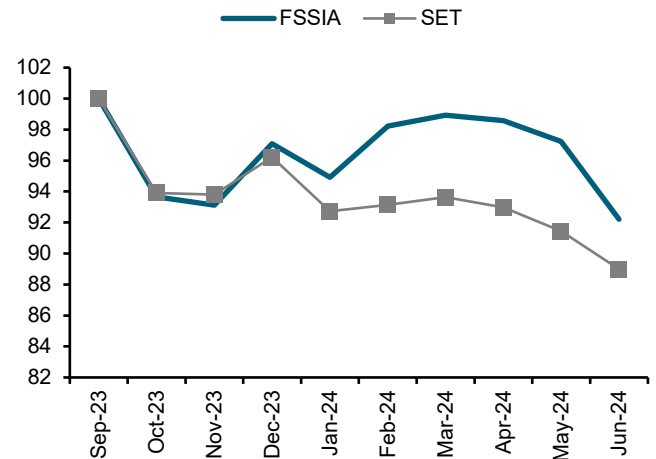
Sources: Bloomberg and FSSIA analysis

Exhibit 31: Monthly return of FSSIA's portfolio vs SET index



Sources: SETSMART and FSSIA

Exhibit 32: Return of FSSIA's portfolio vs SET index (September 2023 = 100)



Sources: SETSMART and FSSIA

Exhibit 33: Summary of key valuations for FSSIA's top picks

Company	BBG code	-- Share price --		Up side (%)	Recurring net profit		-- NP growth --		----- P/E -----			PBV	DivYld (%)	ROE (%)	SET ESG Rating	FSSIA ESG Rating
		Current	Target		24E	25E	24E	25E	24E	25E	26E					
		(THB)	(THB)		(THB m)	(THB m)	(y-y%)	(y-y%)	(x)	(x)	(x)					
Airports of Thailand	AOT TB	58.25	70.00	20	19,259	26,837	108.3	39.4	43.2	31.0	25.2	6.4	1.0	16.0	A	★★★★★
Bangkok Dusit Medical Services	BDMS TB	27.00	35.00	30	16,413	17,928	14.2	9.2	26.1	23.9	21.8	4.3	2.6	16.8	AA	★★★★★
CP All	CPALL TB	55.75	79.00	42	23,640	27,447	30.3	16.1	21.2	18.2	16.2	4.4	2.4	20.2	AAA	★★★★★
Central Pattana	CPN TB	56.00	83.00	48	15,858	17,107	5.8	7.9	15.8	14.7	13.8	2.5	3.2	16.5	AA	★★★★★
Global Power Synergy	GPSC TB	40.25	59.00	47	4,938	6,866	27.9	39.0	23.0	16.5	0.0	1.1	3.7	4.6	AA	★★★★★
KCG Corporation	KCG TB	9.95	12.80	29	346	402	18.2	16.1	15.7	13.5	11.6	1.9	3.4	12.4	-	-
S Hotels and Resorts	SHR TB	2.08	4.00	92	307	525	285.2	70.9	24.3	14.2	12.4	0.5	1.6	1.9	A	★★
SCGJWD Logistics	SJWD TB	12.70	23.00	81	1,179	1,373	51.4	16.5	19.5	16.8	15.0	1.0	2.0	5.2	AA	★★★
Ngern Tid Lor	TIDLOR TB	18.70	27.00	44	4,671	5,551	23.2	18.8	11.7	9.8	8.4	1.7	2.6	15.4	-	★★
Thai Union Group	TU TB	15.10	17.30	15	5,043	5,593	nm	10.9	13.9	12.6	11.4	1.2	3.9	8.7	-	★★★★★

Share prices as of 27 Jun 2024

Source: FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainability	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 58.25	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Bangkok Dusit Medical Services	BDMS TB	THB 27.00	BUY	Downside risks to our DCF-based target price include 1) a slowdown in international patients due to economic concerns, political protests or floods; 2) regulatory risks from drug prices and medical bill controls; and 3) higher-than-expected capex and opex for CoE projects.
CP All	CPALL TB	THB 55.75	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
Central Pattana	CPN TB	THB 56.00	BUY	Key downside risks to our DCF-derived TP are deviations from our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.
Global Power Synergy	GPSC TB	THB 40.25	BUY	The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.
KCG Corporation	KCG TB	THB 9.95	BUY	Key downside risks to our target PER-based TP include 1) higher-than-expected raw material prices; 2) THB depreciation; and 3) capacity expansion not going as planned.
S Hotels and Resorts	SHR TB	THB 2.08	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
SCGJWD Logistics	SJWD TB	THB 12.70	BUY	Downside risks to our DCF-based TP include 1) slower-than-expected regional economic growth; 2) high volatility in energy costs; 3) delayed synergies; and 4) higher cost of funds.
Ngern Tid Lor	TIDLOR TB	THB 18.70	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Thai Union Group	TU TB	THB 15.10	BUY	Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 27-Jun-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.