

Thailand Market Strategy

Long-term rally likely to continue into 4Q24-2025

- We expect the Fed's rate cuts to support equity markets. EMs are likely to have positive sentiment, while China should see support from stimulus packages.
- Key drivers for the SET index remain internal factors, i.e., political stability and an upward economic outlook in 4Q24-2025. The VAYU1 to limit downside risks.
- Maintain 2024 SET target of 1,470 and preliminary 2025 target of c1,600. We still prefer domestic-related sectors.

The Fed's rate cut started as expected; focus on labor market

Recently, the Fed started its rate cut cycle with the first 50 bps to 4.75-5% and is likely to gradually lower its policy rate further by 50 bps in 2024 and 100 bps to end at 3.25-3.5% at the end of 2025. We think the key focus for the market in the coming months is the US economic data, especially labor market numbers, to determine whether it has more signs of a slowdown or recession. Based on historical data, we found that if an interest rate cut triggered a slowdown or recession, the index would plunge in the next 6-12 months. By contrast, the stock market would continue to rally if the economy remained resilient.

Positive sentiment for EMs if Harris wins the election rather than Trump

Based on the latest polls, Donald Trump's popularity had dropped to 47%, while Kamala Harris was 48.8%, leading by 1.8% after the first debate. We think the market would feel more comfortable if Harris wins the election, thanks to her more strategic and predictable policies than Trump. We believe emerging markets (EMs) would benefit from foreign inflows and strengthening regional currencies. On the other hand, if Trump returns as president, we think the foreign funds will likely flow back to the US due to his trades and tax policies, which, in turn, should result in a rise in the dollar index.

Upward outlook for the Thai economy and market EPS in 2H24-2025

We should continue to see gradually higher GDP growths in 2H24. For a full-year basis, the BoT expects the Thai economy to grow by 2.6% y-y and 3% in 2024-25, respectively. We think the street has higher expectations of the new cabinet, thinking it would launch various economic stimulus packages in 4Q24-2025, starting with the first THB145b cash handout, with chances for the remaining THB250-300b to be injected in 2025. Based on this outlook, we anticipate a market EPS of THB90 (+15% y-y) in 2024 and a new high above THB100 (+13% y-y) in 2025.

Limited downside for correction thanks to VAYU1

After strong rallies of over 10% during the last six weeks, we think the SET would move sideways to cool down its technically overbought signal. However, the new money of THB150b from the VAYU1, coming in October, would be one crucial factor limiting downside risks for the Thai stock market. We maintain our 2024 SET target of 1,470, and our preliminary 2025 SET target is c1,600. The index still has an attractive valuation, with 2025 PER of c14.3x, SD -1, and c4.5% EY gap, SD +1 from its historical average. We still prefer domestic-related sectors. Our top picks are AOT, CHG, CPALL, CPN, GPSC, KCG, KTB, MTC, NSL, SHR, and TU.



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

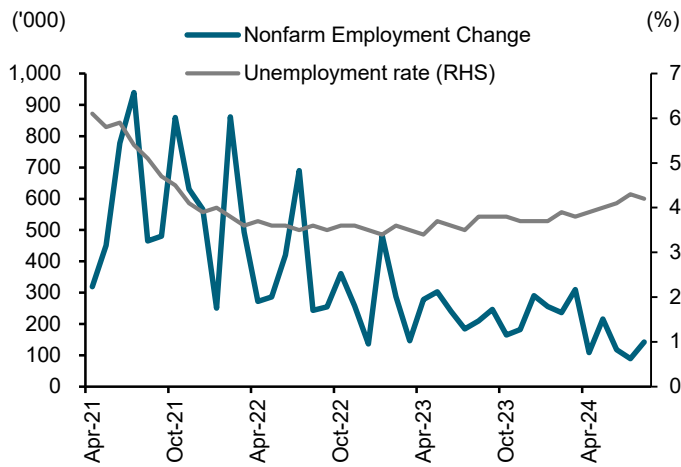
FED started its rate cut with 50 bps; Expect slower paces in 4Q24-2025

Finally, the Federal Reserve of the United States (Fed) started its rate cut cycle, with the first 50 bps to 4.75-5% at its September meeting in line with the consensus. The US central bank clearly mentioned that it had made further progress toward its 2% inflation target in the longer term, while the spotlight turned to the labor market, which started to slow. In addition, the Fed's committee was strongly committed to supporting maximum employment. As a result, the latest dot plot showed that Fed officials expected its policy rate to gradually lower by another 50 bps in 2024 and 100 bps next year to end at 3.25-3.5% at the end of 2025.

After the cut, although the US2Y and US10Y bond yields did not drop sharply as the pace of the Fed's rate cut was slower than the street's anticipation, we still anticipate gradual weaknesses in US bond yields in 4Q24-2025.

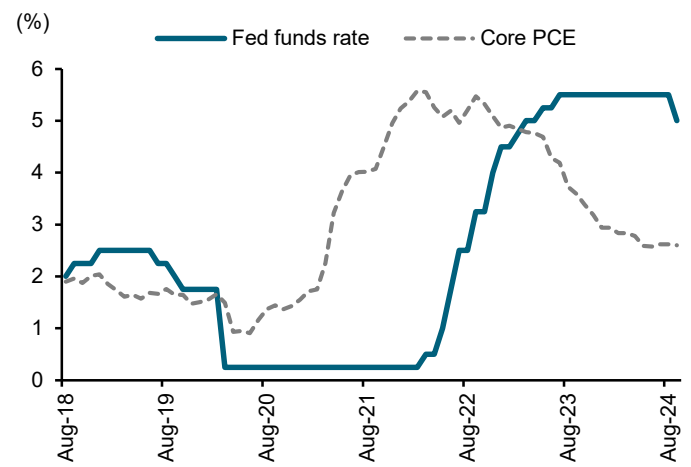
We expect the market to continue monitoring the upcoming US economic data, whether it shows more signals of a slowdown or recession, especially labor market data, i.e., non-farm payrolls, unemployment rate, etc. The latest Bloomberg data showed that the probability of a US recession was 30%. In the next few months, if the numbers remain resilient or do not significantly miss forecasts, the market will feel more confident of a soft-landing scenario, which is positive for risk assets. On the other hand, if they are significantly below the market anticipation, we expect a recession fear to come back and raise the expectation that the Fed might have to accelerate its rate cut pace, which could lead to another risky asset selloff. This would agree with our study in Exhibit 6, that if an interest rate cut triggers a slowdown or recession, the index will plunge in the next 6-12 months. By contrast, the stock market would continue to rally if the economy remains resilient.

Exhibit 1: US labor market data continue to slow



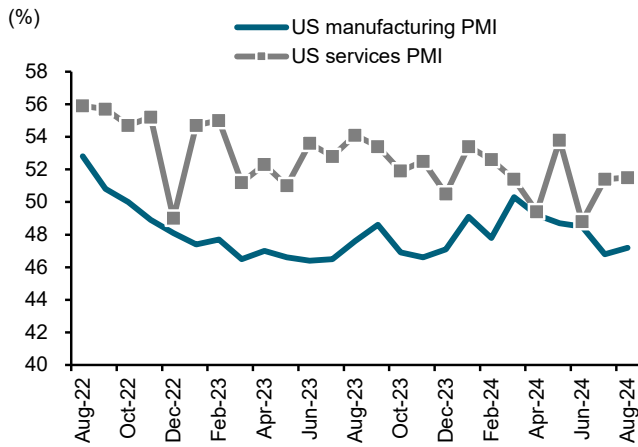
Sources: US Bureau of Labor Statistics and Bloomberg

Exhibit 2: US Core PCE and Fed funds rate



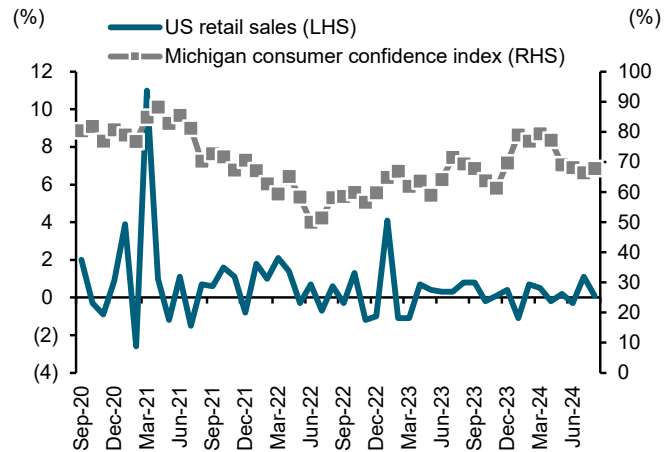
Sources: US Bureau of Economic Analysis, FOMC, and Bloomberg

Exhibit 3: US manufacturing and services PMI



Source: Bloomberg

Exhibit 4: US retail sales and Michigan consumer confidence



Source: Bloomberg

Exhibit 5: FOMC latest economic projections, September 2024

	Median				
	2024 (%)	2025 (%)	2026 (%)	2027 (%)	Longer run (%)
Change in real GDP	2.0	2.0	2.0	2.0	1.8
vs June 2024 projection	2.1	2.0	2.0		1.8
Unemployment rate	4.4	4.4	4.3	4.2	4.2
vs June 2024 projection	4.0	4.2	4.1		4.2
PCE inflation	2.3	2.1	2.0	2.0	2.0
vs June 2024 projection	2.6	2.3	2.0		2.0
Core PCE inflation	2.6	2.2	2.0	2.0	
vs June 2024 projection	2.8	2.3	2.0		
Federal funds rate	4.4	3.4	2.9	2.9	2.9
vs June 2024 projection	5.1	4.1	3.1		2.8

Source: [Federal Open Market Committee \(FOMC\)](#)

Exhibit 6: S&P500 index vs Fed's rate cuts

Start date	Interest rate		S&P500 index					
	From	To	+1D	+1W	+1M	+3M	+6M	+12M
31-Jul-19	2.50%	0.25%	-1.1%	-4.4%	-2.9%	1.1%	9.0%	7.7%
18-Sep-07	5.25%	0.25%	2.9%	2.8%	4.4%	-2.1%	-13.5%	-21.7%
3-Jan-01	6.50%	1.00%	5.0%	1.4%	5.2%	-10.7%	-3.6%	-10.0%
29-Sep-98	5.50%	4.75%	0.0%	-5.7%	1.8%	16.9%	22.3%	22.3%
6-Jul-95	6.00%	5.25%	1.2%	2.5%	2.1%	6.5%	12.7%	20.1%
5-Jun-89	9.75%	3.00%	-1.1%	0.4%	-2.3%	8.7%	7.7%	11.6%
19-Oct-87	7.25%	6.50%	-20.5%	-12.2%	-12.7%	-10.8%	-8.1%	-2.5%
Average			-1.9%	-2.2%	-0.6%	1.4%	3.8%	3.9%

Sources: Bloomberg and FSSIA

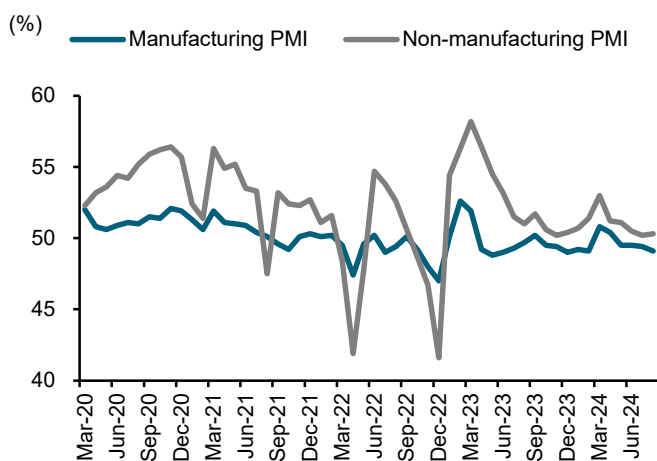
Stimulus packages to help China’s economic slowdown

After rebounding briefly post-COVID19, the Chinese economy has faced slowing growth. Also, it struggles to reach earlier expectations this year due to weaker domestic demand, shrinking exports, and a sluggish property market. The market expected the GDP to grow at a slower pace of 4.8% y-y and 4.5% y-y in 2024-25, respectively, compared with a 5.2% growth in 2023. These pictures lead to a higher expectation from the street about stimulus packages from both the government and the People’s Bank of China (PBoC). Lately, the PBoC announced its monetary policy easing packages, comprising of

- A seven-day reverse repurchase rate cut to 1.5% from 1.7%.
- A decrease in the RRR by 0.5% (not applying to small banks), unleashing CNY1t (USD142b) in liquidity. The PBoC may also cut the RRR further this year by another 0.25-0.5%.
- A potential cut for Medium-term lending facility (MLF) by 0.3%.
- A cut in the minimum down-payment ratio to 15% from 25% for second-home buyers.
- A lower loan prime rate (LPR) and deposit rates by 0.2-0.25%.
- A 100% loan coverage by the PBOC for local governments buying unsold homes with cheap funding, up from 60%.
- Capital market supports, with a CNY500b (USD71b) swap program providing financial institutions with easier access to funding for stock purchases and CNY300b (USD42.6b) in low-interest loans available for share buybacks and other corporate finance activities.

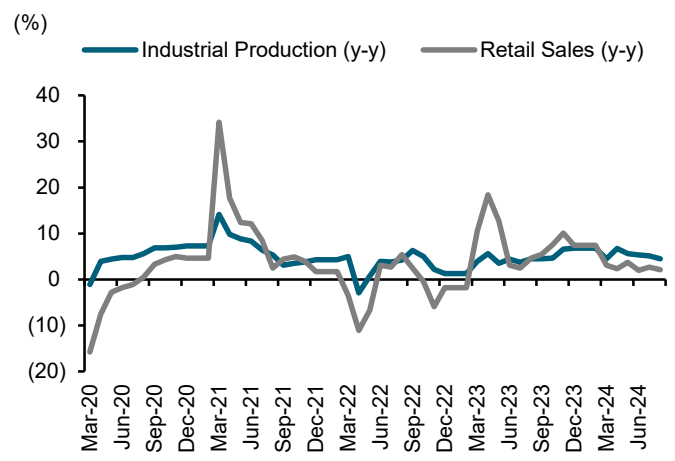
In addition, China announced one-off cash handouts for five million people in extreme poverty, with the Politburo committing to increasing fiscal spending to support the economy and meet the growth target. These stimulus packages should help the Chinese economy to achieve a stronger recovery. If the results remain unsatisfactory, we believe additional measures will be added in the future. Thailand should see some benefit from a more robust growth in China.

Exhibit 7: Slow China’s PMIs



Source: Bloomberg

Exhibit 8: China’s industrial production and retail sales



Source: Bloomberg

More predictable and better results for EMs if Harris wins the election

The 2024 US general election is scheduled for 5 November 2024. From history, although we did not see significant upward or downward trends during the US election campaigns, we saw some volatility in global equity indices in the months leading up to the vote from uncertainty over election outcomes. However, indices often rallied after elections as the uncertainty resolved and investors adjusted their expectations to new administrations' policies. For 2016, index rallies saw support from expectations of business-friendly policies and tax cuts, while the 2020 rallies were because of easing monetary policy during the COVID-19 pandemic.

For 2024, after the first debate between Kamala Harris and Donald Trump, data showed that Donald Trump's popularity had dropped to 47.1%, while Kamala Harris was 49.3%, leading by 2.2%. If Harris becomes the new US president, we think the market will feel more comfortable since many key policies should remain relatively the same as the current Biden administration. Also, she is more strategic and predictable than Trump. Moreover, the Democrat's trade and tax policies are not likely to enhance the dollar index to appreciate compared to the Republican's ones. Summaries of key policies are in Exhibit 10. Hence, emerging markets (EMs) should benefit from foreign inflows and strengthening regional currencies if Kamala Harris wins the election.

However, we believe more factors than US politics could affect the market's movements, especially the US and global economy. If the global economy remains resilient as expected while inflation continues to slow down to its 2% long-term target, these should support risky assets.

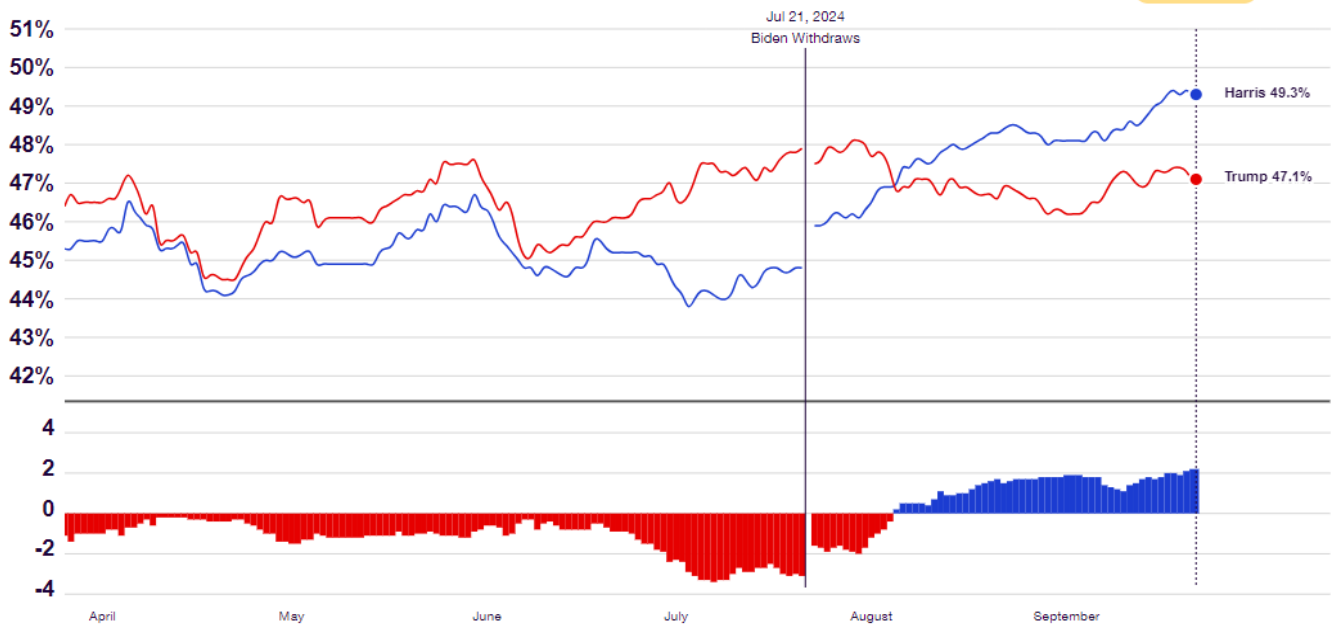
Exhibit 9: 2024 US general election popularity

Trump vs. Harris

(Trump vs. Biden Before July 21, 2024)



Harris +2.2



Source: RealClearPolitics

Exhibit 10: A comparison of Harris vs Trump key economic policies

Policies	Kamala Harris	Donald Trump
Trades	More strategic approach to targeting tariffs at industry and geopolitical rivals, including Chinese technology products	Implement 60% tariffs on all goods from China.
Taxes	Aim to raise corporate tax rate from 21% to 28% and increase individual taxes on people making more than US\$400,000 a year.	Extend his 2017 tax cuts and want to lower corporate tax rate from 21% to 15-20%.
Foreign and defense	Support Ukraine and advocate for a two-state solution between the Israelis and Palestinians, and call for an end to the war in Gaza.	Want the US to disentangle itself from conflicts elsewhere in the world. Negotiate with Russia to end the war in Ukraine.
Jobs and wages	Aim to increase minimum wage to US\$15 per hour and create green jobs	Deregulation to promote business growth; create jobs through energy and manufacturing.
Climate and environment	Support aggressive climate actions, renewable energy, reducing carbon emissions, and investing in green jobs.	Aim to cancel Biden's climate law. Support fossil fuel industries, expand oil and gas production.

Source: FSSIA summarizes

Exhibit 11: 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

Thailand’s economic recovery remains on track, with higher expectations for the new government’s economic policies.

After Thai political issues were resolved, the street shifted its focus to the economic outlook, with higher expectations of various stimulus packages from the new cabinet, both short and long-term. Overall, the Thai economy gradually recovered in 1H24 in line with the street expectation of 1.9% y-y. We should continue to see gradually higher GDP growth in 2H24, expecting 2.6% y-y and 3.6% y-y increases, respectively, for 3Q-4Q24, and a full-year number of 2.6% y-y. For the flooding situation, we think the overall impact on the Thai economy might not be severe right now. The market expected a negative effect of c0.1-0.2%, which could be offset by the first THB145b cash handout in late September 2024 for 14.5m people, including fragile and disabled Thai citizens, which the government expected to add c0.35% to GDP growth. However, as we continue to monitor the flooding situation, if it worsens or expands into other key provinces or regions, the economic impact could be harder than anticipated.

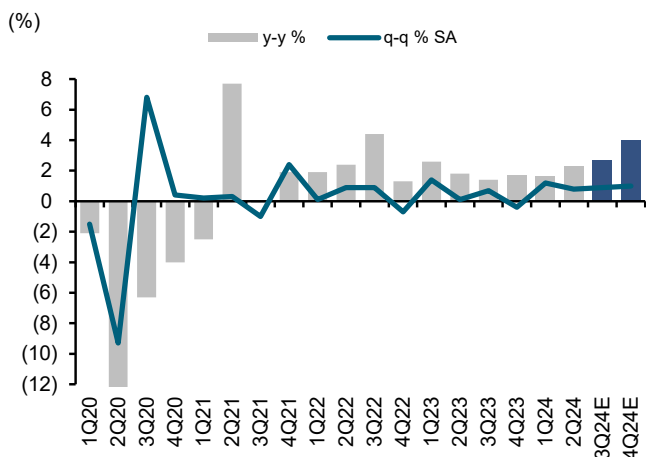
For 2025, the Bank of Thailand (BoT) expected the Thai GDP growth to accelerate to 3% y-y, with more balanced growth from key engines. To elaborate, most of the GDP growth in 2024 should be driven mainly by domestic consumption and exports, while public spending and investment are likely to slow due to a delayed 2024 fiscal budget approval. In addition, the remaining c25-30m people still have some chance to receive the money in 2025 via a digital wallet funded by the 2025 fiscal budget. Based on the latest registrations, the government expected that the total handout under this program, including phase one in 2024, might not exceed THB400b, which is below the previous target of THB450b. Hence, the positive impact on GDP might be slightly lower than 1.2-1.8% and c0.6%, respectively, on a full-year basis, based on the previous forecast of the Ministry of Finance and the BoT.

Exhibit 12: 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	2.3-2.8	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	0.3	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)	(0.7)	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	0.4-0.9	0.6	1.3
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	2.3	-	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	36.5	35.5	39.5

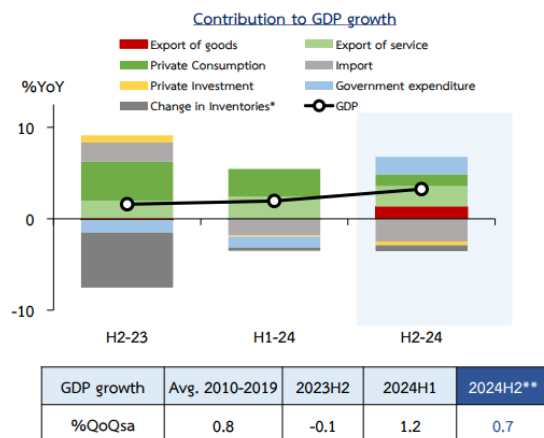
Note: 2024 NESDC and BoT projections do not include the digital wallet scheme
Sources: NESDC and BoT

Exhibit 13: TH quarterly GDP growth to accelerate in 2H24 and normalize in 2025



Sources: NESDC and Bloomberg

Exhibit 14: More balanced growth drivers



Note: * including statistical discrepancy or CVM additive error
** calculated using GDP forecast published in MPR2/67

Source: BoT

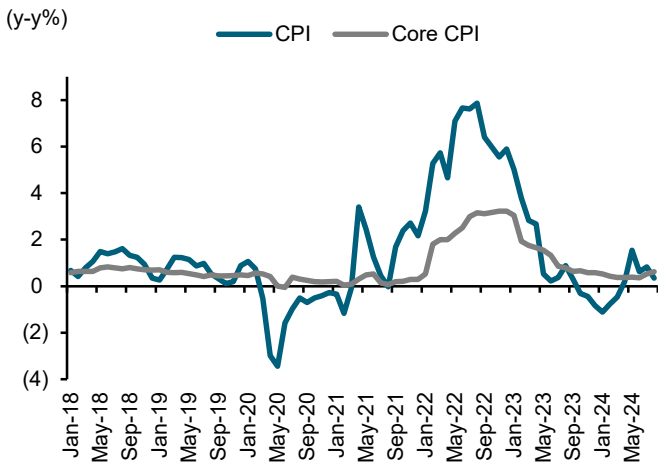
Expect the BoT to hold rates; the soonest rate cut might be in December

In terms of interest rates, the BoT hinted that the door for rate cuts was wider in the last meeting. The statement noted that monitoring downside risks from private investment and consumption and the financial conditions for SMEs and vulnerable households was crucial since they had tightened somewhat. Moreover, the cash handout program focused more on fragile groups, and the total amount should be lower than the previous target by 10-20%. However, we expect the Thai central bank to hold its policy rate at 2.5% at the October meeting as it waits for more information, both economic and inflation numbers, from the result and effectiveness of the first THB145b cash handout. If the Thai economy continues to recover in line with its projection, we think it is reasonable for the BoT to continue holding the rate at 2.5% this year and next. On the other hand, if 3Q24 GDP growth comes below expectations, followed by a poorer 4Q24 outlook, while the inflation rate does not gradually increase as expected and is still way below the lower bound of the target rate of 1%, the MPC might consider lowering its policy rate in December 2024. Note that our assumption calls for the BoT to keep its policy rate unchanged at 2.5% in 2024-25, while the Bloomberg consensus expects two rate cuts within 2025.

In terms of THB appreciation, the Thai Baht might appreciate further in 4Q24-1Q25, thanks to a high tourism season, upward economic growth, and foreign fund inflows. However, the BoT used to say that the exchange rate was not its primary objective of monetary policy. In addition, historical data showed that the movements of THB appreciation or depreciation align with GDP growth. Hence, we do not expect the BoT to cut rates only to support Thai Baht.

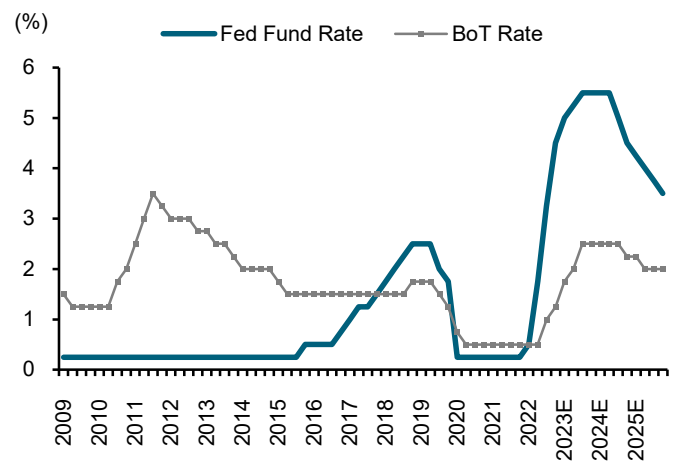
If the Thai central bank cuts the rate at its upcoming meeting, it would surprise the market and negatively impact banks' earnings. However, it would be positive for the finance sector and benefit the capital market. We expect every 25 bps interest rate cut to provide an upside to the SET index by 40-50 points thanks to a wider earnings yield gap.

Exhibit 15: TH CPI and Core CPI



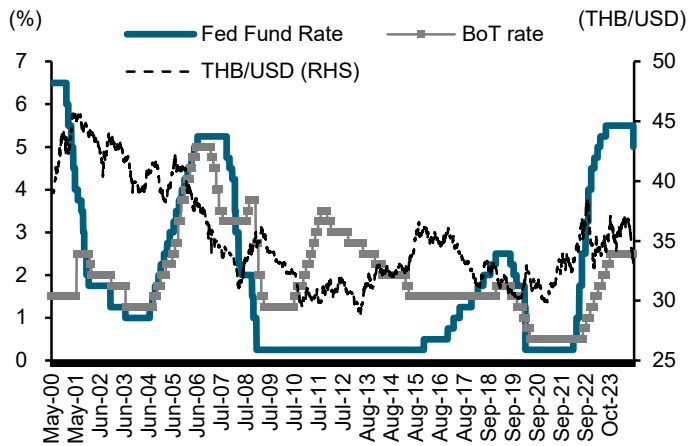
Source: Ministry of Commerce

Exhibit 16: Fed fund rate vs BoT rate



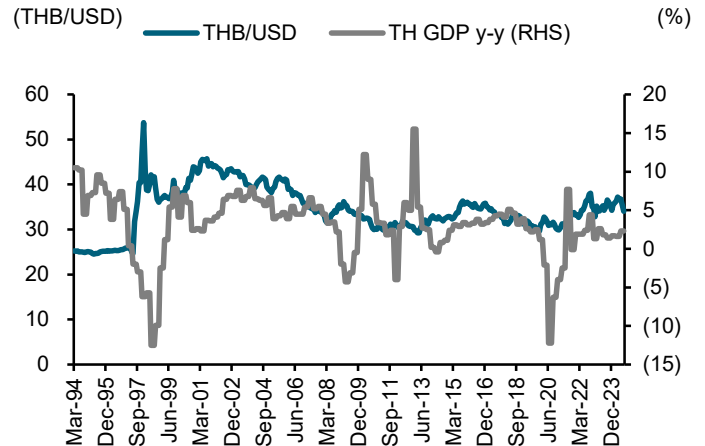
Source: FOMC and Bloomberg

Exhibit 17: THB vs Fed fund rate and BoT rate



Source: Bloomberg

Exhibit 18: THB vs TH GDP growth



Source: Bloomberg

Exhibit 19: SET index and fund flows vs Fed's rate cuts

Start date	Interest rate		SET index						Fund flow (USD m)					
	From	To	+1D	+1W	+1M	+3M	+6M	+12M	+1D	+1W	+1M	+3M	+6M	+12M
31-Jul-19	2.50%	0.25%	0.3%	-2.1%	-3.0%	-6.1%	-10.7%	-22.9%	(5.8)	(360.5)	(1,817.5)	(2,340.3)	(4,121.0)	(18,017.4)
18-Sep-07	5.25%	0.25%	0.0%	4.2%	10.2%	1.9%	0.5%	-24.6%	(25.4)	100.4	455.4	(834.5)	(1,425.5)	(4,857.0)
3-Jan-01	6.50%	1.00%	1.1%	10.8%	24.1%	7.8%	19.8%	13.4%	(5.8)	49.5	155.4	(42.9)	(33.4)	(166.9)
29-Sep-98	5.50%	4.75%	-0.1%	-3.6%	29.3%	41.0%	43.6%	50.8%	-	-	-	-	(40.0)	25.6
6-Jul-95	6.00%	5.25%	-0.2%	2.6%	-5.1%	-8.1%	-4.6%	-12.1%	-	-	-	-	-	-
5-Jun-89	9.75%	3.00%	-1.8%	1.0%	7.3%	21.5%	36.2%	79.3%	-	-	-	-	-	-
19-Oct-87	7.25%	6.50%	-2.9%	-15.5%	-35.7%	-34.0%	-16.5%	-6.3%	-	-	-	-	-	-
Average			-0.5%	-0.4%	3.9%	3.4%	9.7%	11.1%	-	-	-	-	-	-

Sources: Bloomberg and FSSIA

Exhibit 20: SET index and fund flows vs BoT's rate cuts

Start date	Interest rate		SET index						Fund flow (USD m)					
	From	To	+1D	+1W	+1M	+3M	+6M	+12M	+1D	+1W	+1M	+3M	+6M	+12M
7-Aug-19	1.75%	0.50%	-0.1%	-3.1%	-0.1%	-2.8%	-8.1%	-20.2%	(117.0)	(457.2)	(1,569.9)	(2,185.6)	(4,059.7)	(11,054.6)
30-Nov-11	3.00%	1.50%	0.7%	4.3%	3.6%	17.5%	16.8%	32.5%	25.4	309.4	442.4	2,099.3	2,732.2	2,095.4
3-Dec-08	3.75%	1.25%	1.4%	9.4%	16.2%	7.5%	48.3%	79.1%	(38.0)	(253.9)	(398.3)	(603.7)	90.3	1,096.3
17-Jan-07	5.00%	3.25%	-0.7%	-0.8%	4.9%	5.6%	30.7%	18.0%	33.3	96.5	630.0	1,012.2	3,719.0	528.9
25-Dec-01	2.50%	1.25%	-0.1%	0.6%	10.6%	28.9%	30.4%	16.2%	1.0	(9.5)	162.2	429.1	699.5	338.4
Average			0.3%	2.1%	7.0%	11.3%	23.6%	25.1%						

Sources: Bloomberg and FSSIA

Expect a recovery in Banks' 3Q24 earnings while asset quality remains manageable

Based on our latest banking sector report, we expect the seven banks under our coverage to post rises in their aggregate 3Q24 net profit by 1.3% q-q and 7.5% y-y, amounting to THB54.2b. The q-q recovery should come from higher non-NII, particularly fee income, lower ECLs, and relatively flat operating expenses. The aggregate cost-to-income ratio should be flat q-q at 43.5% in 3Q24. The expected PPOP is relatively stable q-q but rises by 2.5% y-y, amounting to THB116.3b. For the q-q comparison, we project all banks to post a net profit increase except for TISCO, BBL, and KBANK, which should see a decrease. KKP and SCB should perform the best, while TISCO should perform the worst.

In terms of asset quality, it is less concerning in 3Q24, with no alarm for the large corporate segment. New NPL formations and stage 2 loans have continually increased from 2Q24 due to a slow, uneven economic recovery and high household debts. However, we view this as manageable.

We think our 2025-26E net profit might have upside risks from upcoming stimulus packages, which lead to the recent upgrade on our sector weight call from Underweight to NEUTRAL.

Exhibit 21: 3Q24 earnings preview of Thai banks under coverage

	3Q24E	2Q24	Change	3Q23	Change	9M24E	Change	2023	2024E	Change
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(y-y %)	(THB m)	(THB m)	(y-y %)
BBL	11,475	11,807	(2.8)	11,350	1.1	33,806	3.2	41,635	42,037	1.0
KBANK	12,350	12,654	(2.4)	11,282	9.5	38,489	16.6	42,405	47,020	10.9
KTB	11,261	11,195	0.6	10,282	9.5	33,535	9.9	36,616	37,621	2.7
SCB	11,150	10,014	11.3	9,663	15.4	32,445	(0.3)	43,521	41,170	(5.4)
TTB	5,367	5,356	0.2	4,735	13.3	16,057	18.1	18,463	21,336	15.6
KKP	919	769	19.5	1,268	(27.5)	3,194	(32.9)	5,418	4,281	(21.0)
TISCO	1,695	1,749	(3.1)	1,874	(9.6)	5,177	(6.2)	7,301	6,935	(5.0)
Coverage	54,217	53,543	1.3	50,454	7.5	162,703	6.6	195,359	200,401	2.6

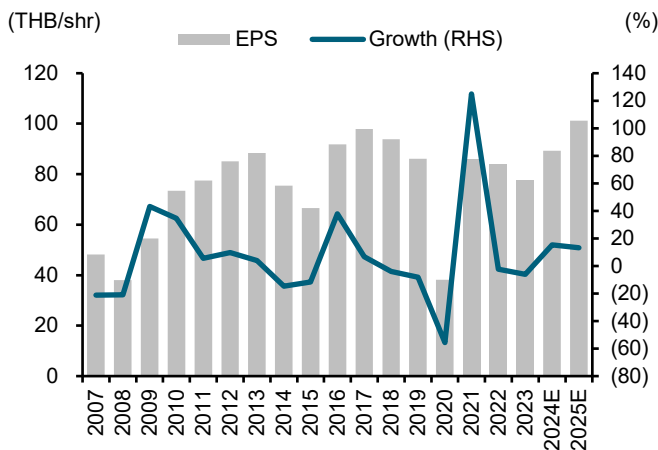
Sources: Company data; FSSIA estimates

Limited downside for the SET index thanks to VAYU1; maintain 2024 index target of 1,470

We maintain our 2024 SET target of 1,470 due to limited downside risks. The index had a strong rally of over 10% during the last six weeks and has limited short-term upside compared with our target. It should move sideways to cool down its technically overbought signal, with a support level at c1,440 and c1,400. However, the returning Vayupak Fund 1 (VAYU1) would be one crucial factor that enhances the Thai stock market. The fund recently finished fundraising with a successful amount of THB150b to start investing in 4Q24. The VAYU1 aims to invest in highly secure securities with a significant focus on ESG. We maintain our positive view that it should support a sharp recovery and limit the downside for the SET Index. We provide a set of stocks that could be targets of the fund, including ADVANC, AP, BAM, BBL, BCH, BDMS, BJC, CPALL, CPN, HMPRO, ICHI, INTUCH, KBANK, KTB, MEGA, MINT, OSP, SC, SIRI, TISCO, WHA, WHAUP, PR9, DIF, 3BBIF, TFFIF, AIMIRT, CPNREIT, LHHOTEL, LHSC, and WHAIR.

In the longer term, we think the SET index still has an attractive valuation, with 2025 PER of c14.3x, SD -1 from its historical average. Also, the index has an earnings yield (EY) gap of c4.5%, SD +1 from its historical average. Our preliminary 2025 SET target is c1,600, based on 2025E EPS of THB101.4 and a targeted PER of 16x. The index has passed its bottom at 1,273.17 in early August 2024. We still prefer domestic-related sectors such as banking, commerce, food, financial services, property, tourism, and healthcare. Our top picks are AOT, CHG, CPALL, CPN, GPSC, KCG, KTB, MTC, NSL, SHR, and TU.

Exhibit 22: SET EPS



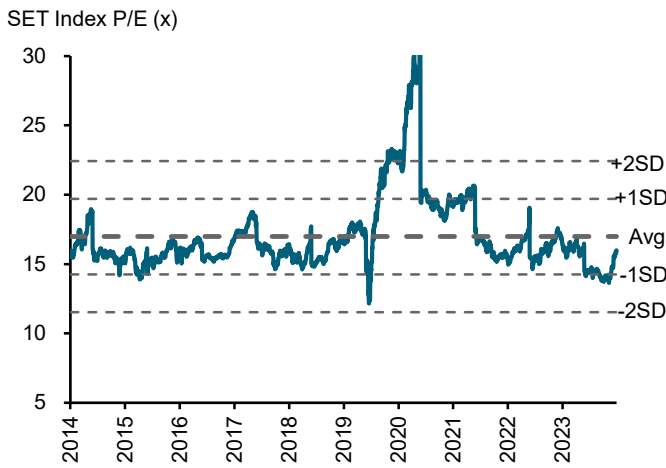
Sources: Bloomberg; FSSIA estimates

Exhibit 23: SET target sensitivity

		----- Earnings per share -----	
		2024E	2025E
EPS		90.0	101.4
		- Target index based on FSSIA estimates -	
P/E (x)		2024E	2025E
SD+0.5	18.3	1,651	1,859
SD+0.25	17.7	1,590	1,790
10-year average	17.0	1,529	1,721
SD-0.25	16.3	1,467	1,652
SD-0.5	15.6	1,406	1,583
SD-1.0	14.3	1,284	1,446
SD-1.5	12.9	1,161	1,308

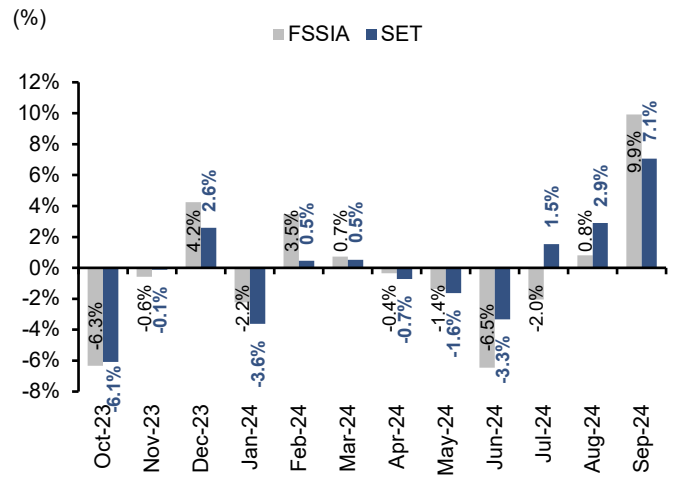
Sources: Bloomberg; FSSIA estimates

Exhibit 24: SET historical forward PER



Sources: Bloomberg and FSSIA

Exhibit 25: Monthly return of FSSIA's portfolio vs SET index



Sources: SETSMART and FSSIA

Exhibit 26: 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 (THB)	Target (THB)		24E (THB m)	25E (THB m)	24E (y-y%)	25E (y-y%)	24E (x)	25E (x)	26E (x)					
Airports of Thailand	AOT TB	63.50	65.00	2	19,192	25,172	107.5	31.2	47.3	36.0	29.5	7.0	0.9	16.0	A	★★★★
Chularat Hospital	CHG TB	2.74	3.60	31	1,203	1,388	15.0	15.4	25.0	21.7	19.7	3.8	2.4	15.5	-	★★
CP All	CPALL TB	66.00	79.00	20	23,640	27,447	30.3	16.1	25.1	21.6	19.2	5.3	2.0	20.2	AAA	★★★★
Central Pattana	CPN TB	66.00	83.00	26	16,807	17,997	12.1	7.1	17.6	16.5	15.7	2.9	2.8	17.4	AA	★★★★★
Global Power Synergy	GPSC TB	47.00	59.00	26	4,938	6,866	27.9	39.0	26.8	19.3	0.0	1.2	3.2	4.6	AA	★★★★
KCG Corporation	KCG TB	9.85	13.00	32	369	428	25.8	16.1	14.6	12.5	10.8	1.8	3.6	13.2	-	-
Krung Thai Bank	KTB TB	20.70	19.90	(4)	37,621	38,760	2.7	3.0	7.7	7.5	6.0	0.7	4.3	9.1	AAA	★★★★
Muangthai Capital	MTC TB	49.25	62.00	26	6,292	8,142	28.2	29.4	16.6	12.8	10.9	2.8	0.5	18.1	A	★★★★
NSL Foods	NSL TB	35.75	43.00	20	523	591	56.9	13.1	20.5	18.1	15.9	6.0	2.8	31.3	-	-
S Hotels and Resorts	SHR TB	2.34	3.80	62	271	457	239.6	68.5	31.0	18.4	14.9	0.5	1.3	1.7	A	★★
Thai Union Group	TU TB	14.70	17.30	18	5,043	5,593	nm	10.9	13.6	12.2	11.1	1.2	4.1	8.7	-	★★★★

The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also AOT's Chairman of Board of Directors.
 Share prices as of 26 Sep 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 (50-59), 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 Sustainalytics	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 border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
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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 border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <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> </tbody> </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 63.50	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.
Chularat Hospital	CHG TB	THB 2.74	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
CP All	CPALL TB	THB 66.00	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 66.00	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 47.00	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 9.85	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.
Krung Thai Bank	KTB TB	THB 20.70	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Muangthai Capital	MTC TB	THB 49.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
NSL Foods	NSL TB	THB 35.75	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.
S Hotels and Resorts	SHR TB	THB 2.34	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.
Thai Union Group	TU TB	THB 14.70	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 26-Sep-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.