

Monday, February 25, 2019

Investment Strategy

SET could rebound but would still face 1,660 pts resistance range. Dubai price pierced through US\$65/barrel, the US-China trade talks made progress, and Fed signaled easing policies. All these would encourage fund inflows. However, 4Q18 earnings were disappointing, so there could be selling pressure in the short term. We recommend dividend plays that are going XD soon (LH, KKP, THANI, BBL). Top picks are PTT(FV@B56), which has already reflected disappointing earnings in 4Q18, and PTTEP(FV@B168), which has not yet absorbed the oil price of US\$67/barrel.

SET Index rally at the end of week

SET Index rallied 12 pts during the day and closed at 1,659.20 pts last Friday, jumping 11.88 pts (+0.72%) with trading value of B50.7bn. US-China trade war is taking a positive turn, while Fed shows signals of more relaxing monetary policies and slower Fed fund rate hike. The market was supported by 1) commerce plays, e.g. CPALL (+2.28%), LOXLEY (+6%), and COM7 (+4.22%), and 2) energy plays, especially PTT (+0.51%) and PTTGC (+2.11%).

SET Index today is expected to rebound within 1,660 pts resistance range. Main drivers would be energy plays as Dubai crude oil price rises above our projection. US-China trade war tension has subsided. Plus, Fed signaled more easing monetary, stopping balance sheet reduction and slowing down Fed fund rate hike for the rest of the year. All these good news would encourage fund inflow in Asia as well as Thailand. Meanwhile, 4Q18 earnings results of SET-listed companies making up 70% of market cap have been reported so far, mostly below forecast; thus, 2018-2019 market EPS forecast is likely to be revised down, having short-term negative sentiment.

US-China trade war softens. Auto tariff hike on Europe depresses auto industry

US-China trade talk in Washington D.C. late last week took a positive turn and led to a Memorandums of Understanding (MOUs) on many issues that the US demands from China: 1) technology transfer and cyber theft, 2) opening of service market to the US, 3) intellectual property protection, 4) currency (CNY) intervention, 5) an increase in China's imports of U.S. agricultural goods, and 6) non-tariff barriers. In order to reduce impact from trade war that has hurt the economy of both China and the US since 2H18, the US is postponing import tariff hike deadline (from 10% to 25%) on Chinese goods worth US\$200bn; the definite date is not determined yet (probably for another 60 days to May 1).

This trade talk has softened worldwide concern and thus boosted commodity prices (especially crude oil). Oil supply has decreased in line with a decline in demand as a result of trade war. Dubai crude oil price is US\$66.8 now, close to our assumption of US\$65 in 2019 and US\$70 in 2020, probably standing above US\$60 for the rest of this year. We recommend accumulating PTTEP(FV@B168) and PTT(FV@B56) as their weak 4Q18 earnings results are already priced in and a rebound is expected in 1Q19.

SET Index	1,659.20
Change (pts)	11.88
Market Cap (Million B)	50,800

Net Buy and Sell by Investor Type (Million B)	
Foreign	3,280.03
Proprietary	390.88
Institutional	-484.80
Retail	-3,186.12

Porranee Thongyen

License No: 004146

Therdsak Thaveeteeratham

License No: 004132

Pobchai Phatrawit

License No: 052647

Paradorn Tiaranapramote

License No: 075365

Takit Chardcherdsak

License No: 087636

Yothin Pukongnin

Quantitative Analyst Assistant

Jerdjaras Kaewkua

Analyst Assistant

Wanapruk Komonwitayatorn

Economist Assistant

Thailand with first trade deficit in two months, weakening THB

Thailand's export in January contracted for the third consecutive month by 5.6%yoy in USD and 5.7% in THB, mainly as a result of trade war. Export to major export markets slowed down. Particularly, export to China contracted for the third month by 17% in January, versus 7% in December, followed by Hong Kong (-15%, fifth month), and Australia (-5.3%, third month). **On the other hand, export to the US increased 8% in January, up from 0.5% growth in December, mainly because the US imported more from Thailand instead of China, e.g. auto-part, steel, clothing, jewelry, chemical, and plastic resin.**

Notably, exports of major export goods contracts, e.g. computer-part (-10.1%, fourth month), raw rubber (-15%, 14th consecutive months), and Thailand's No.1 export goods auto-part (-5%, after a growth).

Meanwhile, import in January increased 13.99% in USD and 14% in THB, mainly from imports of arms and military weapons that surged 6,041%yoy to US\$4bn, while imports of chemical, electric machinery, and components for production of export goods grew slightly.

Overall, Thailand reversed to be with trade deficit of US\$4bn in January, the first deficit in two months (after a deficit in November 2018). As long as Thailand is still affected by trade war and faces trade deficit longer, THB would weaken. Notably, THB has appreciated for more than six months, from B33.25/US\$ in August 2018 to the strongest point of B31.1/US\$ on February 20 and then weakened to B31.28/US\$ at present.

We estimate Thailand's 2019 export and import growth at 0.5% and 3%, down from 6.7% and 12.5% in 2018. This is projected to weaken Thailand's GDP growth from 4.1% in 2018 to 3.5% in 2019.

AAV to become biggest low-cost airline player after NOK acquisition

It has been rumored that AAV is considering acquiring NOK shares from the Jurangkool group, which holds 60.6% stake in NOK after the latest capital increase on February 14, 2019. Earlier, THAI refused to subscribe to new NOK shares at the latest capital increase, so THAI's shareholding in NOK decreased from 21.8% to 15.9%.

Assuming that AAV acquires NOK shares from the Jurangkool group at the price of B2.76 (close to the current price, fivefold from NOK's book value after the capital increase of B0.55), the value of the deal would be B5.2bn. Considering AAV's end-3Q18 net gearing (net debt to equity) of 0.8x and capital base of B20bn, AAV is still able to finance the deal through loans without a capital increase; AAV will become NOK's major shareholder, replacing the current one.

NOK is facing continuous loss. It does not benefit from business synergy with THAI because it is based at Don Mueang Airport, while THAI is based at Suvarnabhumi Airport. If AAV actually acquires NOK, it will become a shareholder of two low-cost airlines, both Nok Air and Thai Air Asia (AAV holds 55% stake, Asia Berhad holds 45% stake).

We believe the purchase of NOK will be good for AAV. Not only will it become the largest low-cost airline after the purchase, but the combined market share of AAV (domestic flights in 9M18) at 33% and NOK at 18.8% will also be 51.8%, which is far higher than 17.0% of Thai Lion Air, the second top market share. This means AAV will have more leverage power

in setting ticket fare price, helping relieve price competition. At the same time, the current fleet size of 62 aircrafts of AAV and 26 of NOK, excluding five aircrafts of Nok Scoot (held 51% by NOK and 49% by Singapore shareholders) which are used for long flights, will render AAV economies of scale from the biggest fleet size. Furthermore, the high cost problem of NOK will be solved, for example cost of aircraft rentals will decrease as it will be cheaper for NOK to rent aircrafts from AirAsia. Moreover, AAV([FV@B4.4](#)) has a strong point of the lowest cost of operation (excluding jet fuel cost) in the industry.

However, the share price has already reflected positive hope and we are monitoring the development of the matter and could revise our forecast if the deal does happen.

Thailand with biggest foreign net buy

Foreign funds possessed a net buying position in Asian markets at US\$75m last Friday (fifth day). South Korea and Indonesia reversed to face net selling of US\$23m (after four days of net selling) and US\$8m (after two days of net selling), respectively, whereas the rest were still with slight net buying: Taiwan at US\$0.5m (fifth day), the Philippines at US\$0.3m (second day), and Thailand at US\$105m or B3.82bn (after a day of net selling, the biggest net buying in the region). Local institutions reversed to be net sellers at B485m though.

Fund inflow has returned to Thailand. The US extended trade talk with China, having positive momentum on global stock markets. Thailand has been with YTD cumulative foreign net buying of only US\$281m or B8.75bn, the smallest among five Asian markets. Meanwhile, Thailand's valuation is considerably cheap compared with neighbors, while market capitalization is bigger than Indonesia and the Philippines. Fund inflow is likely to return to Thailand.

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)	756	444	4,482	3,886	281	9,849
January 2019	964	356	3,658	1,946	214	7,138
February 2019 (MTD)	-208	88	824	1,940	67	2,711

Unit: Million US\$

4Q18 market earnings falls 34%yoy, 37%qoq, below forecasts from global plays

4Q18 earnings results of SET-listed companies accounting for 69% of market capitalization have been reported so far at the combined value of B129bn, a decrease of 34%yoy from 4Q17 and 36.8%qoq from 3Q18, mainly from a decline in earnings of the following sectors:

- **Energy** – 4Q18 earnings results of PTT, IRPC, TOP, and SPRC were depressed by stock loss, while EGCO faced 4Q18 net loss due to Fx loss and assets impairment loss.
- **Petrochemical** – PTTGC's 4Q18 earnings were pressured by an increase in extraordinary expenses as well as a decrease in normalized profit due to lower spreads of every petrochemical product.
- **ICT** – DTAC's 4Q18 profit fell due to expenses from cash settlement of most disputes with CAT. THCOM's earnings result was pressured by impairment loss from satellites and a significantly increase in SG&A.

- **Construction material** – Particularly, SCC's 4Q18 earnings result was mainly pressured by a decline in profit from the petrochemical business.
- **Food** – CPF faced extraordinary tax expense due to a change in shareholder structure in an overseas subsidiary; it also faced normalized loss due to low demand and selling prices of meat during Vegetarian Festival in Thailand.

Overall, 4Q18 total net profit of all SET-listed companies is estimated to miss our market earnings forecast by B250-260bn. Every B10bn decrease from our market earnings forecast would depress market EPS by B1; thus, 2018 market EPS is expected to drop from our projection of B108 to B103-105. We are revising 2019 market EPS forecast from B112.2 at present.

Dividend plays advisable amid SET fluctuation

Valuation of nine dividend plays not going XD yet

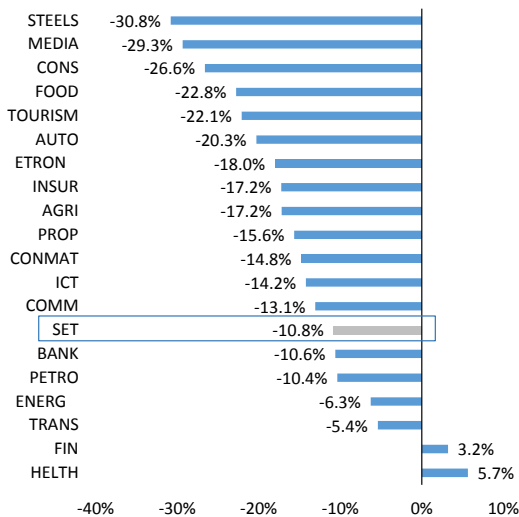
No.	Stock	Last Price (22/02/19)	Fair Value	Upside	Div Yield 19F(%)	Growth 19F	Avg. Return before XD Date	Probability	Remaining Time before XD Date	2018/2019 XD Date	Dividend Payment
Property											
1	SENA	3.52	4.46	26.75%	6.62%	-1.20%	14.35%	100%	2 months 10 days	07/05/18	Semi-Anl
2	AP	7.30	9.60	31.49%	5.75%	4.33%	6.11%	100%	2 months 12 days	09/05/18	Annual
3	LH	10.50	14.00	33.36%	7.62%	-4.50%	4.06%	80%	2 months 11 days	08/05/18	Semi-Anl
4	QH	3.06	4.48	46.35%	7.33%	3.18%	4.00%	60%	1 month 30 days	26/04/18	Semi-Anl
Media											
5	MAJOR	25.50	29.00	13.73%	4.74%	7.07%	11.27%	100%	1 month 27 days	23/04/19	Semi-Anl
Leasing											
6	JMT	12.00	15.60	30.00%	3.92%	24.94%	6.89%	80%	1 month 28 days	24/04/18	Semi-Anl
7	THANI	7.30	9.40	28.77%	4.85%	9.71%	8.69%	40%	0 month 10 days	07/03/19	Annual
Banking											
8	KKP	70.50	75.60	7.23%	7.45%	4.73%	1.96%	40%	2 months 4 days	30/04/19	Semi-Anl
9	BBL	211.00	227.00	7.58%	3.79%	4.85%	4.06%	80%	1 month 27 days	23/04/18	Semi-Anl

Note: Since 2H18 XD dates of these companies have not been announced yet, our reports are based on 2H17 XD dates instead.

* Average return from this date to XD dates

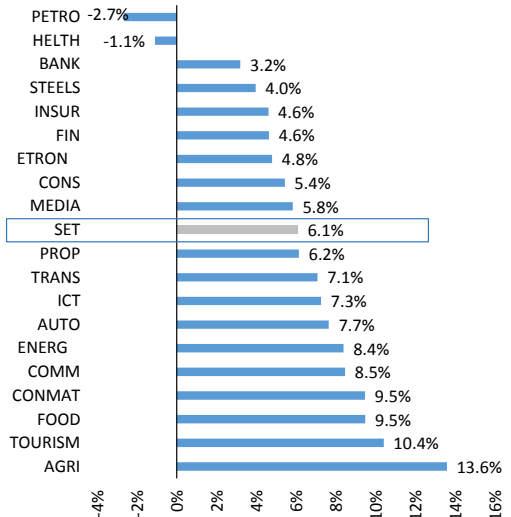
Source: SET / ASPSP Research

SET vs Sector Return 2018



Source: ASPSP Research

SET vs Sector Return 2019 YTD



Source: ASPSP Research

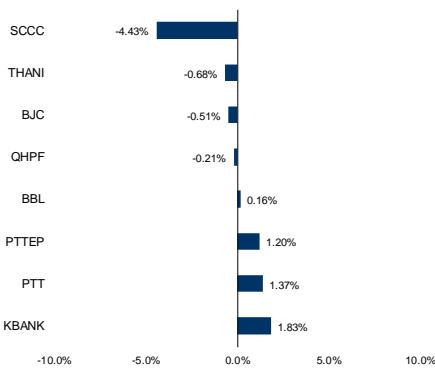
Market Talk Top Picks

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%	233.33	223.00	-4.43%	17.41	1.84	3.59	SCCC has benefited from the coming of general election, which boosted domestic demands of cement, its major business. Dividend yield is almost 4%.	
PTTEP	18-Feb-19	168.00	10%	124.50	126.00	1.20%	14.38	1.19	3.97	Overseas situations have improved, both US government shutdown and US-China trade talks, so Dubai crude oil price continued rising as we had expected, but the share price is still laggard peers.	
KBANK	28-Dec-18	246.00	10%	191.50	195.00	1.83%	11.48	1.15	2.31	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	15%	49.25	49.00	-0.51%	26.90	1.62	1.97	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	49.25	1.37%	12.16	1.51	4.06	Although 4Q18 profit was weakened by stock loss, there is still short-term positive from global crude oil price that has risen by more than 27%ytd.	
BBL	13-Feb-19	227.00	15%	210.67	211.00	0.16%	10.87	0.92	3.55	2019 net profit to grow 4.9%qoq and 7.6%yoy as loan business has improved, thanks to government's mega investment projects.	
THANI	13-Feb-19	9.40	10%	7.35	7.30	-0.68%	12.38	2.76	4.46	4Q18 profit made new high for another quarter thanks to truck leasing segment. 1Q19 profit growth is estimated at 10%yoy, depending on situations after election.	
QHPF	20-Feb-19	n.a.	10%	12.83	12.80	-0.21%	n.a.	n.a.	n.a.	Dividend payment season is coming soon. QHPF has dividend yield over 7%p.a and beta below 1x (less volatile than SET). A safe haven.	

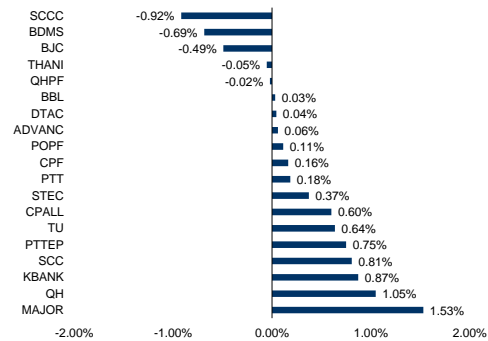
Last Friday we reduced investment in SCCC by 5% and increased investment in PTT by 5% instead.

Today we reduce investment in QHPF by 5% and increase investment in PTTEP by 5% instead.

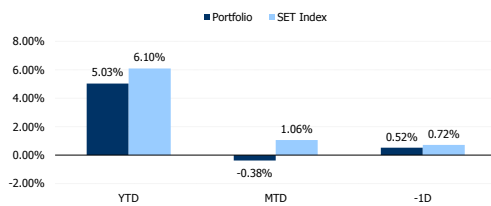
Accumulated returns since our recommendation



Accumulated contribution returns since beginning of the year



Accumulated returns



Source: ASPS Research



February 2019

Monday	Tuesday	Wednesday	Thursday	Friday
<p>25</p> <p>New listing - Derivatives Warrant</p> <p>AMAT01C1909A 60m units @B1.00</p> <p>AMAT01C1909B 40m units @B1.00</p> <p>AMAT01P1909A 40m units @B1.00</p> <p>AOT01C1908A 100m units @B1.00</p> <p>AOT01C1908B 100m units @B1.00</p> <p>AOT01P1908A 100m units @B1.00</p> <p>AOT01P1908B 100m units @B1.00</p> <p>AP01C1908A 50m units @B1.00</p> <p>AP01C1908B 35m units @B1.00</p> <p>BEAU01P1909A 40m units @B1.00</p> <p>BTS01C1908A 90m units @B1.00</p> <p>BTS01C1908B 90m units @B1.00</p> <p>BTS01P1908A 90m units @B1.00</p> <p>HMPR01C1908A 100m units @B1.00</p> <p>HMPR01C1908B 100m units @B1.00</p> <p>HMPR01P1908A 100m units @B1.00</p> <p>QH01C1908A 70m units @B1.00</p> <p>QH01C1908B 60m units @B1.00</p> <p>S5001C1906F 150m units @B1.00</p> <p>S5001C1906G 150m units @B1.00</p> <p>S5001P1906F 150m units @B1.00</p> <p>S5001P1906G 150m units @B1.00</p> <p>STA01C1908B 50m units @B1.00</p> <p>TISC01C1908A 70m units @B1.00</p> <p>TISC01C1908B 50m units @B1.00</p> <p>TISC01P1908A 25m units @B1.00</p> <p>AMAT11C2001A 41.9m units @B1.00</p> <p>AP11C2001A 33.7m units @B1.00</p> <p>BBL11C2001A 90m units @B1.00</p> <p>BBL11P2001A 90m units @B1.00</p> <p>BCH11C2001A 56.4m units @B1.00</p> <p>BDMS11C2001A 90m units @B1.00</p> <p>BEM11C2001A 90m units @B1.00</p> <p>BJC11C2001A 90m units @B1.00</p> <p>ERW11C2001A 27.2m units @B1.00</p> <p>INTU11C2001A 90m units @B1.00</p> <p>CBG13C1907A 120m units @B1.00</p> <p>KCE13C1907A 120m units @B1.00</p> <p>TASC13C1907A 120m units @B1.00</p> <p>BCP23C1907A 30m units @B1.00</p> <p>BCH23C1907A 30m units @B1.00</p> <p>CK23C1907A 30m units @B1.00</p> <p>CHG23C1907A 30m units @B1.00</p> <p>GUNK23C1907A 30m units @B1.00</p> <p>PSL23C1907A 30m units @B1.00</p> <p>SPRC23C1907A 30m units @B1.00</p> <p>STEC23C1907A 30m units @B1.00</p> <p>TASC23C1907A 30m units @B1.00</p> <p>SPAL24C1907A 50m units @B1.00</p> <p>STA24C1909A 50m units @B1.00</p> <p>TASC24C1908A 50m units @B1.00</p> <p>TVO23C1907A 30m units @B1.00</p> <p>XD</p> <p>LHHOTEL @B0.28</p> <p>LHSC @B0.16</p> <p>PICO @B0.30</p> <p>PICO-P1 @B0.30</p> <p>TIF1 @B0.15</p> <p>Conversion</p> <p>WORK-W1 1:1w @B38.10</p>	<p>26</p> <p>XD</p> <p>BTSGIF @B0.206</p> <p>IRPC @B0.09</p> <p>XE</p> <p>NEW-W4 2.2306:1w @B0.447 (final, "SP")</p>	<p>27</p> <p>XD</p> <p>BOL @B0.12</p> <p>CPTGF @B0.19</p> <p>EGATIF @B0.1965</p> <p>FSS @B0.06</p> <p>FTREIT @B0.167</p> <p>KIAT @B0.01</p> <p>LPN @B0.40</p> <p>SAT @B1.00</p> <p>TTTTF @B0.0744</p> <p>TTLPP @B0.39</p> <p>XN</p> <p>TTTTF @B0.0089</p>	<p>28</p> <p>XD</p> <p>CPR @B0.16 + special div @B1</p> <p>FUTUREPF @B0.357</p> <p>HREIT @B0.1684</p> <p>MBKET @B0.28</p> <p>SPVI @B0.06</p> <p>TOP @B1.15</p> <p>XN</p> <p>HREIT @B0.0226</p> <p>Conversion</p> <p>BH-P 1:1</p> <p>DIMET-W2 1:1w @B1.15</p> <p>SPORT-W7 1:1w @B0.20</p> <p>SUPER-W4 1:1w @B2.50</p> <p>TSF-W5 1:1w @B0.05</p> <p>TTA-W5 1.0141:1w @b18.2439 (final)</p>	
			<p>TTA-W5 1.0141:1w @b18.2439 (final)</p> <p>BOT : Jan-19 Trade</p>	

March 2019

Monday	Tuesday	Wednesday	Thursday	Friday
				<p>1</p> <p>XD</p> <p>AMA @B0.10</p> <p>BKKCP @B0.20</p> <p>BROCK @B0.02</p> <p>DELTA @B2.30</p> <p>GAHREIT @B0.30</p> <p>JASIF @B0.23</p> <p>MC @B0.35</p> <p>MIPF @B0.45</p> <p>PM @B0.36</p> <p>PT @B0.50</p> <p>TASCO @B0.30</p> <p>TLHPF @B0.375</p> <p>MOC : Feb-19 CPI</p>
<p>4</p> <p>XD</p> <p>AMATAR @B0.075</p> <p>DCC @B0.027</p> <p>INOX @B0.05723</p> <p>JAS @B0.28</p> <p>KSL @B0.05</p> <p>NVD @B0.08</p> <p>PLAT @B0.20</p> <p>PPP @B0.05</p> <p>QLT @B0.25</p> <p>RATCH @B1.25</p> <p>XN</p> <p>AMATAR @B0.11</p> <p>BOFFICE @B0.1659</p>	<p>5</p> <p>XD</p> <p>AMANAH @B0.0074074 + 15 existing : 1STD @free</p> <p>BCPG @B0.16</p> <p>FTE @B0.11</p> <p>IFS @B0.17</p> <p>LIT @B0.33</p> <p>MAKRO @B0.56</p> <p>MINT @B0.0155</p> <p>PTTGC @B2.50</p>	<p>6</p> <p>XD</p> <p>BCP @B0.50</p> <p>BH @B1.80</p> <p>BH-P @B1.80</p> <p>BRRGIF @B0.13143</p> <p>CBG @B0.60</p> <p>CTARAF @B0.0438</p> <p>GFPT @B0.25</p> <p>GOLDPF @B0.195</p> <p>ICN @B0.09</p> <p>IT @B0.07</p> <p>KPNPF @B0.11</p> <p>MJLF @B0.2125</p> <p>NKI @B1.50 + 34 existing : 1STD @free</p> <p>OGC @B0.57</p> <p>PTT @B1.20</p> <p>SSTRT @B0.2625</p> <p>TAE @B0.15</p> <p>TMT @B0.07 + 1STD @free</p> <p>TPRIME @B0.1017</p> <p>TU @B0.15</p> <p>UTP @B0.60</p> <p>XE</p> <p>UWC-W2 1:1w @B0.10 (final, "SP")</p>	<p>7</p> <p>XD</p> <p>ASK @B1.61</p> <p>BKI @B5.00</p> <p>CSC @B1.50</p> <p>CSC-P @B3.00</p> <p>GLOBAL @B0.05 + 20 existing : 1STD @free</p> <p>NOBLE @B6.90</p> <p>RAM @B30.00</p> <p>SCP @B0.50</p> <p>SGP @B0.20</p> <p>SMK @B2.03</p> <p>SVH @B9.00</p> <p>TCCC @B1.50</p> <p>THANI @B0.29 + 4 existing : 1STD @free</p> <p>TNP @B0.02</p> <p>TPIPP @B0.10</p> <p>UVAN @B0.23</p> <p>XW</p> <p>SWC 2 existing : 1w @free</p>	<p>8</p> <p>XD</p> <p>eGCO @B3.50</p> <p>ROBINS @B1.35</p> <p>SYNEX @B0.34 + 10 existing :1STD @free</p> <p>UOBKH @B0.07</p>

Equity Calendar

Research Division



February 25, 2019

XN
CTARAF @B0.0762