

Thailand Morning Cuppa

Top Story

Regional Oil & Gas (Overweight (Maintained))

Someone's Blinking

Sector Update

Maintain OVERWEIGHT; Top Picks include PTT, Keppel, and Yinson. At current crude oil prices, all producers are suffering. US shale oil producers are scrambling for the US Government to intervene; the Texas regulator is looking at curtailing production, and has started a dialogue with OPEC. Ultimately, Saudi Arabia and Russia will have to see whether natural rebalancing or a truce is best for their respective countries. Our Brent crude oil price assumption is now USD40.00/bbl for 2020F and USD55.00/bbl for 2021F-2022F.

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Today's Report: [See attached PDF \(24 Mar 2020\)](#)

Previous Report: [Regional Oil & Gas : No Deal For OPEC+, Price War Begins \(9 Mar 2020\)](#)

Other Story

Airports of Thailand (AOT TB, SELL, TP: THB41.00)

Caught In The Downdraft; Reiterate SELL

Company Update

Reiterate SELL with a new THB41.00 TP from THB61.00, 13% downside. We expect the worsening global pandemic to adversely dampen Airport of Thailand's FY20F (Sep) earnings throughout the remaining quarters, while its valuations for this and next year still look demanding. A quicker-than-expected curb on COVID-19 could be an upside to our call.

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Today's Report: [See attached PDF \(24 Mar 2020\)](#)

Previous Report: [Airports of Thailand : Mercy Measures For Partners; D/G To SELL \(20 Feb 2020\)](#)

Economic Research

BoT Cuts Rate In Special Meeting On Virus Fears

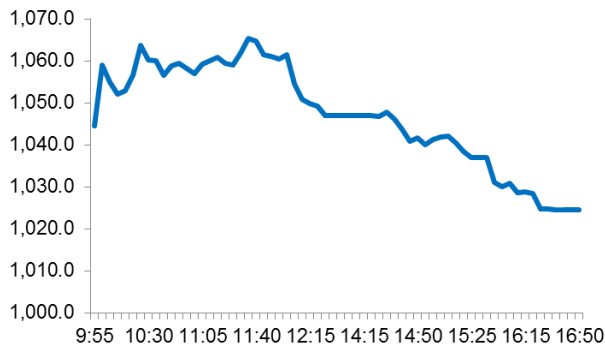
Economics View

- Bank of Thailand (BoT) cut its policy rate by 25bps to a fresh low of 0.75% in a special meeting held by the Monetary Policy Committee on late Friday. This came as the COVID-19 outbreak resulted in concerns among global financial markets, affecting liquidity and the functioning of Thai financial markets despite the overall stability of the financial system.
- The move is expected to reduce the interest burdens of borrowers affected by the outbreak and alleviate liquidity strain in the financial markets as well as mitigate its negative impact on the economy.
- We expect the central bank to maintain its policy rate unchanged at the current level going forward, as it is already at its historic low and is the lowest compared to most of its regional peers. The effectiveness of a further rate cut is also questionable as it would be increasingly hard for banks to pass on the lower borrowing costs given the effective lower bound of the policy rate. However, we do not rule out further rate cuts as inflation remains weak, while the impact from the COVID-19 outbreak could worsen.

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Today's Report: [See attached PDF \(24 Mar 2020\)](#)

Previous Report: [COVID-19 Pandemic Update: 9-13 Mar 2020 \(13 Mar 2020\)](#)

Chart 1: SET intra-day graph


SET	2017	2018	2019	2020F
PE (x)	17.60	16.25	11.61	10.29
P/BV (x)	2.03	1.74	0.21	0.20
Yield (%)	2.80	3.35	4.52	4.84

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	4,186.93	5,450.69	-1,263.76
Proprietary	3,104.31	4,449.22	-1,344.91
Foreign	19,226.08	23,461.55	-4,235.46
Retail	33,160.47	26,316.34	6,844.13

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	26,947.18	10,685.09
Proprietary	-5,451.76	-6,234.10
Foreign	-71,962.79	-108,914.07
Retail	50,467.37	104,463.07

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	50,298	61,718	-11,420	-92,619	-108,241
Foreign	118,054	104,388	13,666	123,166	155,109
Local	185,318	187,564	-2,246	-30,547	-46,868

Foreign Fund Flows (USDm)

	Daily	WTD	MTD	YTD	YoY
Thailand	-129.6	-129.6	-2253.8	-3442.6	2989.4

Note: *As at 23 Mar 2020 closing

Table 1: Key market indices (24 Mar 2020)

	Index	Chg	% Chg	% YTD
SET	1024.46	-102.78	-9.12%	-35.2%
SET50	680.07	-76.04	-10.06%	-36.4%
SET100	1484.85	-166.55	-10.09%	-36.6%
Dow Jones	18591.93	-582.05	-3.04%	-34.9%
S&P500	2237.40	-67.52	-2.93%	-30.7%
Nasdaq	6860.67	-18.85	-0.27%	-23.5%
FTSE	4993.89	-196.89	-3.79%	-33.8%
FSSTI	2233.48	-177.26	-7.35%	-30.7%
Hang Seng	21696.13	-1108.94	-4.86%	-23.0%
Nikkei	16887.78	334.95	2.02%	-28.6%
KLCI	1259.88	-43.40	-3.33%	-20.7%
SHANGHAI SE	2660.17	-85.45	-3.11%	-12.8%
JCI	3989.52	-205.43	-4.90%	-36.7%

Key Statistics
Foreign Exchange Rates / Oil Market

	Closed	Chg.	%Chg.
USD			
Baht (Onshore)	31.47	0.02	-0.08
Yen	112.00	-0.10	0.09
Euro	1.08	0.00	0.03
Oil Price (USD/barrel)			
Brent	58.50	-0.57	-0.96
Nymex-Crude Light	53.68	-0.20	-0.37

Note: *As at 23 Mar 2020 closing

Bulletin

STOCK/SECTOR	NEWS	COMMENTS	RATINGS
<p>Hospitality</p> <p>Airports of Thailand (AOT TB)</p> <p>Central Plaza Hotel (CENTEL TB)</p>	<p>International tourist arrivals to Thailand sank 42.78% in February from a year earlier after a 2.46% rise in the previous month, according to Ministry of Tourism & Sports data published on Monday. This drop was attributed to the COVID-19 pandemic.</p> <p>A total of 2.06m tourists spent about THB103.7bn during this time, down 43.9% YoY. Visitor numbers from China, Thailand's biggest source of tourists, tumbled 84.92% YoY. Tourism is a key driver of growth for the kingdom, with foreign tourist receipts making up 11% of GDP last year. The tourism industry as a whole is estimated to account for about 20% of GDP. (<i>Bangkok Post</i>)</p>	<p>The February numbers are the start of a fall in Thailand's key tourism statistics, in our view. This is because the spread of COVID-19 continues to rise in Europe, the US, and South-East Asian countries, including here in the kingdom. We also do not expect an immediate return of outbound travellers from East Asian nations – mainly China and South Korea – although their cases of new infections have declined materially. This is due to concerns over the ongoing pandemic at major holiday destinations.</p> <p>We expect such a steep plunge in numbers to continue throughout 1Q20-3Q20 until COVID-19 is under control. It would also be inevitable to see deep negative revenue per available room or RevPar drops for Thai hoteliers, as well as sharp plunges in Airports of Thailand's (AOT) aircraft movement and air passenger numbers over the aforementioned period. We expect possible downsides for full-year 2020 international arrivals to 33m (-17% YoY) from our previous forecast of 42.5m (+6% YoY).</p> <p>We maintain our call and TPs for AOT and Central Plaza Hotel (CENTEL).</p>	<p>Sector: NEUTRAL</p> <p>Stocks: AOT: SELL, P: THB41.00</p> <p>CENTEL: SELL, TP: THB13.40</p>

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	250.00	32.98	<ul style="list-style-type: none"> Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends The scaling up of FBB units that expect to turn profit on EBITDA level this year
Charoen Pokphand Foods (CPF TB)	35.00	62.04	<ul style="list-style-type: none"> The uptrend of its core business should be prolonged, given the tighter supply conditions due to the African Swine Fever outbreak in Asia, with relatively low feed costs that remain in place. Although Charoen Pokphand Foods should benefit from lower policy rates and a weakening THB Upside from the acquisition of Tesco Thailand and Tesco Malaysia. While we expect company to enhance its fresh products distribution channel by tapping into the hypermarket network, we think CPF could also ramp up its food services in Tesco's retail space in future. Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross selling between retail trading formats
CP ALL (CPALL TB)	84.00	43.59	<ul style="list-style-type: none"> Weak consumption should affect staple retailers less than discretionary ones, and CP ALL is the best-in-class among the former. We expect a moderate 6% earnings growth this year 1Q20F-2Q20F outlook may be challenging on uncertain factors, but we still like its aggressive store network expansion, and outstanding product strategies which engender a resilient longer-term outlook CP ALL is acquiring 40% shares in the biggest hypermarket chain: Tesco Thailand and Tesco Malaysia in 2H20F, and be able to offer a complete range of grocery retailing formats. It has lower valuations vs past deals. We expect that it may deliver limited downside to earnings, but could strengthen its business model in the long run
Global Power Synergy (GPSC TB)	80.00	52.38	<ul style="list-style-type: none"> We expect 2 deals to be announced this year in 2H20. One is a 40MW portfolio worth THB3bn. The other is the gas-to-power project. Phase 1 of the project is expected to be c.60-1,200MW, investment range is c.USD360-960m, depending on size and costs We also like GPSCs shift towards being greener. It will also start to produce semi-solid state batteries by Nov/Dec, and we believe there is strong growth potential in this business segment
Osotspa (OSP TB)	49.00	47.37	<ul style="list-style-type: none"> Optimistic 2020F outlook with expected resilient 15% core profit growth and ROE hike by 2% may be driven by strong functional drinks sales, launching of more personal care products, new facility in Myanmar, and efficient cost management to keep GPM rising Successful reformulation of energy drinks has lowered its sugar content excise tax rate materially, playing a vital role in boosting profit margins The inauguration of its new beverage filling facility in Myanmar by end-1Q20F may also provide upside to the topline, and we expect the plant's performance contribution to be more visible from 3Q20F onwards Its market leadership for energy drinks, which is likely to be maintained, deserves premium valuation. This is along with attractive overseas growth story, while its business expansion may also solidify local operations
Supalai (SPALI TB)	20.00	48.15	<ul style="list-style-type: none"> Six of nine condominiums scheduled to be transferred within FY21F-22F have good presales record over 70% of the respective project value. This ensures its earnings visibility longer than other large developers The company is still aggressively acquiring landbank with this year's budget of THB8bn – a high level in the past 10 years. This implies that it is well prepared for launching new projects as soon as the industry recovers Based on the solid orderbook on hand, we expect net profit growth of 3-5%YoY for FY20F-22F. Supalai is one of few developers with the ability to generate growth in the near term

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