FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

Thailand Market Strategy

หาโอกาสในท่ามกลางความไม่แน่นอน

- เราคาดว่าเศรษฐกิจโลกจะยังเติบโตในเกณฑ์ดีและนโยบายการเงินจะผ่อนคลายต่อเนื่องในปี 2025 ในขณะที่มีความเสี่ยงสำคัญอยู่ที่การกลับมาของนโยบายการค้าของทรัมป์และประเด็นในด้านภูมิรัฐศาสตร์
- เศรษฐกิจไทยคาดว่าจะฟื้นตัวต่อเนื่องโดยจะสมดุลมากขึ้นในทุกเครื่องยนต์ทางเศรษฐกิจจากการลงทุนที่เพิ่มขึ้นและการบริโภคที่ฟื้นตัว
- เป้า SET ในปี 2025 ของเราอยู่ที่ 1,600 จุด โดยมีหุ้นเด่นในปี 2025 ประกอบด้วย BA CHG CPALL KTB MTC NSL RBF SEAFCO SHR และ WHA

คาดเศรษฐกิจโลกจะฟื้นตัวดีและนโยบายการเงินจะผ่อนคลายต่อในปี 2025

เราคาดว่า GDP โลกจะฟื้นตัวต่อเนื่องหลัง IMF คาดว่าเศรษฐกิจโลกจะโต 3.2% y-y ในปี 2025 เศรษฐกิจของประเทศที่พัฒนาแล้วน่าจะฟื้นตัวดีโดยเฉพาะสหรัฐฯ ในขณะที่ยุโรปและญี่ปุ่นมีแนวโน้มที่จะโตในอัตราที่สูงขึ้นโดยได้ปัจจัยหนุนจากการผ่อนคลายนโยบายทางการเงินอย่างต่อเนื่องของธนาคารชาติสำคัญ ๆ อาทิเช่น FED และ ECB ยกเว้น BoJ ที่คาดอยู่ในช่วงดอกเบี้ยขาขึ้น ในขณะที่ประเทศเกิดใหม่และกำลังพัฒนาในเอเชียคาดว่าเศรษฐกิจจะโตในอัตราที่ลดลงเล็กน้อยแต่ยังอยู่ในเกณฑ์ดีอาทิเช่น จีนและอินเดีย ในขณะที่อาเซียนอาจหนุนการเติบโตของภูมิภาคผ่านการท่องเที่ยวที่ฟื้นตัวดีและการใช้จ่ายในด้านสาธารณูปโภค

เศรษฐกิจไทยน่าจะโตอย่างมีสมดุลมากขึ้นในทุกเครื่องยนต์ทางเศรษฐกิจโดยเฉพาะในด้านการลงทุน

สภาพัฒน์ฯและ ธปท. คาดว่า GDP ของไทยจะโต 2.8-2.9% y-y ในปี 2025 จากสัดส่วนของการบริโภคในภาคเอกชน การส่งออกและการใช้จ่ายภาครัฐที่มีความสมดุล การลงทุนน่าจะเป็นปัจจัยหนุนการเติบโตสำคัญจากทั้งด้านโครงสร้างพื้นฐาน รวมถึงความเชื่อมั่นภาคธุรกิจที่สูงขึ้นจากสัญญาณบวกของการส่งเสริมการลงทุนของ BOI ที่เพิ่มขึ้น สำหรับ ธปท. เราคิดว่าประตูสำหรับการปรับลดอัตราดอกเบี้ยเพิ่มอีก 25-50 bps ในปี 2025 ยังเปิดอยู่ถ้าเศรษฐกิจยังโตต่ำและสภาวะการเงินยังตึงตัวโดยเฉพาะด้านการบริโภคในประเทศ ทั้งนี้เราคาดว่าการปรับลดอัตราดอกเบี้ยน่าจะเกิดขึ้นใน 2Q25 เป็นอย่างเร็ว

ความเสี่ยงสำคัญอยู่ที่นโยบายการค้าของทรัมป์และความตึงเครียดในด้านภูมิรัฐศาสตร์

มีความไม่แน่นอนบางประการในปี 2025 จากการกลับมาเป็นประธานาธิบดีสหรัฐฯ ของโดนัลด์ ทรัมป์เนื่องจากการกลับมาของนโยบายการค้าของทรัมป์อาจกระทบห่วงโซ่อุปทานและเศรษฐกิจโลก ความเสี่ยงดังกล่าวอาจส่งผลกระทบเชิงลบต่อการส่งออกของไทยและเสถียรภาพทางเศรษฐกิจของโลกในภาพรวมในทางอ้อม ในทางตรงกันข้ามไทยอาจได้ประโยชน์จากการย้ายฐานการผลิตและอาจได้คำสั่งซื้อเพิ่มจากสหรัฐฯ อีกปัจจัยเสี่ยงจะอยู่ที่ประเด็นในด้านภูมิรัฐศาสตร์ เราคาดว่าราคาน้ำมันจะทรงตัวในระดับต่ำเนื่องจากอุปทานน่าจะเพิ่มเร็วกว่าอุปสงค์ อย่างไรก็ดีความตึงเครียดทางภูมิรัฐศาสตร์ที่สูงขึ้นอาจกดดันให้ราคาพลังงานเพิ่มขึ้นและทำให้เกิดความกังวลในด้านเงินเฟ้อซึ่งอาจกระทบต่อการใช้นโยบายการเงิน

เป้า SET ในปี 2025 อยู่ที่ 1,600 จุด

เป้า SET ในปี 2025 ของเราอยู่ที่ 1,600 โดยได้มาจากสมมติฐาน EPS ในปี 2025 ที่ 98 บาทและ PER เป้าหมายที่ 16.3 เท่า Valuations ยังอยู่ในระดับที่น่าสนใจสำหรับการลงทุนในระยะยาวพร้อม Earnings yield gap ที่กว้างประมาณ 4.4% (และสูงขึ้นเป็นราว 5% เมื่อหัก DELTA) ประเด็นการลงทุนสำคัญจะอยู่ที่การกลับมาของรอบการลงทุนและการบริโภคในประเทศที่ฟื้นตัว ในขณะที่บริษัทที่มีแต้ม ESG สูงจะยิ่งน่าสนใจเนื่องจากอาจเป็นเป้าการลงทุนของ VAYU1 หุ้นเด่นในปี 2025 ของเราประกอบด้วย BA CHG CPALL KTB MTC NSL RBF SEAFCO SHR และ WHA

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 28 พฤศจิกายน 2024

Resilient growth and no recession expected for 2025 global GDP

Following a stronger-than-expected 2024E global economy, we anticipate this trend to continue into 2025, thanks to lower inflation and the downward interest rate trend. Based on the International Monetary Fund (IMF)'s October 2024 report, the world economy is projected to continue growing by 3.2% y-y, the same level compared to 2024. There are some differences in growth for each region as follows:

***Advanced economies** – Still resilient, supported by easing monetary policies*

The IMF expects the US to see resilient growth of 2.2% y-y in 2025, slowing from +2.8% y-y in 2024, sustained by strong consumption and a gradual loosening of fiscal policy, while monetary policy should continue to ease, aligning with decreasing inflation and a cooling labor market. The Eurozone, including the UK, should see moderate growth, with notable improvements thanks to the easing of inflation and monetary policy. The IMF expects the GDP growth of the region to accelerate to 1.2-1.5% y-y in 2025 from 0.8-1.1% in 2024. For Japan, the economic recovery since mid-2024 is likely to continue into 2025, thanks to both rising domestic demand and exports.

***Emerging and developing Asia** – Slightly slower growth but remain strong*

The IMF anticipates growth in this region to decelerate in 2025 but remain strong. India and China are the key drivers, but are showing signs of slowing down. The ASEAN economies are projected to continue growing strongly by 4.5% y-y in 2025, with Indonesia and Vietnam leading. Key drivers include a recovery in tourism, robust domestic demand, and ongoing infrastructure projects. Digital transformation continues to enhance productivity across the region. Risks stem from global uncertainties and trade tensions. Despite these, ASEAN's economic diversification supports its resilience.

Exhibit 1: IMF world economic outlook projections

	2023 (%)	2024E (%)	2025E (%)
World output	**3.3**	**3.2**	**3.2**
Advanced economies	**1.7**	**1.8**	**1.8**
United States	2.6	2.8	2.2
Euro area	0.4	0.8	1.2
Germany	(0.3)	0.0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
United Kingdom	0.3	1.1	1.5
Canada	1.2	1.3	2.4
Other advanced economies	1.8	2.1	2.2

	2023 (%)	2024E (%)	2025E (%)
World output	**3.3**	**3.2**	**3.2**
Emerging market and developing economies	**4.4**	**4.2**	**4.2**
Emerging and developing Asia	5.7	5.3	5.0
China	5.2	4.8	4.5
India	8.2	7.0	6.5
ASEAN-5	4.0	4.5	4.5
Emerging and developing Europe	3.3	3.2	2.2
Russia	3.6	3.6	1.3
Latin America and the Caribbean	2.2	2.1	2.5
Brazil	2.9	3.0	2.2
Mexico	3.2	1.5	1.3
Middle East and Central Asia	2.1	2.4	3.9
Saudi Arabia	(0.8)	1.5	4.6
Sub-Saharan Africa	3.6	3.6	4.2
Nigeria	2.9	2.9	3.2
South Africa	0.7	1.1	1.5
Memorandum			
Emerging market and middle-income economies	4.4	4.2	4.2
Low-income developing countries	4.1	4.0	4.7

Source: International Monetary Fund (IMF)

Easing monetary policy to continue in 2025, except for Japan

We expect key central banks around the world to continue cutting their interest rates in 2025, thanks to lower inflation conditions compared to the last 2-3 years. However, there is some uncertainty over whether the pace might be slower than the market's previous anticipation.

The US Federal Reserve (Fed) – We think the US central bank will continue lowering its interest rate in 2025 as the labor market starts to ease and inflation continues to slow on path to its target of c2%. However, there is some risk of slower rate cuts from the new US cabinet's trade and tax policies that might result in a stronger bond yield and dollar index. Meanwhile, the US inflation rate is decreasing at a slower pace compared to 1H24 and might be stickier or turn higher from the upcoming tariff hikes planned for 2025. Hence, the street expects the Fed to cut its rate by c75 bps by end of 2025 to a level of 3.75-4%, less than the previous anticipation of c125 bps.

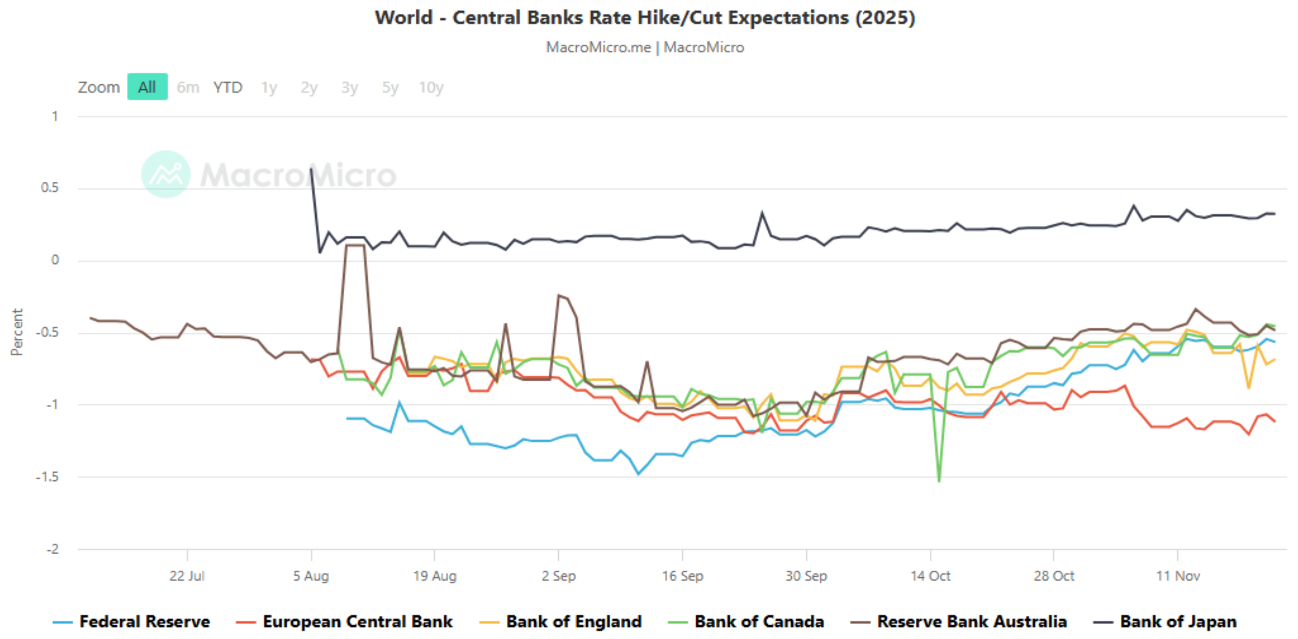
The European Central Bank (ECB) and Bank of England (BoE) – We think the European central bank will continue lowering its interest rate by 25 bps in 2024 and c100 in 2025 to meet its target of 2% to boost economies after growth slowed in 2024, especially in Germany, Italy, and France, with less concern over the inflation rate. Meanwhile, the street is expecting the BoE to cut its rate by c100 bps from the current 4.75% to c3.75% next year. However, the key concern that could pressure both central banks to lower their policy rates at a slower pace than expected is the potential of an escalation of the Russia-Ukraine war, which could be the key pressure that might push energy prices higher.

The People's Bank of China (PBoC) – We think the Chinese central bank will continue its monetary policy easing after many stimulus measures in late September 2024 to enhance domestic demand, exports, property, and the capital market. This would align with the government's public debt-restructuring program, which was released recently, in order to drive GDP growth to hit the target of c5% in 2025. Meanwhile, the return of Trump's trade policies could be another factor to hasten interest rate cuts if China's economy is hit hard.

The Bank of Japan (BoJ) – We expect the the BoJ to be only key central bank in the world to have an upward interest rate outlook, exiting from the very long negative policy rate, thanks to an acceleration of GDP growth in 2025. Meanwhile, the inflation rate that has stayed at nearly c3% y-y on average during the last two years, is likely to gradually lower to meet its 2% target, in our view.

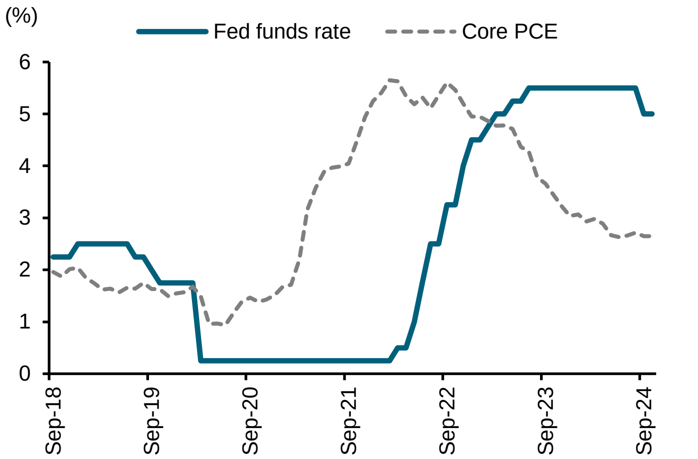
We think global bond yields should gradually lower in line with these trends and are likely to continue to benefit equity markets, especially if there is no recession as expected.

Exhibit 2: World central banks rate hike/cut expectations (2025)



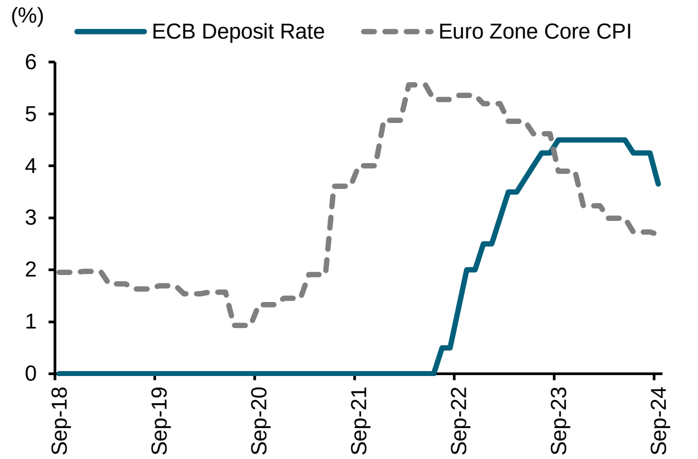
Source: MacroMicro

Exhibit 3: Core PCE and Fed funds rate



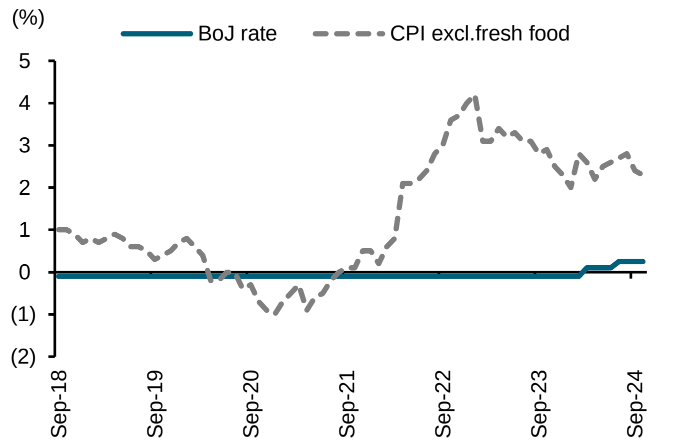
Source: Bloomberg

Exhibit 4: Core CPI and ECB deposit rate



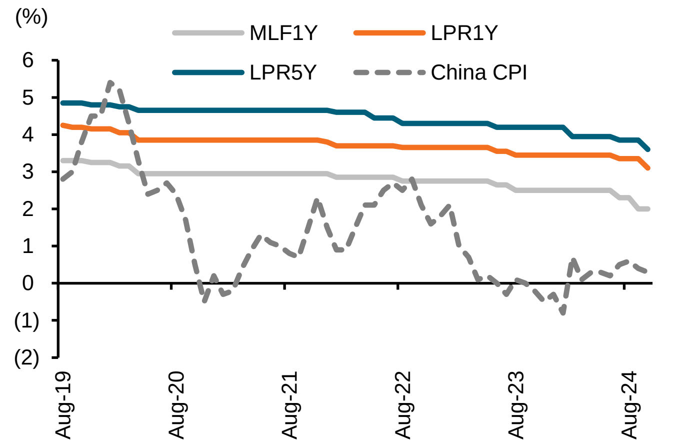
Source: Bloomberg

Exhibit 5: BoJ rate and CPI excluding fresh food



Source: Bloomberg

Exhibit 6: China's interest rates and CPI



Source: Bloomberg

Thai economic outlook 4Q24-2025; stronger investment, resilient consumption

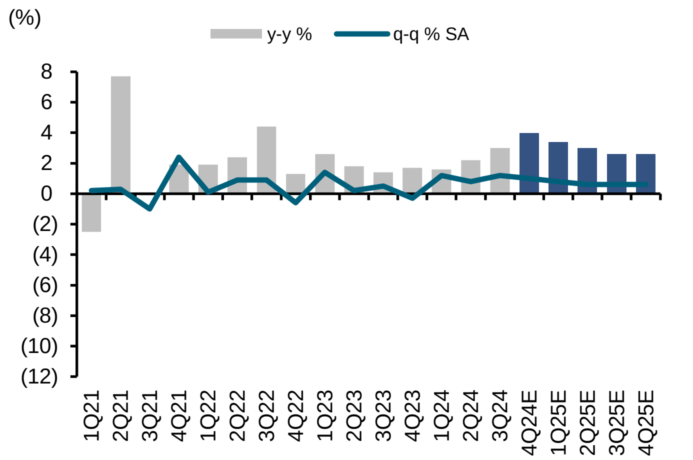
Recently, the Office of the National Economic and Social Development Council (NESDC) reported that Thai GDP grew by 1.2% q-q and 3% y-y in 3Q24, beating the street's expectation of +0.8% q-q and +2.6% y-y. The Thai economy has gradually recovered from its bottom in 4Q23 as expected, aligning with the Bank of Thailand (BoT)'s latest forecast for GDP to grow by 1% q-q per quarter and 3.5% y-y for 2H24.

The key drivers for the stronger-than-expected 3Q24 GDP growth came from public segments, both spending and investment, which jumped y-y, thanks to the acceleration of the budget disbursement for the last quarter of the fiscal year. Moreover, export segments are continuing to show a strong improvement from the resilient global economy and the recovery of the tourism industry.

For the private sector, consumption has remained resilient even if the growth number slowed from the high base last year. On the other hand, private investment remained in negative territory for two consecutive quarters at -2.5% y-y in 3Q24, in line with the lower business confidence. However, the decline narrowed from -6.8% y-y in 2Q24, and could turn around into positive territory in 4Q24.

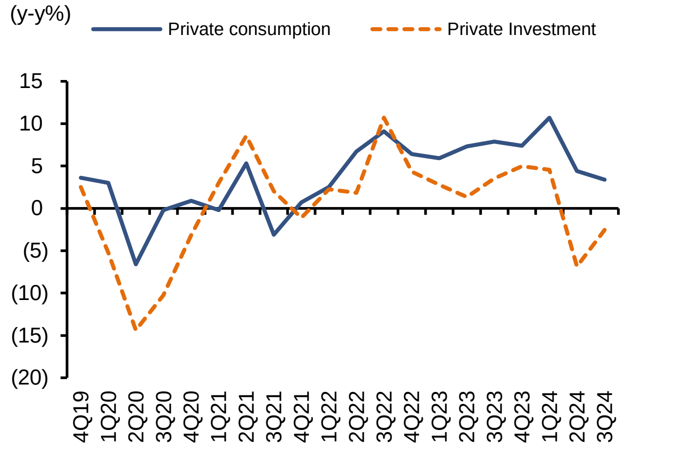
We project the Thai economy to continue to expand in 4Q24 by c1% q-q and c3.9% y-y, to deliver 2.6-2.7% y-y growth for 2024, driven by both seasonality and stimulus, which could offset the impact from the recent flooding.

Exhibit 7: Another quarter of q-q and y-y growth for TH 3Q24 GDP



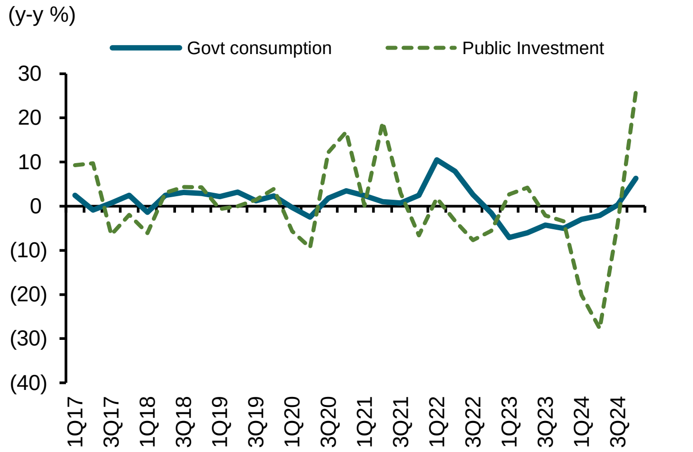
Source: NESDC

Exhibit 8: Private consumption remained resilient while investment remained negative in 3Q24



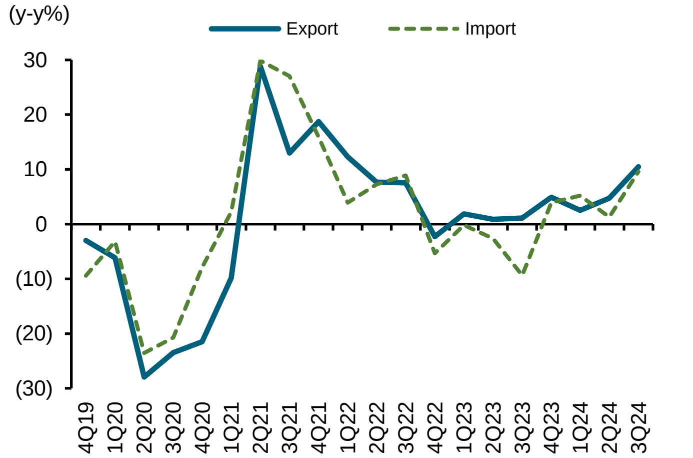
Source: NESDC

Exhibit 9: Public spending and investment jumped on acceleration of budget disbursement in 3Q24



Source: NESDC

Exhibit 10: Exports of both goods and services are solid

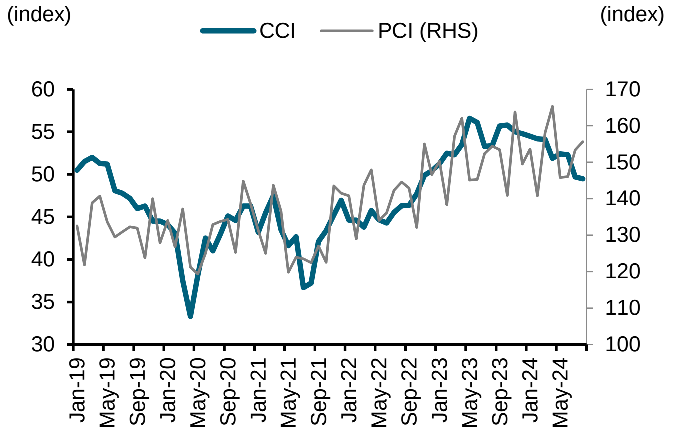


Source: NESDC

For 2025, the NESDC and BoT expect Thai GDP to grow by 2.8-2.9% y-y. We think the Thai economy will have more balanced growth from every engine, both domestic and export.

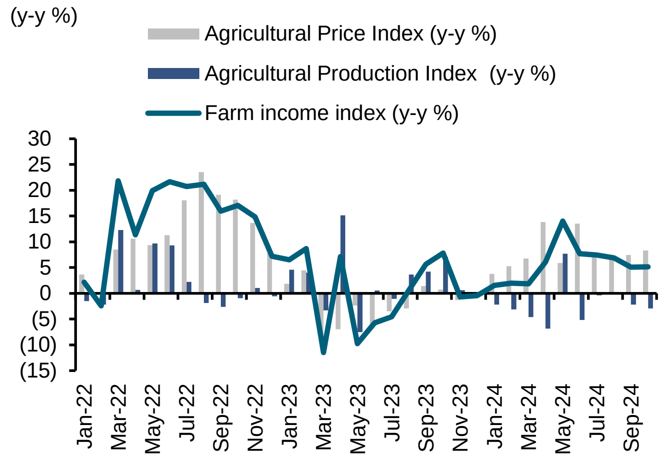
Private consumption – We expect the resilient growth to continue into 2025, though at a slightly lower level than in 2024. Key supports are the continuous release of government stimulus packages, i.e. the THB10,000 cash handout and interest suspension program, which is funded by the approved 2025 fiscal budget. Moreover, we think the minimum wage hike of THB400 per day that would likely be effective early next year, and the potentially lower interest rate would be additional drivers to enhance consumer spending.

Exhibit 11: Consumer confidence and private consumption index



Sources: MoC and BoT

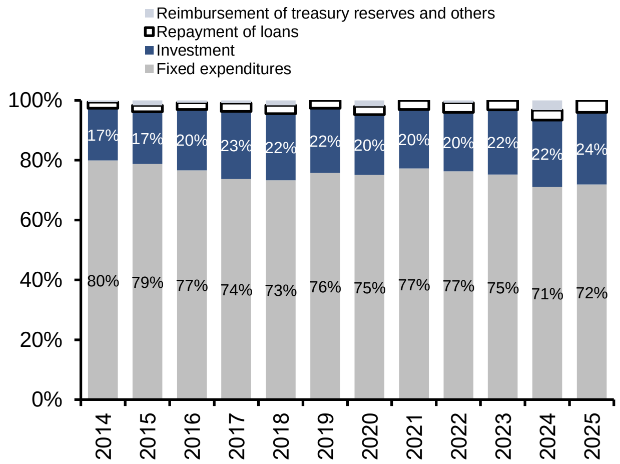
Exhibit 12: Agricultural and farm income index



Sources: OAE

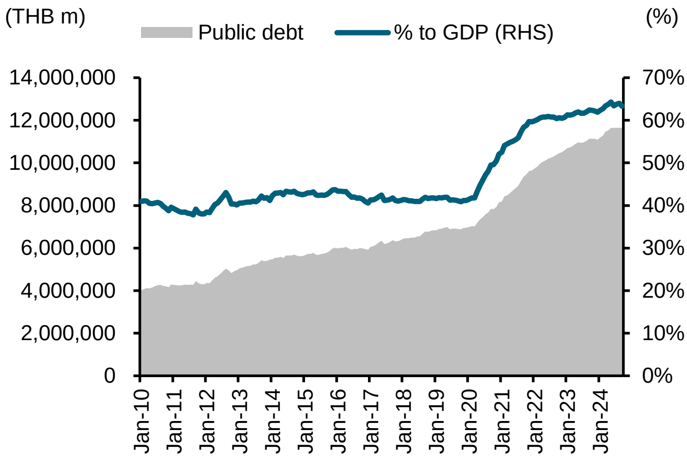
Government spending – We think government spending will not have very high growth in 2025, due to the limitation of the high public debt to GDP at c63% after the massive spending during the Covid-19 pandemic. However, we think that number will still be positive by 2.1-2.6% y-y, based on the NESDC's and BoT's projections, which are slightly below the overall GDP growth. We expect the government to continue spending through stimulus packages, focusing on at-risk groups, and enhancing consumer spending.

Exhibit 13: Thailand's fiscal budget



Source: Budget Bureau

Exhibit 14: Thailand's public debt to GDP



Source: PDMO

Investment – We expect public investment to be key driver for the Thai economy in 2025, after a hiccup in late 2023 to early 2024 from the delay of the 2024 fiscal budget. The timely approval of the 2025 fiscal budget in September 2024 should support the growth rate to accelerate to 4.5-6.5% y-y, as anticipated by the NESDC and BoT next year, which is stronger than the projected overall GDP growth. Moreover, we think the government will focus on the medium- to long-term growth potential of the country, as Thailand needs a huge and new investment cycle to tackle structural changes. We think the investment would be focused on transportation and digital infrastructure. For the private sector, we expect to see a turnaround of investment in 2025, as we expect business confidence to recover thanks to better economic conditions, a higher public budget coming to the market, and lower interest rates. The latest data from the Board of Investment (BOI) showed a significant jump in investment promotions in 9M24, especially in many targeted industries, which should be a positive sign for industrial sectors going forward.

Exhibit 15: BOI's investment promotion summary

	------------------------ Project ------------------------			------------ Investment value (THB b) ------------		
	9M23	9M24	*Change (%)*	9M23	9M24	*Change (%)*
Application for promotion	1,501.00	2,195.00	*46.2*	509.4	722.5	*41.8*
Investment Promotion Approvals	1,664.00	2,218.00	*33.3*	532.6	746.0	*40.1*
Insuance of Investment Promotion Certificates	1,304.00	2,072.00	*58.9*	335.0	672.2	*100.6*
Industry	------------------------ Project ------------------------			------------ Investment value (THB b) ------------		
	9M23	9M24	*Change (%)*	9M23	9M24	*Change (%)*
Electrical appliances and electronics	165.00	291.00	*76.0*	207.6	183.4	*(12.0)*
Automotive and parts	148.00	212.00	*43.0*	41.9	67.8	*62.0*
Agriculture and food processing	207.00	226.00	*9.0*	55.2	53.0	*(4.0)*
Biotechnology and medical	88.00	162.00	*84.0*	21.3	34.3	*61.0*
Tourism	8.00	24.00	*200.0*	13.8	22.6	*64.0*
Digital	75.00	107.00	*43.0*	3.9	94.2	*2,336.0*
Automation and robotics	13.00	17.00	*31.0*	2.5	14.1	*453.0*
Medical	42.00	65.00	*55.0*	5.3	12.2	*132.0*
Advanced technology	16.00	20.00	*25.0*	11.6	4.8	*(59.0)*
Air-conditioning	3.00	9.00	*200.0*	0.3	2.0	*485.0*
Disaster prevention	0.00	0.00	*0.0*	0.0	0.0	*0.0*
Human resources and education	0.00	1.00	*0.0*	0.0	0.0	*0.0*
Total (targeted industries)	**765.00**	**1,134.00**	***48.2***	**363.4**	**488.6**	***34.4***

Source: BOI

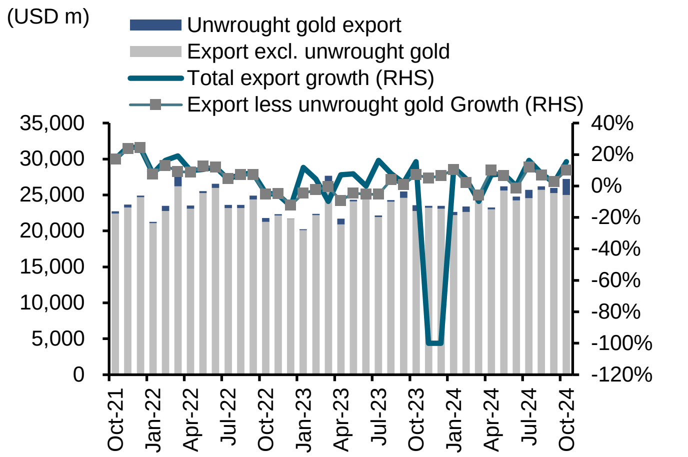
Exhibit 16: Expected mega-projects in 2024-25

Type of work	Project	Project owner	Contract value (THB m)	Project status
Motorway	Utraphimuk Elevated, Rangsit-Bang Pa-In (M5)	DOH	28,360	Under MOT proposal to Cabinet for approval
	Bang Khun Thian-Bang Bua Thong (M9)	DOH	56,035	Under MOT proposal to Cabinet for approval
Expressway	Expressway N2 (Prasertmanukit-Outer Ring Road East section)	EXAT	16,960	Further studying and plan to open for bidding in 2024
	Double Deck Expressway : Ngam Wong Wan-Rama 9	BEM	35,000	Waiting for EIA approval
Electrified Train	Brown Line : Khae Rai-Lumsalee	MRTA	41,720	Expect to propose to the Cabinet in 2Q25
	Dark Red Line : Rangsit-Thammasat University	SRT	6,468	Waiting for Cabinet approval
	Light Red Line : Taling chan-Siriraj Hospital-Salaya	SRT	15,364	
Double Track Railway	Jira Junction-Ubonratchathani	SRT	36,600	Waiting for Cabinet approval
	Pak nam Pho-Den Chai	SRT	59,300	
	Hat Yai-Padang Besar	SRT	7,860	
	Chum Phon-Surat Thani	SRT	28,000	
	Surat Thani-Had Yai-Song Khla	SRT	56,100	
	Den Chai-Chiang Mai	SRT	57,900	
Airport	Bangkok International Airport Phase 3	AOT	36,829	Design process
	Suvarnabhumi Expansion (East)	AOT	10,000	Design process
Total			**492,496**	

Sources: CK, STECON; FSSIA's compilation

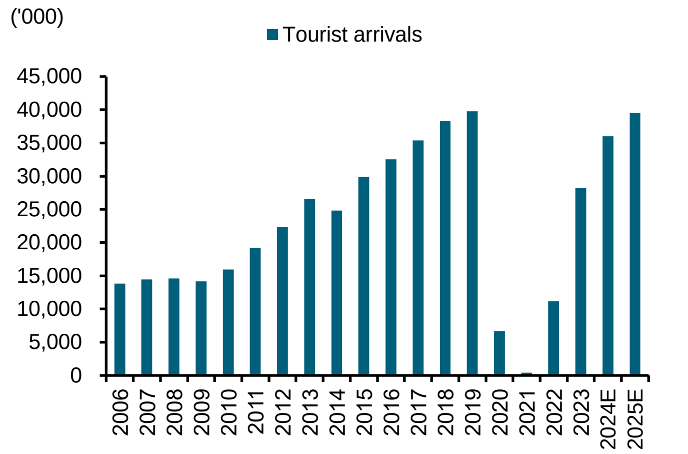
Net exports – We project a strong service export recovery in 2025, in line with the expectation of increasing international tourist arrivals to 39.5-40m, close to the pre-Covid level in 2019. Meanwhile, goods exports should see some slower growth after growing strongly this year from the stronger global economy and restocking. We think the NESDC and BoT-projected 2.6-2.8% growth in the USD export value in 2025 is still a good number, supported by the resilient global economic outlook from the downward interest rate trend. However, the key concern next year that could affect Thai exports is the return of Trump's trade policies.

Exhibit 17: Thailand's goods exports



Source: MoC

Exhibit 18: Thailand's international tourist arrivals



Source: MoTS

Exhibit 19: NESDC and BoT economic projections

	2019	2020	2021	2022	2023	-------------- NESDC --------------		------- Bank of Thailand ------	
						2024E	2025E	2024E	2025E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	2.3	(6.4)	1.5	2.6	1.9	**2.6**	**2.3-3.3**	**2.7**	**2.9**
Private consumption	4.0	(0.8)	0.6	6.3	7.1	**4.8**	**3.0**	**4.2**	**2.5**
Private investment	2.7	(8.1)	3.0	5.1	3.2	**(0.5)**	**2.8**	**(2.8)**	**2.9**
Public consumption	1.7	1.4	3.7	(0.0)	(4.6)	**1.7**	**2.1**	**2.0**	**2.6**
Public investment	0.1	5.1	3.4	(4.9)	(4.6)	**2.4**	**6.5**	**1.1**	**4.5**
Export value growth (USD b)	(3.3)	(6.5)	19.2	5.5	(1.7)	**3.8**	**2.6**	**4.8**	**2.8**
Headline inflation	0.7	(0.8)	1.2	6.1	1.2	**0.5**	**0.3-1.3**	**0.5**	**1.2**
Current account to GDP (%)	7.0	4.2	(2.0)	(3.2)	1.3	**2.5**	**2.6**	**-**	**-**
Number of tourist arrivals (m)	39.9	0.0	0.4	11.2	28.1	**36.0**	**38**	**36.0**	**39.5**

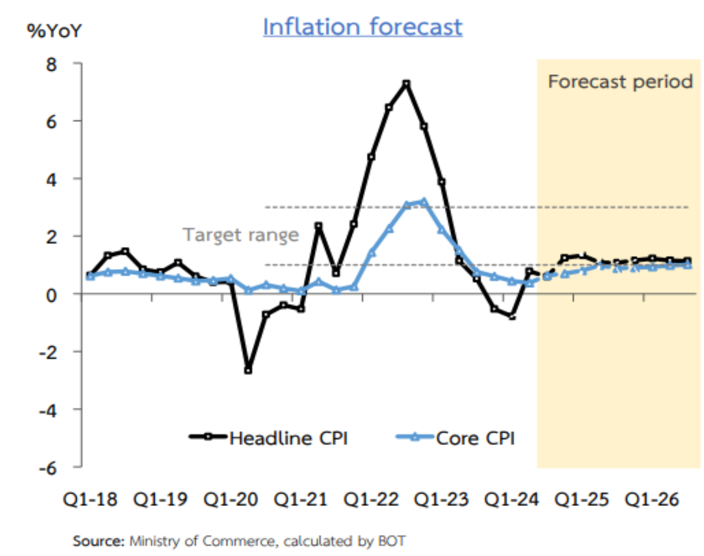
Sources: NESDC and BoT

For the BoT, the door for another rate cut is still open, but not too soon

We anticipate that the BoT will likely hold its policy rate at 2.25% in the last meeting of 2024, after the surprise cut in October 2024. We think the committee might not cut the rate further for a while, as they have commented that the key reason for cutting the rate last round was to recalibrate the policy and alleviate the debt-servicing burden for borrowers, and should not impede debt deleveraging given the expected slowdown in loan growth. In addition, the committee thinks the current policy rate remains neutral and consistent with the economic potential. Moreover, the Monetary Policy Committee (MPC) believes that the Thai economy will expand as anticipated, while headline inflation is likely to gradually return to the target range of 1-3% by the end of 2025. The deleveraging process is expected to continue. The MPC deems that a neutral stance on the policy rate remains appropriate with the economic growth and inflation outlook.

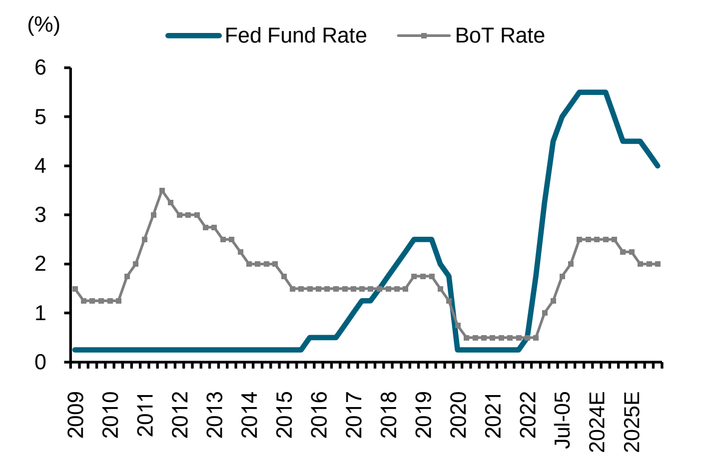
On the fiscal policy side, the government is likely to release more stimulus packages in 4Q24-2025, as well as the minimum wage hike of THB400 per day, which could raise the inflation number higher next year. However, if the Thai economy does not continue to grow strongly as the BoT expects, especially in 4Q24-1Q25, which is the high season of tourism, spending, and a lot of stimulus measures, we think the door for a further rate cut of 25-50 bps is still open for 2025. The soonest a rate cut might occur would be in 2Q25, in our view.

Exhibit 20: The BoT's TH CPI and core CPI forecasts



Source: BoT

Exhibit 21: Fed funds rate vs BoT rate



Sources: CME FedWatch Tool, FSSIA

Higher trade and geopolitical tensions are key risks

After Donald Trump won the 2024 US general election and secured his return to the presidency, the market has further reacted and priced-in his key policies. These mainly benefit the US economy, but could affect global markets, especially relating to trade. We expect that the following situations are likely to occur:

- Trump's tax cut policy and military expansion and modernization would lead to a higher budget deficit, requiring the government to issue more government bonds to the market. Moreover, the new tariff hike could lead to higher product prices. These would be reflected in higher bond yields, while the Fed's rate cut cycle might be slower than anticipated. The dollar index is likely to be higher. We think this scenario would provide negative sentiment to the finance and import sectors. Meanwhile, the banking and Thai export sectors, both goods and services, could benefit from slower rate cuts and THB depreciation.
- In terms of trade policy, Donald Trump plans to implement a 10% tariff on all imported goods and up to 60% on all goods from China, which has created fears for the market regarding global economic impacts and global trade tensions. After the first tariff was imposed in 2018, the US trade deficit with China dropped by 18% and 10% in 2019-20, respectively, before increasing during the Covid-19 pandemic in 2021-22. However, the trade deficit resumed its decline by 27% in 2023 to USD279b, lower than the 2013-17 average of USD350b.

Since the trade war started in 2018, Thailand's export value of goods dropped by 2.6% in 2019 after 6.9% growth in 2018, while the GDP growth rate decelerated from +4.2% in 2018 to +2.1% in 2019. The country's exports to China turned negative in 2019 and 2022-23, growing by only 2% CAGR during 2018-23. Meanwhile, exports to the US continued to grow strongly by 11% CAGR during 2018-23. Hence, we think that the negative impact on Thailand from tariff hikes would come indirectly from the global macro picture.

We think the escalation of trade tensions would pressure Thai exports if the US imposes tariffs on all import goods, including from Thailand, which currently has a trade surplus with the US of cUSD40b annually, as well as being indirectly affected by the global economic slowdown. On the other hand, we anticipate that Thailand could benefit from the shift in production bases as they relocate from China to ASEAN, and there is a potential to secure more orders from the US, aligning with trends in global supply chain diversification.

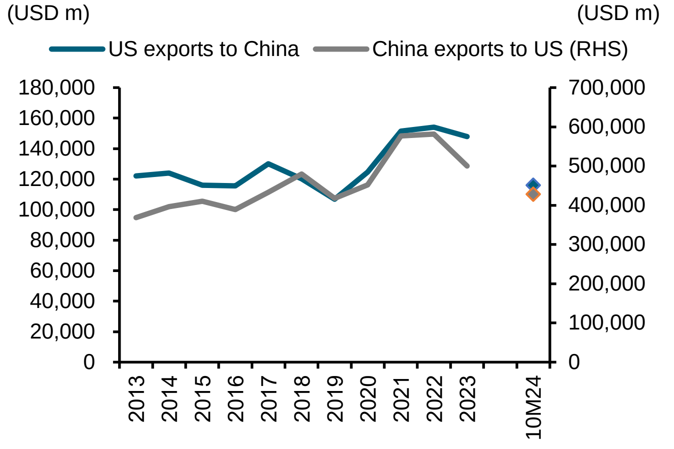
During the first year after the US announced the imposition of tariffs on steel and aluminum imports, the SET index dropped by 9.7% from the negative sentiment and the pressure from the Fed's rate hike and quantitative tightening. However, we think the market's reaction this time around might be less severe, as it would not be as surprising as in 2018. Meanwhile, the domestic economy remains on a recovery path with more stimulus packages and investment ahead. We think the SET index might retreat in the short term, but we maintain a positive view on the medium to long term. We think sectors that could outperform the market are electronics, food, ICT, healthcare, transport, commerce, finance, tourism, and Reit.

Exhibit 22: Trump's key economic policies and impacts

Policies	Donald Trump	Impact
Trade	Plan to implement a 10% universal tariff on all imported goods, and potentially up to a 60% tariff on all goods from China.	Higher product prices, which could lead to stickier inflation.
Taxes	Extend his 2017 tax cuts and lower the corporate tax rate from 21% to 15%.	Higher budget deficit and bond yields from greater supply of treasury to the market.
Foreign and defense	Wants the US to disentangle itself from conflicts elsewhere in the world. Negotiate with Russia to end the war in Ukraine.	Lower oil prices if the war ends.
Jobs and wages	Deregulation to promote business growth; create jobs through energy and manufacturing.	Benefit to domestic consumption and economy.
Climate and environment	Aims to cancel Biden's climate regulations. Support fossil fuel industries, expand oil and gas production.	Lower oil and gas prices from higher supply and production.

Source: FSSIA's summary

Exhibit 23: Exports between the US and China

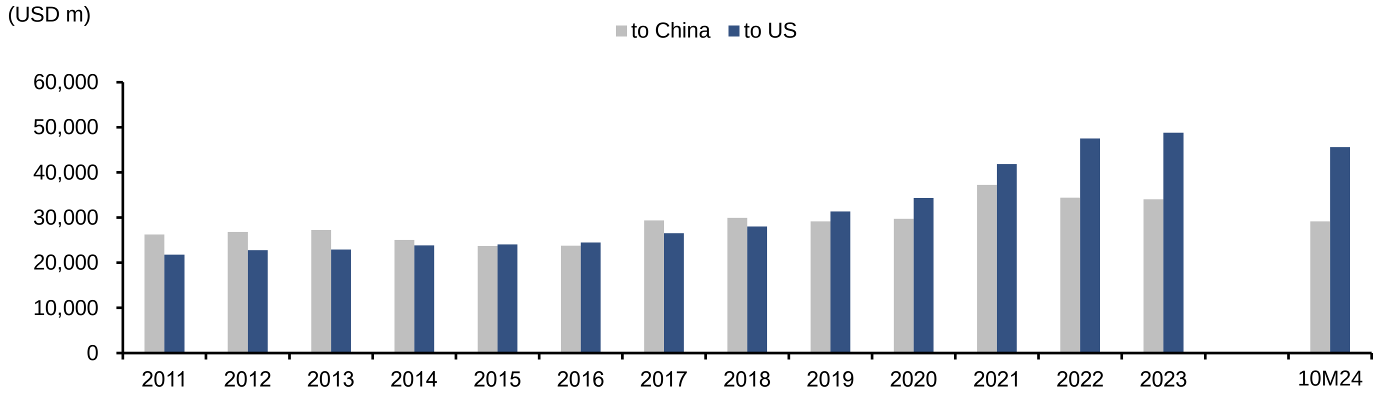


Source: Bloomberg

Exhibit 24: US trade deficit with China

Source: Bloomberg

Exhibit 25: Thailand's exports to China and the US



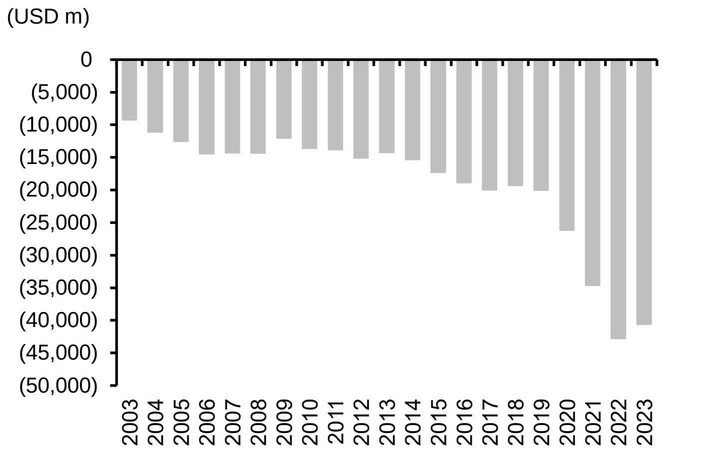
Source: Bloomberg

Exhibit 26: Thailand's top export products to the US

Product	Value 10M24 (USD m)	Growth 10M24 (%)	Share 10M24 (%)
Automatic data processing machines and parts thereof	8,650	48.4	19.0
Teleprinters, telephone sets and parts thereof	3,975	32.2	8.7
Rubber products	3,695	6.7	8.1
Semi-conductor devices, transistors and diodes	2,419	(8.2)	5.3
Electrical transformers and parts thereof	1,753	8.4	3.8
Machinery and parts thereof	1,684	19.2	3.7
Precious stones and jewellery	1,646	13.7	3.6
Motor cars, parts and accessories	1,534	24.1	3.4
Other electrical equipment and parts thereof	1,480	(1.3)	3.2
Air conditioning machines and parts thereof	1,033	(4.7)	2.3
Iron and steel and their products	1,010	(18.8)	2.2
Plastic products	865	36.4	1.9
Radio-broadcast receivers, television receivers and parts thereof	754	(9.9)	1.7
Other industrial products	747	15.1	1.6
Prepared or preserved fish, crustaceans, molluscs in airtight containers	744	4.5	1.6
Others	13,638	6.5	29.9
Summary	**45,625**	**13.8**	**100.0**

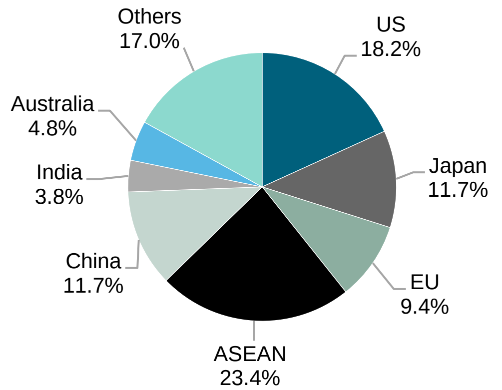
Source: MoC

Exhibit 27: US trade deficit with Thailand



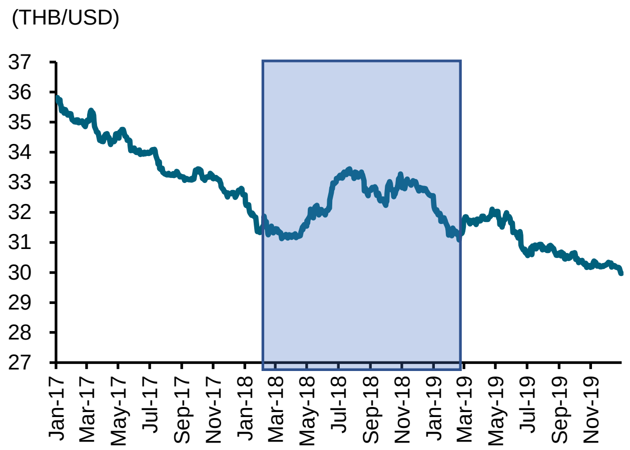
Source: Bloomberg

Exhibit 28: Thailand's exports by country (10M24)



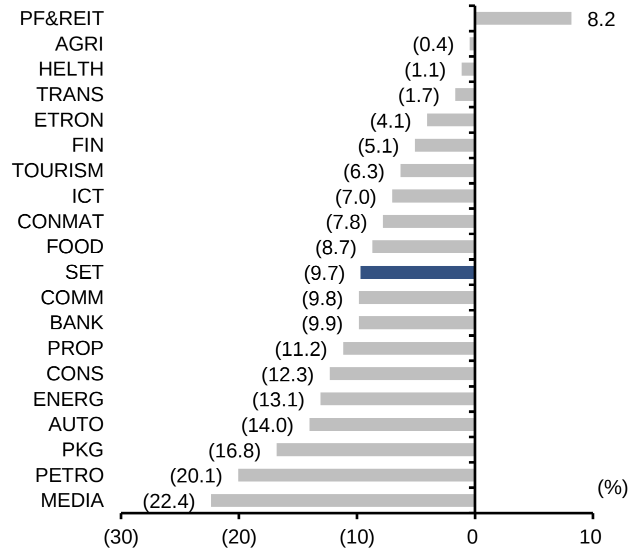
Source: Ministry of Commerce

Exhibit 29: THB/USD depreciated during 2018



Source: NESDC

Exhibit 30: Sector returns during Mar-18 to Feb-19



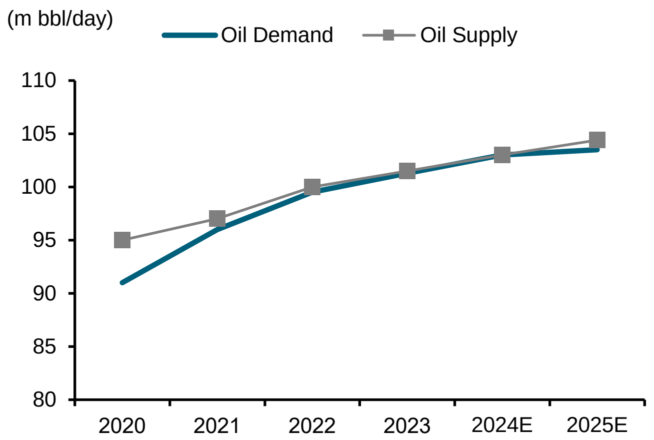
Source: SETSMART

Oil price likely to stay low on higher US production; key risk is war escalation

Based on the latest report from the International Energy Agency (IEA), world oil demand is projected to increase by 1m bbl/day in 2025 to 103.8m bbl/day. The slower growth reflects the end of the post-pandemic release of pent-up demand, as well as clean energy technology deployment. Meanwhile, global oil supply is expected to rise by 1.5m bbl/day in 2025, higher than the demand growth, leading to the prospect of more than 1m bbl/day in excess supply. To elaborate, OPEC+ has delayed the unwinding of extra voluntary production cuts to January 2025, at the earliest, while non-OPEC+ producers will likely boost supply, especially the US after Donald Trump returns as the president. We think this landscape should keep the crude price at a low level. The latest data from the Bloomberg consensus anticipates the Brent price to be at USD76 per barrel next year, down from USD81 in 2024E.

The key risk that could lead to higher-than-expected crude prices is geopolitical tensions. Recently, there has been an escalation of the Russia-Ukraine war, after the Biden administration allowed Ukraine to use US long-range missiles in Russia, while Vladimir Putin is likely to retaliate against Western countries in some form. In addition, the Middle East tensions have eased thanks to the latest ceasefire agreement between Israel and Hezbollah, but the situation might escalate in the future, as Trump could resume putting pressure on or sanctioning Iran, which is approximately the 7th largest oil producer in the world.

Exhibit 31: Global oil demand forecasts



Sources: IEA, EIA, OPEC and FSSIA compilates

Exhibit 32: Oil production by country

Ranking	Country	Yearly oil production (m bbl/day)
1	United States	14,837,639,510
2	Saudi Arabia	12,402,761,040
3	Russia	11,262,746,200
4	China	4,905,070,874
5	Canada	4,596,724,820
6	Iraq	4,443,457,393
7	Iran	4,376,194,355
8	United Arab Emirates	3,772,788,273
9	Brazil	3,242,957,836
10	Kuwait	2,990,544,137

Source: Worldometers

3Q24 earnings results missed expectations, but not that bad

Based on 153 companies in our study that reported 3Q24 earnings results, the aggregate net profit came in at THB150b (-27% q-q, -33% y-y), below expectations by 11%. However, if we exclude the energy and petrochemical sectors, which had poor results and some extra items, the overall 3Q24 net profit was in line with expectations.

The worst performers in 3Q24 were the energy, petrochemical, packaging, transportation, and automotive sectors, which reported net profits below expectations by 12-139%. Most of these sectors are related to the global economy and were pressured by lower commodity prices and spreads. However, domestic and consumption-related sectors such as banking, commerce, food, healthcare, finance, and ICT, were quite in line with expectations. Overall, 3Q24 earnings aligned with the macro economy, as domestic consumption remained resilient, even on a q-q slowdown from the low rainy season, but it still grew y-y.

Exhibit 33: 3Q24 earnings results by sector (153 companies in our study)

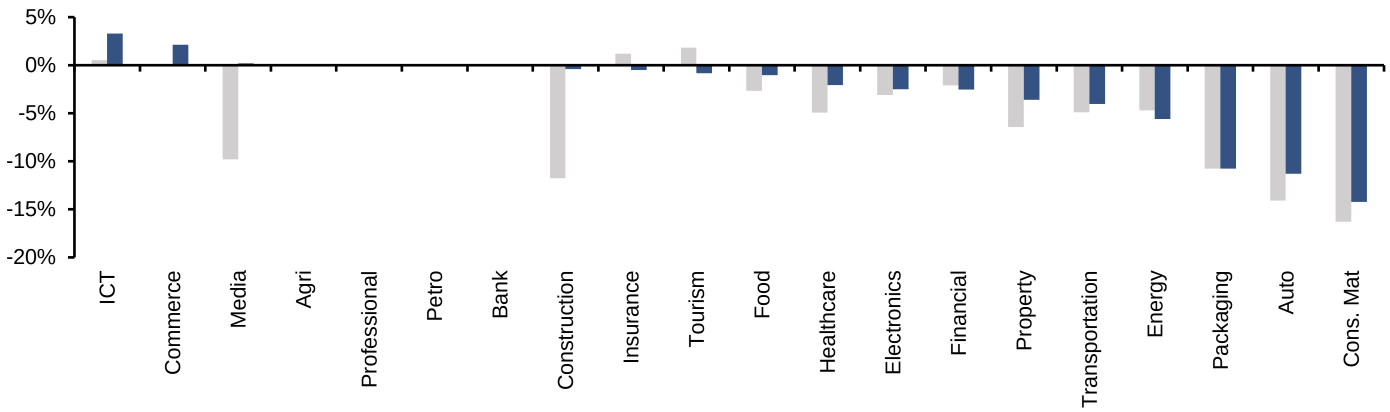
Sector	3Q24	2Q24	3Q23	----------- *Change* ---------		*Beat / Missed*	9M24	2024E	*% to 2024E*
	(THB m)	(THB m)	(THB m)	*(q-q %)*	*(y-y %)*	*(%)*	(THB m)	(THB m)	*(%)*
Bank	56,358	55,472	52,279	2	8	*2*	168,535	205,288	*82%*
Energy	25,740	77,746	95,299	(67)	(73)	*(19)*	175,033	245,300	*71%*
Property	14,344	15,407	15,165	(7)	(5)	*(4)*	43,345	60,821	*71%*
Food	14,402	14,534	2,065	(1)	598	*(2)*	35,826	41,815	*86%*
Commerce	13,667	15,399	11,506	(11)	19	*2*	44,781	64,273	*70%*
ICT	11,271	10,565	10,360	7	9	*7*	33,553	50,793	*66%*
Healthcare	7,470	6,337	7,621	18	(2)	*(4)*	21,114	30,190	*70%*
Financial	7,544	7,568	7,706	(0)	(2)	*(1)*	23,315	33,066	*71%*
Electronics	6,533	7,576	6,682	(14)	(2)	*(6)*	19,246	25,903	*74%*
Transportation	4,769	3,732	2,608	28	83	*(19)*	13,231	19,251	*69%*
Cons. Mat	1,963	4,821	3,725	(59)	(47)	*1*	10,432	23,218	*45%*
Packaging	680	1,535	1,413	(56)	(52)	*(38)*	4,047	6,415	*63%*
Construction	1,003	512	838	96	20	*8*	1,682	2,376	*71%*
Auto	691	551	1,259	25	(45)	*(12)*	2,252	4,415	*51%*
Media	620	750	721	(17)	(14)	*1*	1,789	1,142	*157%*
Agri	542	583	319	(7)	70	*(0)*	1,591	1,803	*88%*
Professional	218	210	129	4	70	*(0)*	640	920	*70%*
Tourism	(222)	3,078	2,073	(107)	(111)	*(276)*	5,476	11,103	*49%*
Petro	(17,807)	(21,150)	1,622	16	(1,198)	*(139)*	(38,430)	12,155	*-316%*
Grand Total	**149,787**	**205,228**	**223,390**	**(27)**	**(33)**	***(11)***	**567,456**	**840,245**	***68%***
Excl. Energy & Petro	141,854	148,632	126,469	(5)	12	*(1)*	430,853	582,790	*74%*
Excl. Banking	93,428	149,756	171,111	(38)	(45)	*(17)*	398,921	634,957	*63%*
Excl. Energy & Petro and Banking	85,496	93,160	74,190	(8)	15	*(3)*	262,428	377,502	*70%*

Sources: SETSMART, Bloomberg and FSSIA estimates

Some downward revisions for SET EPS by c2-4%

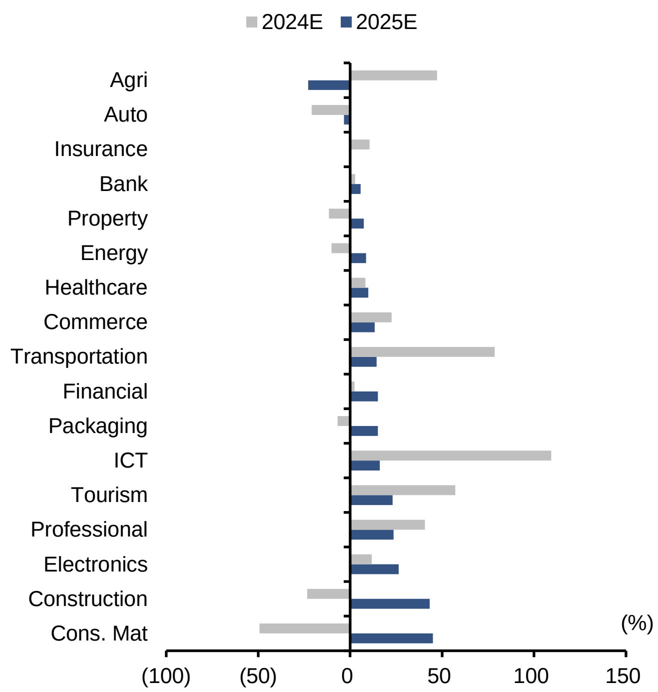
The 9M24 aggregate net profit accounted for 68% of our full-year forecast (74% excluding energy and petrochemicals). Hence, we have seen some downward revisions during the last month by c2-4% to our EPS forecast, from THB90 to THB86.2 for 2024, and THB100.5 to THB98 for 2025. These reflect the lower-than-expected 3Q24 earnings results. However, the downward revisions are mainly on construction materials, packaging, and energy. Meanwhile, domestic and consumption-related sectors are still resilient, such as ICT, commerce, and banking, while financial services, healthcare, food, and tourism, have had more limited downward revisions. We think companies' overall 4Q24 earnings are likely to grow both q-q and y-y, in line with the improving Thai economy and the high season of tourism and spending. This recovery should continue into 2025. US trade policies pose the largest downside risk to our EPS forecast, as they could affect the Thai export engines, thereby leading to lower business and consumer confidence on spending and investment.

Exhibit 34: Earnings revisions by sector from end of Oct-24 to Nov-24



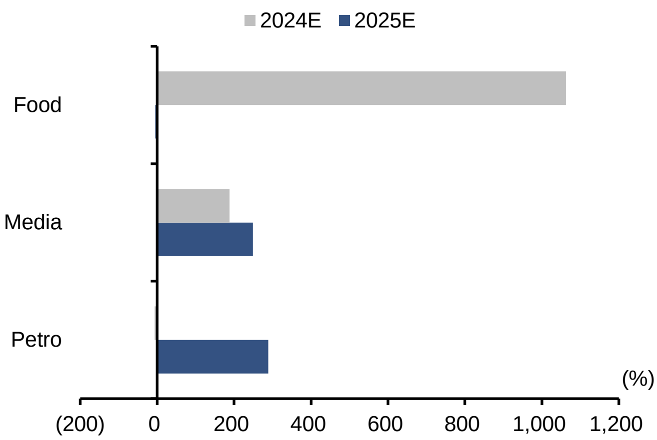
Sources: Bloomberg and FSSIA estimates

Exhibit 35: Earnings growth by sector



Sources: FSSIA and Bloomberg

Exhibit 36: Earnings growth by sector



Sources: FSSIA and Bloomberg

Exhibit 37: 4Q24 and 2025 sector outlooks

Sector	Weight	4Q24 and 2025 sector outlooks	4Q24 earnings outlook	2025 earnings outlook
Agribusiness	**Overweight**	We have a positive outlook on the trend of agricultural export prices in 4Q24-2025, expecting a global economic recovery, especially in China, where purchasing power has been weak over the past two years. In addition, the implementation of ESG-related measures, such as the EUDR, is expected to drive up prices of rubber and palm oil. We anticipate that rubber prices in 2025 will remain stable or continue to rise, which is positive for STA. We expect positive results from both increased sales volumes (due to China's recovery and market share gains from Indonesia, which has suffered from leaf disease) and continued strong sales prices (due to a slight global rubber production deficit and EUDR raising costs for producers).	**+**	**+**
Food & Beverage	**Overweight**	4Q24 is the low season for exports. We have a negative outlook on the meat sector, expecting profits to weaken q-q due to seasonality and a short-term decline in meat prices. We anticipate that the meat sector will become more attractive again in 2Q25. Although 4Q24 is typically the low season for beverages as well, it is an exception this year as the energy drink market continues to grow. This supports CBG, which is likely to achieve record profits in 4Q24, as well as OSP, which has passed its lowest point in 3Q24 due to significant glass factory expenses in Myanmar. We expect profits to recover in 4Q24. The restaurant sector overall is recovering slowly due to weak purchasing power and intense competition. We favor MAGURO, which has a growth story with the opening of many new branches and targets the mid- to high-income customer segment. We expect profits in 4Q24-2025 to continue hitting new highs. For other food manufacturers, we are increasingly optimistic about RBF, which has passed its lowest profit point in 2Q24 and is showing clear potential from new customers. This is expected to support a profit recovery in 2025.	**0**	**+**
Banking	**Neutral**	4Q24 would be the high season for new lending but also high opex booking in the quarter. In addition, the impact of the lower interest rate in Oct-24 would be seen in 4Q24 performance. Thus, we expect a net profit contraction both y-y and q-q for 4Q24. For 2025, we have a favorable outlook for public and private investment that should support demand for corporate loans. Meanwhile, asset quality, especially retail loans (mortgage, auto HP, personal loans) still need close monitoring. Overall credit costs for banking sector have room to lower slightly y-y after active balance sheet cleanup in the past two years.	**-**	**0**
Finance & Securities	**Neutral**	4Q24 should be the strongest season for new lending among upcountry households and credit card spending. The positive impact can be seen from the government cash handout program. For 2025, we expect lower funding costs and cost control to be the key themes for consumer finance companies. Loan growth should be moderate around 10-15% y-y. The major upside risk, in our view, would be the recovery of used car/truck prices after weakness in 2024.	**+**	**0**
Automotive	**Underweight**	Even though the Motor Expo will be held from 29 November to 10 December 2024, we believe it will not significantly boost sales due to the lackluster purchasing power for big-ticket items. Banks are still tightening credit and NPLs remain high. We expect the profits of the auto sector to decrease both q-q and y-y. The situation for vehicle sales may improve in 2H25 at the earliest, but there are still many challenges: 1) the market is saturated; 2) economic growth is slowing; 3) the aging population is changing consumer behavior; and 4) Japan, a key trade partner of Thailand, has been slow to adapt to the changes brought by EVs.	**-**	**-**
Petrochemical & Chemicals	**Neutral**	We believe the petrochemical & chemical sector will continue to face weak demand from China, alongside the addition of more new supply coming online between 2024 and 2026. As a result, we expect the sector to underperform the SET index, with operating earnings remaining sluggish in 4Q24 and 2025. This is primarily due to a continued weakening in the product-to-feed margin, such as the spread between HPPE and Naphtha, which is expected to be USD350/ton in 4Q24, compared to USD360/ton in 3Q24 and USD370/ton year-to-date in 2024. Furthermore, there are additional headwinds from the US-China trade war expected next year, following Trump's plans to impose import tariffs on China, Canada, and Mexico. This could lead to a decline in petrochemical sales volumes and a drop in prices as a result.	**0**	**0**
Packaging	**Overweight**	The demand for packaging is gradually recovering along with the rebound in domestic consumption. However, the Chinese market is still recovering slowly, which means SCGP, which relies on the Chinese market, will also recover more slowly. On the other hand, SFLEX is growing much faster due to its focus on the domestic market. The outlook for 2025 is more optimistic, with a stronger recovery expected in industries such as food and beverages, as well as restaurants. At the same time, the cost of plastic pellets is not expected to be an obstacle to profitability. We anticipate that the 2025 profit will improve.	**0**	**+**
Construction Materials	**Overweight**	We expect the construction materials sector to continue recovering in both 4Q24 and 2025, driven by the acceleration of large-scale public sector projects, particularly those related to the EEC, as well as nationwide transportation infrastructure projects involving roads and rail systems. Additionally, we anticipate private residential construction to recover in line with the economic outlook.	**0**	**+**
Construction Services	**Overweight**	4Q24 earnings might weaken due to seasonality. However, we have a positive outlook for 2025 from an increase in government disbursements for work on large-scale projects. We expect to see various projects proposed to the cabinet to open for bidding with a combined value of THB280b (vs THB48b in 2024), such as double-track railway phase II, motorway, expressway, and electrified train projects. Moreover, the construction progress of ongoing projects, especially the MRT Orange Line West, Purple Line, and double-track railway projects should drive revenue and profit growth.	**0**	**+**
Property Development	**Neutral**	We project 4Q24 earnings to rise q-q due to aggressive sales and transfers in line with seasonal factors. Also, a cut in transfer and mortgage fees will be effective until the end of this year. However, profits should decrease y-y, pressured by lower gross margins from aggressive price promotions and intense competition as well as higher interest expenses. Meanwhile, we anticipate aggregate 2025 profit to have mid-single-digit growth, while developers remain cautious about the outlook. Business plans might introduce fewer new projects and focus on inventory clearing amid surplus supply in the low-rise market amid high competition, while financial institutions should continue imposing strict credit underwriting.	**0**	**0**

Sources: Bloomberg; FSSIA analysis and estimates

Exhibit 38: 4Q24E and 2025E sector outlooks *(cont.)*

Sector	Weight	4Q24E and 2025E sector outlooks	4Q24E earnings outlook	2025E earnings outlook
Energy	**Neutral**	We believe the energy sector will rebound in 4Q24 thanks to the FX gain from the weakening of the Thai baht against the US dollar, and the absence of significant inventory losses that were seen in 3Q24. This is due to more stable crude oil prices in 4Q24, which should help lead to a recovery in net profit, while core operations are expected to see positive momentum from high production and sales volumes. This is because all projects are set to resume normal operations without any planned shutdowns during the quarter. Regarding the crude oil price outlook, we expect Brent crude oil prices to be volatile, ranging between USD70-78/bbl in 4Q24. Looking ahead to 2025, we believe that while OPEC may try to extend its production cut policy, the US, under the Trump administration, aims to increase its crude oil production by 3 million barrels per day (mbd) in an effort to pressure high oil prices and promote the use of fossil energy resources. As a result, we anticipate a decline in crude oil prices in 2025, which would likely lead to lower earnings for energy companies.	**+**	**-**
Utilities	**Overweight**	We believe the utility sector will rebound in 4Q24, supported by the addition of new capacity and lower interest expenses as interest rates decline. The margins for SPPs are expected to improve compared to 3Q24, primarily due to lower gas costs. Looking ahead to 2025, the key drivers for the sector include: The ERC's 2nd round of FiT bidding, which will offer a total of 2,180 MW consisting of 660 MW from wind farms and 1,580 MW from solar farms. The draft PDP2024 has successfully completed the public consultation process and is currently under review for submission to the Cabinet for approval, with implementation expected early next year. Additionally, the 33 GW renewable energy power purchase bidding process is set to begin in early 2025. Moreover, the growth of AI data centers, EVs, and cryptocurrency represents a new growth curve for electricity demand, which is anticipated to be much higher than in the past. Particularly, AI data centers, where vast amounts of data require intensive processing and rapid transmission, are expected to drive a significant increase in electricity demand.	**+**	**+**
Commerce	**Overweight**	We have a positive outlook on 4Q24 earnings, supported by the high season for both consumption and tourism, including the benefits from cash handouts and flood recovery. For 4QTD, we believe SSSG for staples will remain positive at c1-3%, while discretionary should have mixed SSSG, but see an overall improvement from 3Q24. Looking ahead to 2025, we still have a positive outlook. The purchasing power environment should improve along with the normalization of government budget disbursement. We expect overall SSSG to grow by c2-3% along with GDP growth.	**+**	**+**
Health Care Services	**Overweight**	We expect moderate growth in 4Q24 due to the low healthcare season. However, we still expect strong growth in 2025. We expect CLMV patient revenue growth to resume due to a low base this year and improvements in political tensions in Myanmar. The Kuwaiti government may also announce the hospital approved list and start sending Kuwaiti patients to Thailand again. We also expect the SSO to revise up the payment rate of high-cost care to a fixed THB12,000/RW.	**0**	**+**
Tourism & Leisure	**Overweight**	We expect strong growth in 4Q24 thanks to the high tourism season in Thailand. The number of tourists has improved in Nov and we expect the momentum to continue. We also expect tourist arrivals to increase to almost 40m in 2025 from 35-36m in 2024. This implies that the RevPAR of Thai hotels should continue to grow. We also expect hotel operators benefit from the lower interest rate trend.	**+**	**+**
Transportation	**Overweight**	AOT: We expect strong growth in 4Q24 thanks to the high tourism season in Thailand. International passengers have exceeded the pre-Covid level in Nov and we expect the momentum to continue. Airlines: We expect strong growth y-y in 4Q24 thanks to lower fuel costs and higher ticket fares. We also expect the passenger volume to grow in 2025 with the average fare rate maintaining its momentum following the supply shortage.	**+**	**+**
Shipping	**Underweight**	The dry bulk sea freight index has declined across all ship segments since the beginning of 4Q24, with the Capesize Index seeing the steepest decline, followed by the smaller vessels, the Supramax Index, which is the reference index for PSL's and TTA's vessel sizes. We expect the shipping sector's profit to decline both q-q and y-y. The 2025 situation seems even worse with supply outweighing demand growth. Clarksons Research forecasts the demand for bulk carriers to rise by 1.3% while supply is expected to grow faster by 2.9%. We expect the dry bulk shipping profit to decline by 6% y-y in 2025.	**-**	**-**
Electronic Components	**Neutral**	The orders for 4Q24 remain weak, both from the automotive industry, which has not yet recovered, and from most customers who are delaying orders to wait for clearer policies from Trump. Meanwhile, many products, especially upstream semiconductors unrelated to AI but related to EVs, have seen a significant drop in selling prices due to a temporary oversupply issue, which could extend into 1Q25. There is a possibility that a recovery may begin in 2Q25 as stock levels start to deplete, with a more favorable outlook expected in 2H25.	**-**	**0**
Information & Communication	**Overweight**	We expect the growth to continue in 2025, both revenue and margins. The key driver is still the low-competition environment, for both mobile and fix broadband businesses. For system integrators, we think the operating performance could benefit from rising investment from the public and private sectors on digital transformation and infrastructure, especially data centers.	**+**	**+**

Sources: Bloomberg; FSSIA analysis and estimates

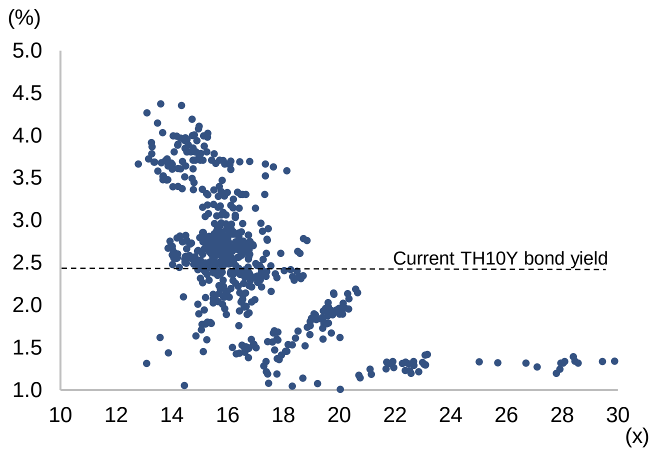
2025 SET target is 1,600

We maintain our 2025 SET target of 1,600, after rolling over last month, even though there are some minor EPS revisions. The index target is now based on 2025E EPS of THB98 and a target PER of c16.3x.

The SET index is currently trading at a 2025 PER of 14.6x, close to SD-1 of its ten-year historical average. Compared to regional peers, we have found that the Thai stock market is hovering in the middle among other Asian markets, both in terms of EPS growth and PER multiple perspectives, implying that the index is neither too expensive nor significantly undervalued.

However, if we exclude DELTA, which is trading at a 2025 PER of almost c70x, the 2025 PER would be lower at c13.5x, significantly cheaper at almost SD-1.5 from the historical average. Moreover, this valuation level implies a very wide earnings yield gap of almost 5%, SD+2 from the average. Hence, we think the SET index is attractive for long-term investment. We recommend investors accumulate when the index retreats to a level of c1,400.

Exhibit 39: PER vs TH10Y bond yield



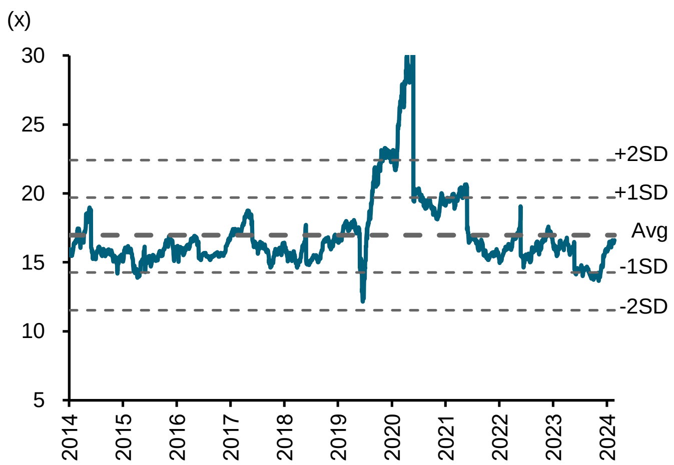
Source: FSSIA estimates

Exhibit 40: SET target sensitivity

		------------- Earnings per share ----------------	
		2024E	2025E
	EPS	86.2	98.0
		- Target index based on FSSIA estimates -	
	P/E (x)	2024E	2025E
SD+0.5	18.3	1,581	1,797
SD+0.25	17.6	1,522	1,730
10-year average	16.9	1,464	1,664
SD-0.25	16.3	1,405	1,597
SD-0.5	15.6	1,346	1,530
SD-1.0	14.3	1,229	1,397
SD-1.5	12.9	1,112	1,264

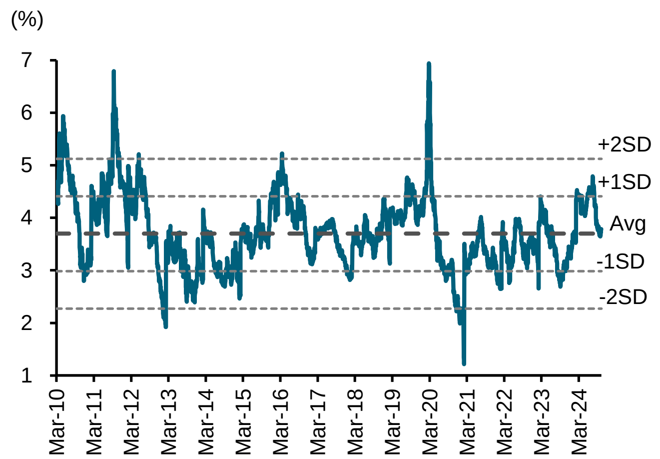
Source: FSSIA estimates

Exhibit 41: SET historical forward PER



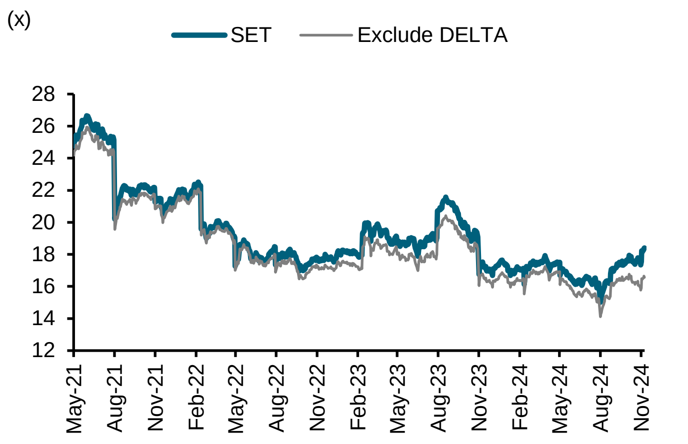
Sources: Bloomberg and FSSIA

Exhibit 42: SET earnings yield gap



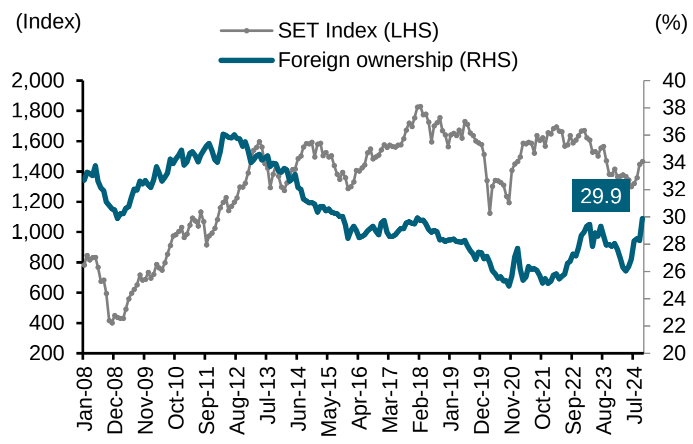
Sources: Bloomberg and FSSIA

Exhibit 43: SET PER excluding DELTA



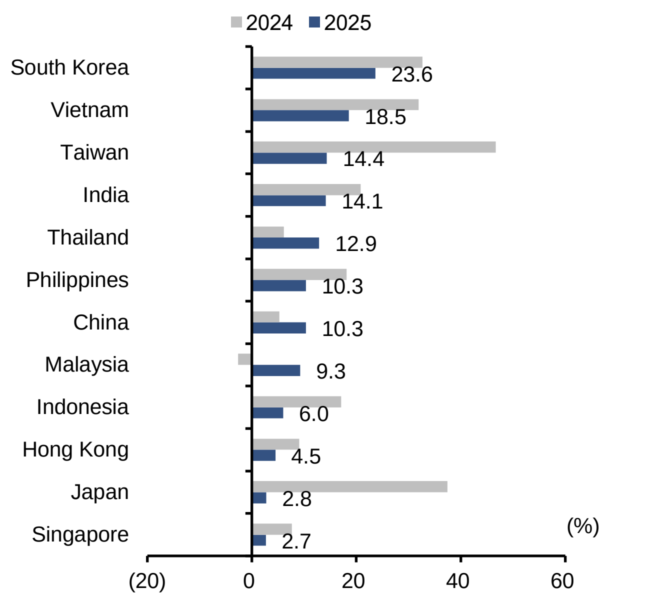
Sources: Bloomberg and FSSIA

Exhibit 44: Foreign ownership vs SET index



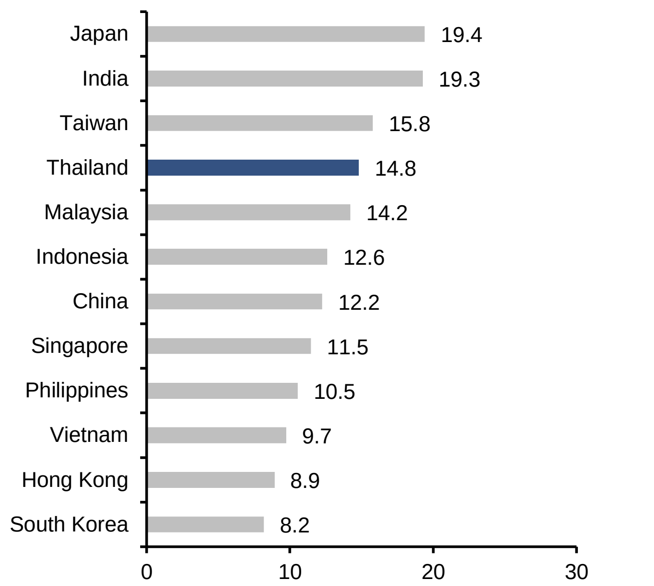
Sources: Bloomberg, SETSMART and FSSIA

Exhibit 45: Asian markets' EPS growth



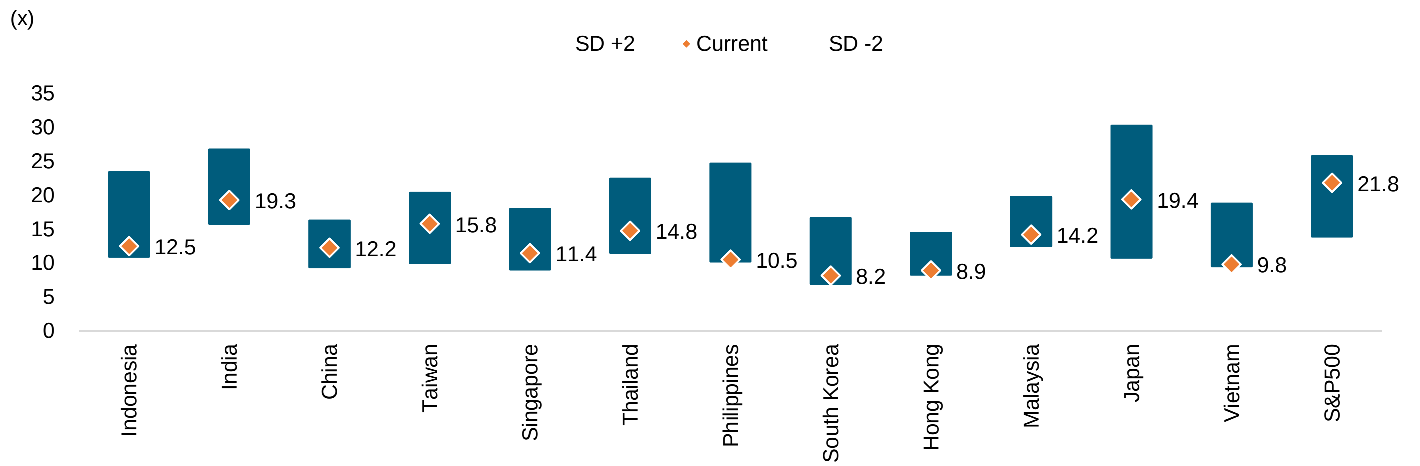
Data as of 22 Nov 2024
Source: Bloomberg

Exhibit 46: Asian markets' PER



Data as of 22 Nov 2024
Source: Bloomberg

Exhibit 47: Asian markets' valuation comparison



Data as of 22 Nov 2024
Sources: Bloomberg and FSSIA

2025 favorites: diversified but focused on domestic, especially investment and consumption

As we expect the Thai economy to continue growing in a more balanced manner from each engine, investment should play a key role in 2025, while consumption is likely to be resilient. Meanwhile, there are some risks from external factors such as trade policy and geopolitics. Hence, we still prefer our domestic-focused strategy. We think stocks with stronger 4Q24-2025E earnings growth with attractive valuations, i.e. below pre-Covid levels, could outperform the market. Key investment themes in 2025 are:

- Return of investment cycle in public infrastructure, turnaround of private segment with production base relocation.
- Resilient consumption supported by stimulus packages, potential further rate cuts, and low oil prices.
- High ESG score is a plus from being a potential target of VAYU1. We have started to factor this into our valuations.

Finally, our top 2025 favorites are **BA, CHG, CPALL, KTB, MTC, NSL, RBF, SEAFCO, SHR, and WHA**.

The new top picks follow the deletion of AOT, CPN, ITC, KCG, and SFLEX from our FSSIA portfolio.

Exhibit 48: FSSIA stock favorites for 2025

Company	BBG code	Key rationale	FSSIA ESG rating
Bangkok Airways	BA TB, BUY, TP THB30.0	BA is seeing strong advanced bookings for Nov-24 to Jun-25, up 12% y-y, particularly on Samui routes. On the cost side, BA has hedged 20-30% of its jet fuel needs through Jun-25 at USD85-86 per barrel, compared to the current level of around USD90 per barrel. Although 4Q24 is the low season for Samui, the company is expected to turn a profit compared to 4Q23. BA is set to benefit from an expanded fleet and new, more fuel-efficient aircraft. We estimate 2024 earnings at THB3.5b, +111% y-y, with further upside potential. For 2025, current estimates are at THB3.8b, +10% y-y. The stock is trading at a 2025E PER of only 13x.	-
Chularat Hospital	CHG TB, BUY, TP THB3.8	We maintain a positive outlook on CHG despite headwinds from the SSO segment. CHG still has robust projected revenue growth of 10-12%, and its EBITDA margin has significantly improved to 26% in 3Q24 (vs 23% in 3Q19). Besides, we expect this improvement to continue as the loss from CHG Mae Sot declines. The stock is trading at a cheap valuation of 21x 2025E PER.	★★
CP All	CPALL TB, BUY, TP THB83.0	We expect 4Q24 normalized profit to grow both q-q and y-y, supported by continued positive SSSG trends for convenience stores at 3-4% 4QTD and CPAXT at 1-3%. High-margin product categories remain strong sellers, while low-margin categories like cigarettes continue to see declining sales. We anticipate these trends to continue into 2025 as Thailand's economy and domestic consumption are expected to be resilient.	★★★★
Krung Thai Bank	KTB TB, BUY, TP THB23.5	We expect KTB to benefit from the new investment cycle next year from both public and private segments. Meanwhile, the asset quality is less concerning than for other big banks, with an expected downtrend in the NPL ratio and credit costs. We retain our 2024-26 forecast and maintain our top BUY call with a 2025 GGM-based TP of THB23.50, implying 0.7x P/BV.	★★★★
Muangthai Capital	MTC TB, BUY, TP THB62.0	We expect 4Q24 net profit to continue to grow both q-q and y-y, following continued loan growth and a wider q-q spread. Asset quality remains the strongest among peers, still manageable and aligning with its guidance. We expect 2024-26 net profit to have a robust 25% CAGR, the highest among the diversified finance companies under our coverage.	★★★★
NSL Foods	NSL TB, BUY, TP THB43.0	We anticipate a continued increase in both q-q and y-y profit ofTHB140m-142m in 4Q24, marking the highest profit of the year and a new high for the company. We forecast the 2025 net profit at THB591m (+13% y-y), with upside potential from the coconut water deal – not yet included in our estimates. We are optimistic about the upward profit momentum, from the strong core business (7-Eleven) and NSL's efforts to increase non-7-Eleven revenue both domestically and internationally to find new growth stories.	-
R&B Food Supply	RBF TB, BUY, TP THB7.2	The outlook for 4Q24 remains positive with continued q-q growth. The company targets 2025 revenue growth of 10-15% y-y, driven by oversea businesses from increased production capacity. Domestically, it is expanding production lines for syrups and sauces at its Ayutthaya factory, with plans to grow its sauce product range in 2025. We maintain our view that RBF has already passed its lowest point. For 2025, profit is projected to rebound by +28%.	-
SEAFCO	SEAFCO TB, BUY, TP THB3.00	We expect a strong turnaround in 2025. The construction industry is expected to recover in 2025, driven by increased government infrastructure projects. The company's backlog is projected to reach THB1.5b in early 2025 with the inclusion of the Orange Line project. The company is bidding for THB18b worth of projects. Earnings should improve q-q in 4Q24 and strongly turn around in 2025 to THB152m (+5x y-y), driven by high-margin revenue from the Orange Line project, with peak contributions in 2Q-3Q25. SEAFCO is trading at a 2025E P/BV of 0.9x, below the five-year average of 2x.	-
S Hotels and Resorts	SHR TB, BUY, TP THB3.80	We think that 4Q24 earnings should turn profitable. SAii Laguna Phuket's renovation program is progressing faster than planned, with completion scheduled by Dec-24. The Maldives is entering its high tourism season, and we expect SO/ Maldives' OCC rate to improve to 50-55% (vs 40% in 3Q24), leading to a narrower core loss. For 2025, management expects RevPAR to grow further by 5-10%, with an improving EBITDA margin of c26%. SHR trades at a cheap and undemanding valuation of 0.5x 2025E P/BV.	★★
WHA Corporation	WHA TB, BUY, TP THB6.40	We expect WHA's profit to recover strongly in 4Q24, supported by a land backlog of 1,250 rai awaiting transfer, the recovery of the Gheco-One power plant, and a gain from the sale of factories into WHAIR. We maintain our 2024-25 core profit estimates at record highs of THB4.8b (+9.4% y-y) and THB5.3b (+10.1% y-y), or at a CAGR of 8.7% during 2024-26. Recently, the stock price has risen rapidly due to news of land sales to Google for the construction of a data center, as well as the results of the US presidential election, which could lead to another wave of production relocation. The outlook for WHA remains bright.	★★★★

Source :FSSIA estimates

Exhibit 49: Summary of key valuations for FSSIA's top picks

		--- Share price ---		*Up*	Recurring net profit		-Net profit growth-		---------- P/E ----------			PBV	Div yld	ROE
		Current	Target	*side*	24E	25E	24E	25E	24E	25E	26E	24E	24E	24E
		(THB)	(THB)	*(%)*	(THB m)	(THB m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
Bangkok Airways	BA TB	23.80	30.00	*26*	3,487	3,820	111.0	9.5	14.3	13.1	12.3	2.8	4.9	19.8
Chularat Hospital	CHG TB	2.64	3.80	*44*	1,203	1,388	15.0	15.4	24.1	20.9	19.0	3.6	2.5	15.5
CP All	CPALL TB	61.75	83.00	*34*	24,480	27,722	35.0	13.2	22.7	20.0	17.7	4.9	2.2	20.9
Krung Thai Bank	KTB TB	20.00	23.50	*18*	37,621	38,760	2.7	3.0	7.4	7.2	5.8	0.7	4.5	9.1
Muangthai Capital	MTC TB	49.50	62.00	*25*	6,292	8,142	28.2	29.4	16.7	12.9	11.0	2.8	0.5	18.1
NSL Foods	NSL TB	32.75	43.00	*31*	523	591	56.9	13.1	18.8	16.6	14.6	5.5	3.1	31.3
R&B Food Supply	RBF TB	6.55	7.20	*10*	501	657	(24.8)	31.3	26.2	19.9	17.4	2.6	2.2	10.2
Seafco	SEAFCO TB	1.97	3.00	*52*	39	152	(74.1)	290.2	41.0	10.5	9.1	1.0	1.1	2.4
S Hotels and Resorts	SHR TB	2.24	3.80	*70*	150	367	87.8	145.0	53.7	21.9	15.6	0.5	0.7	0.9
WHA Corporation	WHA TB	5.60	6.40	*14*	4,842	5,333	9.4	10.1	17.3	15.7	14.6	2.4	3.5	14.3

Share prices as of 27 Nov 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.
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 **SETESG 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. **SETESG Index** is extended from the SET ESG Ratings 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%). (*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.)*	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. *(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.)*	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. *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.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.

NEGL	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

ESG score	Methodology	Rating
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.	

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

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. *(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)*	
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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 Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Airways	BA TB	THB 23.80	BUY	Downside risks to our SoTP-based TP include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Chularat Hospital	CHG TB	THB 2.64	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 61.75	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.
Krung Thai Bank	KTB TB	THB 20.00	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 49.50	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. Upside risks are 1) positive developments in asset quality which could bring down its credit costs; and 2) a decreasing market interest rate, which could alleviate its cost of funds burden.
NSL Foods	NSL TB	THB 32.75	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.
R&B Food Supply	RBF TB	THB 6.55	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material costs; 3) a stronger THB than expected; and 4) a slower-than-expected India expansion.
Seafco	SEAFCO TB	THB 1.97	BUY	Downside risks to our P/BV-based TP include 1) fewer than expected new contract signing; 2) auction delays; 3) a failure to win contracts from the Orange Line project; 4) political uncertainties; 5) construction delays and cost overrun; 6) higher building material costs, labor shortages, and a minimum wage hike; and 7) fierce competition.
S Hotels and Resorts	SHR TB	THB 2.24	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.
WHA Corporation	WHA TB	THB 5.60	BUY	Downside risks to our TP include 1) the local political uncertainties; 2) the delay in budget approval; 3) the inability to sell assets into its trusts as planned; and 4) intense competition from abroad.

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-Nov-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.