

Thursday, February 7, 2019

Investment Strategy

Surrounding factors are favorable. Former Fed chair agreed with interest rate cuts as long as the world economies still signal deceleration. As a result, fund flows returned to Asia. Thailand's consumer confidence index also picked up after the general election has become certain, good for the commerce sector, which could outperform the market. 4Q18 earnings results of the real sector will gradually be announced in late February. We project SET Index to test 1,663 pts resistance range; if passing, a next target is 1,700 pts. Top picks are SCCC(FV@B269) and a laggard play BJC(FV@B61).

SET Index testing 1663 pts

SET Index went up and test 1,663 pts resistance range during the day and finally closed at 1,658.71 pts yesterday, up 5.62 pts (+0.34%) with trading value of B38.5bn (higher than earlier this week). The market was supported by commerce, banking, and ICT plays, especially ADVANC (earnings report today) and INTUCH. In contrast, big-cap single stocks (PTT, PTTEP, and AOT) closed down.

SET Index today is expected to test resistance ranges of 1,663 pts and then 1,700 pts. Former Fed chair stated Fed fund rate should rather be cut than hiked. While the economy worldwide has been decelerating, Thailand's consumer confidence index (CCI) rebounded as the general election date is set. 4Q18 earnings results of more companies will be reported in late February, followed by 2H18 or 2019 dividend payment, supporting some stocks.

Fed fund rate cut likely. One hike likely for Thailand, boosting fund flow

Yesterday, U.S. President Donald Trump's 2019 State of the Union address to the Congress focused on the following issues as expected:

- 1) Trump would like the US-Mexico border wall budget of US\$5bn to be considered approved in the interim budget bill on February 15, 2016; otherwise, U.S. government shutdown would happen again. This would only have short-term negative sentiment on U.S. stock markets.
- 2) The US is monitoring China's cooperation and compromise in terms of increasing import of U.S. goods and stopping stealing U.S. tech. US-China trade talk would reach a better conclusion after the meeting with North Korea on February 27-28. This issue would still continue to take a positive turn.

Moreover, Former Fed chairwoman Janet Yellen was concerned that U.S. economy would slowdown along with worldwide economic deceleration. Thus, Fed fund rate may be lowered instead of hiked two times this year, in line with Bloomberg surveys that suggest Fed fund rate cut late this year.

Meanwhile in Thailand, at the MPC meeting yesterday, the key interest rate was held at 1.75% (4:2 votes) due to concern about trade war, THB appreciation, and rising housing

SET Index	1,658.71
Change (pts)	5.62
Market Cap (Million B)	38,520

Net Buy and Sell by Investor Type (Million B)

Foreign	1,627.85
Proprietary	20.43
Institutional	1,429.08
Retail	-3,077.35

Porranee Thongyen

License No: 004146

Therdsak Thaveeteeratham

License No: 004132

Pobchai Phatrawit

License No: 052647

Paradorn Tiaranapramote

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and household debts in 4Q18. The MPC is projected to raise the interest rate only one time to 2% this year, provided 2019 inflation rate of 1% (under Dubai crude oil price assumption of US\$60). This would narrow down a gap between interest rates of the US and Thailand and thus stimulate fund inflow in Asia (including Thailand).

Oil inventories rise less than expected, keeping Dubai price above US\$60

According to the U.S. Energy Information Administration (EIA), crude oil inventories increased for the third consecutive week by 1.2 million barrels (versus 2.17 million barrels gain expected). OPEC and non-OPEC oil producers were still proceeding with their agreement to curb oil output by 1.2 million bpd until mid-2019, continuing from December. Moreover, supply has been weakened, mainly from Venezuela (OPEC's No.8 oil producer, 1.44 million bpd or 3.74% of OPEC capacity) which faced U.S. sanctions on January 28, 2019.

Oil supply has declined, in line with global oil demand that has been depressed by US-China trade war. Dubai crude oil price swings to US\$62.1 at present, (lower than our assumption of US\$65 in 2019 and US\$70 from 2020 on), probably standing above US\$60 for the rest of the year. Accumulate PTTEP(FV@B168) and PTT(FV@B56) with high dividends.

Commerce plays supported by higher CCI, political progress

SET Index would be supported by commerce plays. Consumer confidence index (CCI) rebounded 1.64%mom in January (after a four-month decline). Political situation has improved as the general election is finally scheduled on March 24. US-China trade war tension has softened. Plus, China tourist volume started to rebound after the government extended visa fee waiver for them.

CCI is a leading indicator for the commerce sector as it indicates same store sales growth (SSSG) in the next 3-6 months. As competition becomes more intense and commerce companies have more limited room to open new stores, they have to focus on their own strengths and new strategies.

BJC - Although the convenience store business would be pressured by fierce competition, BJC's strengths are still high-margin original businesses (consumer goods, packaging, chemical, and medical equipment) and well-diversified customer bases. BJC is expanding HoReCa (hotel, restaurant, and catering) customer bases. It is also ready to open new hypermarkets overseas (especially near borders), which would be supported by Thailand's economic base; thus, cost would not increase significantly.

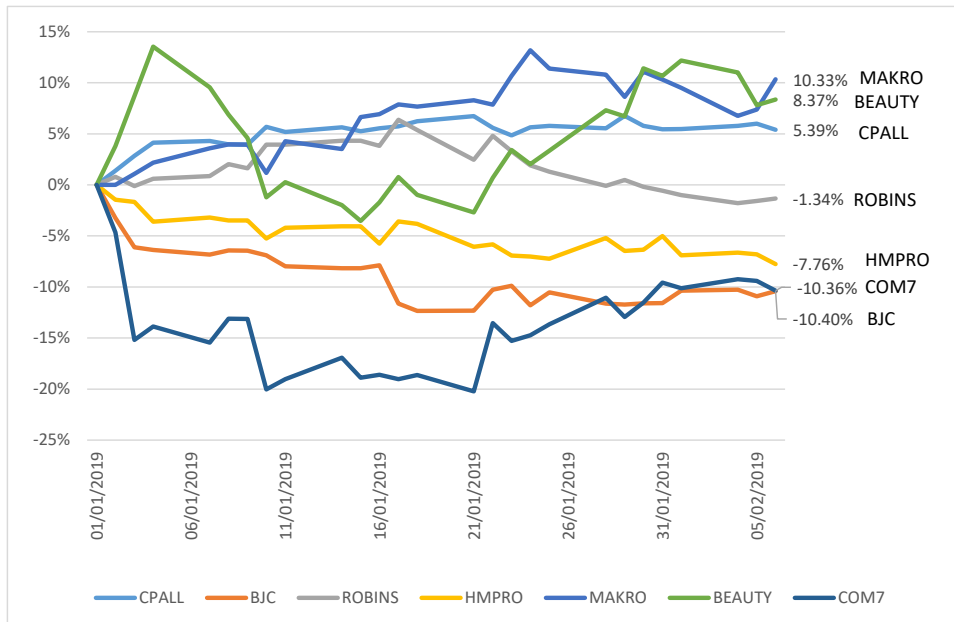
CPALL - CPALL has more than 10,000 stores nationwide, aiming to open 700 new outlets each year. To satisfy modern lifestyle, it is developing ready meal goods as well as opening some trial stores with automatic vending machine and self-service system. It is also innovating high-margin private-brand products. Plus, it will have additional fee income from postal (Speed-D) as well as banking agent (cash deposit/withdrawal) services.

ROBINS - While SSSG and private-brand sales mix have not improved significantly, ROBINS is focusing on opening new stores in upcountry areas, where competition is less intense than Bangkok. Moreover, ROBINS is providing more leasable spacing to popular shops, developing Robinson Lifestyle community malls to better satisfy families and modern lifestyle, adapting to online retail system by installing more online shopping counters. It is also adapting omni-channel strategies to better serve modern lifestyle.

HMPRO - HMPRO is expanding its high-margin private-brand sales mix, opening more small-scaled store (Homepro Mini) with better efficiency, and providing new services (installation and maintenance). The stores in Malaysia has been opened for a while, probably making a breakeven in the near future.

2019 earnings of the commerce sector are estimated to grow 10.6%yoy. Yet, valuation is becoming more expensive. P/E ratio is 30.6x at present, the same level as the five-year average, while big-cap players have less upside now. **We recommend commerce plays with good earnings growth potential that are still laggard. Top picks are BJC(FV@B61) and HMPRO(FV@B16.8)** as they are projected to show the strongest 2019 profit growth while they still have some upside. Although CPALL is the strongest one, the price already rallied and had limited upside now, so we recommend buying on weakness.

YTD return of commerce stocks



Source: SET / ASPS Research

Foreign net buy in TIP

While South Korea and Taiwan's stock markets were still closed on Chinese New Year, foreign funds reversed to possess a net buying position in TIP markets at US\$80: the Philippines at US\$18m (14th day), Indonesia at US\$10m, and Thailand at US\$52m or B1.63bn (second day). Local institutions reversed to buy B1.43bn net (after a day of net selling).

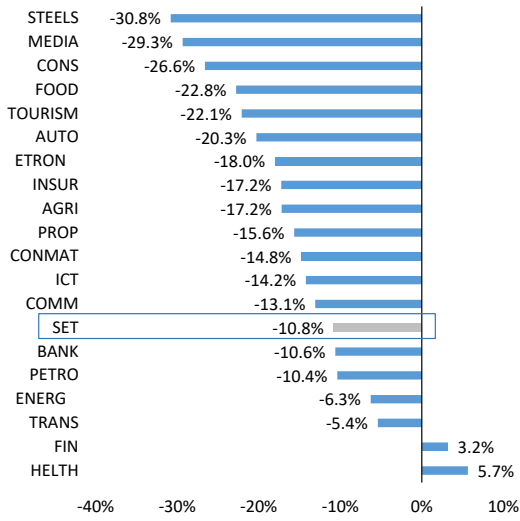
Foreigners have been with YTD cumulative net buying of US\$7.68bn in the region; all five countries were with net buying in January-February. Fund inflow is likely to continue as Fed fund rate may be lowered due to U.S. economic deceleration concern.

Monthly Foreign Fund Flow in Asia

Date	Indonesia	Philippines	S. Korea	Taiwan	Thailand	Total
2017	-2,960	1,095	8,268	5,758	-796	11,343
2018	-3,656	-1,080	-5,676	-12,182	-8,913	-31,508
2019 (YTD)	986	413	3,950	2,073	255	7,676
January 2019	964	356	3,658	1,946	214	7,138
February 2019 (MTD)	22	57	292	127	40	538

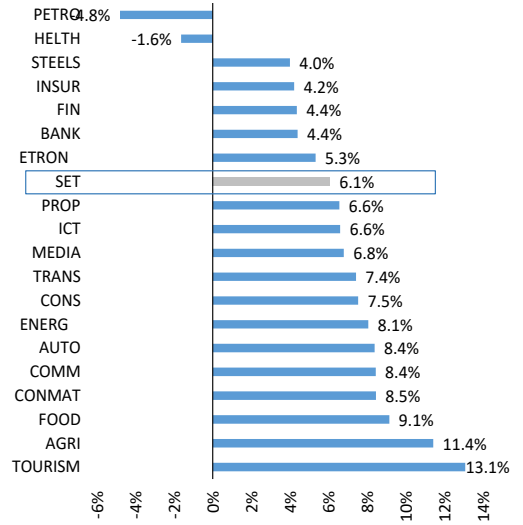
Unit: Million US\$

SET vs Sector Return 2018



Source: ASPS Research

SET vs Sector Return 2019 YTD



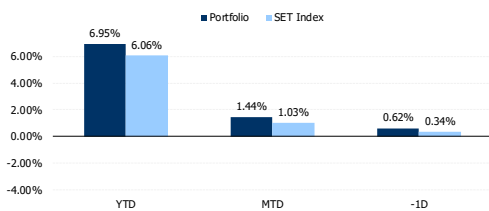
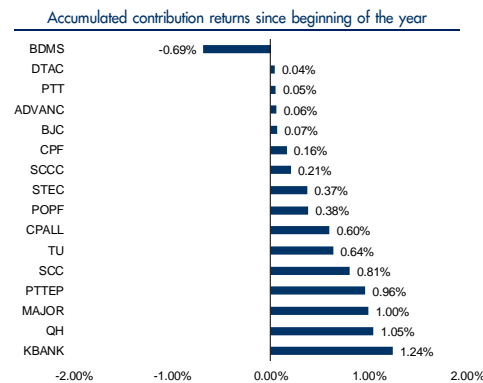
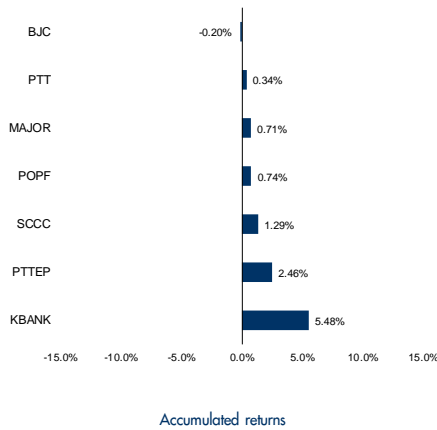
Source: ASPS Research

Market Talk Top Picks

Stocks	Start Date	Fair Value	Weight	Price Avg. Cost	Price Last	Accumulated Return	PER 2019F	PBV 2019F	Dividend Yield	Strategist Comment	5 Day Chart
SCCC	06-Feb-19	269.00	15%	232.00	235.00	1.29%	18.34	1.79	3.40	SCCC has benefited from the coming of general election, which boosted domestic demands of cement, its major business. Dividend yield is almost 4%.	
MAJOR	31-Jan-19	29.00	15%	23.53	23.70	0.71%	17.65	3.13	5.21	4Q18 profit would rise from increasing movie ticket sales, so 2018 profit would see growth. For 2019, MAJOR plans to expand its service coverage to provincial areas, so profit would grow 24%. Dividend yield is also good.	
PTTEP	28-Dec-18	168.00	10%	122.00	125.00	2.46%	14.26	1.18	4.00	Global crude oil prices picked up above US\$50/barrel after substantially reflecting world economic downturn. Production cut by the OPEC would also help alleviate the oversupply.	
KBANK	28-Dec-18	246.00	10%	191.50	202.00	5.48%	11.89	1.19	2.23	2018-2019 net profit is projected to grow 12.2% and 4.9%, contributed by corporate and SME businesses which benefit from mega investments of the government and private companies. KBANK price is still laggard other big banks.	
BJC	28-Dec-18	61.00	25%	49.85	49.75	-0.20%	27.31	1.65	1.94	1Q19 profit to grow from the retail business, government's consumption boost measure, and packaging business. Upside is wide.	
PTT	21-Jan-19	56.00	15%	48.58	48.75	0.34%	10.42	1.40	4.10	4Q18 profit would increase from petroleum production and exploration business as gas price has been increasing. Upside is also wide. Good for accumulation.	
POPF	04-Feb-19	n.a.	10%	13.50	13.60	0.74%	n.a.	n.a.	n.a.	Dividend payment season is approaching. POPF provides 7%p.a. dividend yield and is less fluctuating than the market (beta < 1). A good safe haven.	

**Yesterday we sold both QH and STEC to take profit and invested 15% in SCCC instead.
Today we reduce investment in POPF by 5% and increase investment in SCCC by 5%.**

Accumulated returns since our recommendation



Source: ASPS Research

February 2019

Monday	Tuesday	Wednesday	Thursday	Friday
<p>4</p> <p>New listing - Derivatives Warrant</p> <p>ADVA01C1908A 100m units @B1.00</p> <p>ADVA01C1908B 100m units @B1.00</p> <p>BDMS01C1908A 100m units @B1.00</p> <p>BDMS01C1908B 100m units @B1.00</p> <p>BEM01P1907A 80m units @B1.00</p> <p>BH01C1908A 80m units @B1.00</p> <p>BH01C1908B 70m units @B1.00</p> <p>BH01P1908A 60m units @B1.00</p> <p>BEM01C1907A 100m units @B1.00</p> <p>CBG01C1907A 60m units @B1.00</p> <p>CBG01C1907B 45m units @B1.00</p> <p>CHG01C1907A 60m units @B1.00</p> <p>CHG01C1907B 45m units @B1.00</p> <p>CK01C1907A 100m units @B1.00</p> <p>CK01C1907B 55m units @B1.00</p> <p>CK01P1907A 55m units @B1.00</p> <p>CPAL01C1907A 100m units @B1.00</p> <p>CPAL01C1907B 100m units @B1.00</p> <p>CPAL01P1907A 100m units @B1.00</p> <p>CPAL01P1907B 100m units @B1.00</p> <p>INTU01C1907A 100m units @B1.00</p> <p>INTU01C1907B 580m units @B1.00</p> <p>IVL01C1908A 100m units @B1.00</p> <p>IVL01C1908B 100m units @B1.00</p> <p>KKP01C1907A 60m units @B1.00</p> <p>KKP01C1907B 55m units @B1.00</p> <p>KKP01P1907A 50m units @B1.00</p> <p>PTG01C1908A 80m units @B1.00</p> <p>PTG01C1908B 80m units @B1.00</p> <p>PTG01P1908A 80m units @B1.00</p> <p>PTTG01C1907A 100m units @B1.00</p> <p>PTTG01C1907B 100m units @B1.00</p> <p>PTTG01P1907A 100m units @B1.00</p> <p>PTTG01P1907B 100m units @B1.00</p> <p>S5001C1905A 100m units @B1.00</p> <p>SCB01P1907B 100m units @B1.00</p> <p>STEC01C1907A 100m units @B1.00</p> <p>TRUE13C1907A 120m units @B1.00</p> <p>AOT24P1907A 20m units @B1.00</p> <p>CPAL24P1907A 50m units @B1.00</p> <p>TRUE28C1907A 135m units @B1.00</p> <p>WORK28C1907A 130m units @B1.00</p> <p>BJC41C1907A 50m units @B1.00</p> <p>CK41C1907A 30m units @B1.00</p> <p>EA41C1907A 100m units @B1.00</p> <p>HMPR41C1907A 40m units @B1.00</p> <p>LH41C1907A 80m units @B1.00</p> <p>PTG41C1907A 60m units @B1.00</p> <p>ORI41C1907A 50m units @B1.00</p> <p>SCC41C1907A 50m units @B1.00</p> <p>STEC41C1907A 50m units @B1.00</p> <p>STA41C1907A 50m units @B1.00</p> <p>Conversion</p> <p>SUSCO-W1 1:1w @B4.00 (final)</p> <p>New shares trading</p> <p>PSTC 323.395m shrs (w)</p>	<p>5</p> <p>New listing - Derivatives Warrant</p> <p>AOT13P1907A 120m units @B1.00</p> <p>DTAC13P1907A 120m units @B1.00</p> <p>WORK13C1907A 120m units @B1.00</p> <p>AAV23C1906A 30m units @B1.00</p> <p>BH23C1906A 30m units @B1.00</p> <p>BGR123C1906A 30m units @B1.00</p> <p>CPN23C1906A 30m units @B1.00</p> <p>GPSC23C1906A 30m units @B1.00</p> <p>KBAN23C1906A 30m units @B1.00</p> <p>LH23C1906A 30m units @B1.00</p> <p>SCC23C1906A 30m units @B1.00</p> <p>STA23C1906A 30m units @B1.00</p> <p>SUPE23C1906A 30m units @B1.00</p> <p>THAN23C1906A 30m units @B1.00</p> <p>TOA23C1906A 30m units @B1.00</p> <p>BCH27P1908A 50m units @B1.00</p> <p>EA27P1908A 50m units @B1.00</p> <p>KKP27P1908A 50m units @B1.00</p> <p>PLAN27C1908A 50m units @B1.00</p> <p>XE</p> <p>TTA-W5 1.0141:1w @b18.2439 (final, "SP")</p>	<p>6</p> <p>New listing - Derivatives Warrant</p> <p>ADVA06C1906A 60m units @B1.00</p> <p>BEM06P1906A 60m units @B1.01</p> <p>IVL06C1906A 60m units @B1.01</p> <p>S5006C1906A 60m units @B1.03</p> <p>S5006P1906A 60m units @B1.04</p> <p>BEM08C1907A 80m units @B1.00</p> <p>BH08C1907A 80m units @B1.00</p> <p>CPAL08C1908A 80m units @B1.00</p> <p>EA08C1908A 80m units @B1.00</p> <p>IVL08C1907A 80m units @B1.00</p> <p>ORI08C1907A 80m units @B1.00</p> <p>PTG08C1907A 80m units @B1.00</p> <p>SCC08C1908A 80m units @B1.00</p> <p>SGP08C1907A 80m units @B1.00</p> <p>TRUE08C1907A 80m units @B1.00</p> <p>PSL13C1907A 120m units @B1.00</p> <p>New shares trading</p> <p>S5013P1903A 100m units</p>	<p>7</p> <p>New listing - Derivatives Warrant</p> <p>BDMS24P1908A 20m units @B1.00</p> <p>BGR124C1907A 50m units @B1.00</p> <p>ROB124C1907A 50m units @B1.00</p> <p>TCAP24C1907A 50m units @B1.00</p> <p>BANP28C1907A 93m units @B1.00</p> <p>BEAU28C1907A 80m units @B1.00</p> <p>KBAN28C1907A 49m units @B1.00</p> <p>PTG28C1907A 133m units @B1.00</p> <p>PTTG28C1907A 45m units @B1.00</p> <p>SCC28C1907A 48m units @B1.00</p> <p>TMB28C1907A 113m units @B1.00</p> <p>XB</p> <p>ACAP 12 existing : 1GSC @ tba</p> <p>XD</p> <p>IRC @B0.8965</p> <p>METCO @B13.00</p> <p>Conversion</p> <p>PJD-W2 1:1w @B1.00 (final)</p>	<p>8</p> <p>XD</p> <p>1DIV @B0.25</p> <p>TAPAC @B0.11</p> <p>TDEX @B0.20</p>
<p>11</p> <p>XD</p> <p>WHABT @B0.1325</p> <p>XN</p> <p>WHABT @B0.024</p>	<p>12</p> <p>XD</p> <p>CRYSTAL @B0.048</p> <p>CPNCG @B0.2204</p> <p>DIF @B0.26</p> <p>OSP @B0.30</p> <p>POPF @B0.2843</p> <p>PPF @B0.1743</p> <p>PTTEP @B3.25</p> <p>SIRIP @B0.1382</p> <p>XN</p> <p>CRYSTAL @B0.121</p> <p>ERWPF @B0.117</p>	<p>13</p> <p>Sector Move</p> <p>PRINC - Property & Development ></p> <p>PRINC - Health Care</p> <p>XD</p> <p>GCAP @B0.15</p>	<p>14</p> <p>Conversion</p> <p>CIG-W7 1:1w @B2.00 (final)</p>	<p>15</p> <p>XD</p> <p>DREIT @B0.1714</p> <p>SPF @B0.31</p> <p>URBNPF @B0.12</p> <p>Conversion</p> <p>TCAP-P 1:1</p> <p>TIC-P 1:1</p>
<p>18</p> <p>XE</p> <p>EVER-W3 1:1w @B5.00 (final, "SP")</p> <p>NESDB - GDP 4Q/18</p>	<p>19</p> <p>PUBLIC HOLIDAY (Makha Bucha Day)</p>	<p>20</p> <p>XD</p> <p>GLANDRT @B0.1722</p> <p>Conversion</p> <p>ECF-W2 1:1w 2B3.00 (final)</p>	<p>21</p> <p>Conversion</p> <p>MACO 10:1n @B1.60</p>	<p>22</p> <p>Conversion</p> <p>7UP-W2 1.0568:1w @B1.1827 (final)</p>
<p>25</p> <p>XD</p> <p>PICO @B0.30</p> <p>PICO-P1 @B0.30</p> <p>Conversion</p> <p>WORK-W1 1:1w @B38.10</p>	<p>26</p> <p>XE</p> <p>NEW-W4 2.2306:1w @B0.447 (final, "SP")</p>	<p>27</p> <p>Conversion</p> <p>BH-P 1:1</p> <p>TTA-W5 1.0141:1w @b18.2439 (final)</p> <p>BOT : Jan-19 Trade</p>	<p>28</p>	

March 2019

Monday	Tuesday	Wednesday	Thursday	Friday
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			MOC : Feb-19 CPI	
<p>4</p> <p>XD</p> <p>KSL @B0.05</p>	<p>5</p>	<p>6</p> <p>XW</p> <p>SWC 2 existing : 1w @free</p>	<p>7</p>	<p>8</p>
<p>11</p>	<p>12</p>	<p>13</p> <p>Conversion</p> <p>EVER-W3 1:1w @B5.00 (final)</p>	<p>14</p>	<p>15</p>