

Thailand Morning Cuppa

Top Story & Regional Research

Regional Oil & Gas Event

Navigating Oil Price Volatility

Regional Oil & Gas Event Thematic

Crude oil prices (Brent) are forecast to average at USD45.00/bbl for 2H20 and USD43.00/bbl for 2020F. We expect crude oil prices to average USD55.00/bbl for 2021-2022 and USD60.00/bbl in the long term. We view 2H20 as a recovery period as the world eases out of lockdown and life slowly returns to normal. When this happens, the global economy and oil demand – and hence prices and spreads – should recover. We believe that COVID-19 vaccines, which are being developed at warp speed, should be available by 2021 (albeit limited initially). This should further strengthen the global economy. By 2023, normalcy should return once there is global distribution of the vaccine. This is the basis of our base case crude oil price assumption. Risks are a resurgence of COVID-19 and rolling lockdowns globally dampening recovery momentum. Our regional O&G sector Top Picks are PTT, Keppel Corp, and Serba Dinamik.

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Today's Report: [Regional Oil & Gas Event : Navigating Oil Price Volatility \(30 Aug 2020\)](#)

Previous Report: [Regional Oil & Gas : OPEC+ Back In The Driver's Seat \(4 Jun 2020\)](#)

Economic Research

Impacts Of COVID-19 On Economy And Post-COVID Trends

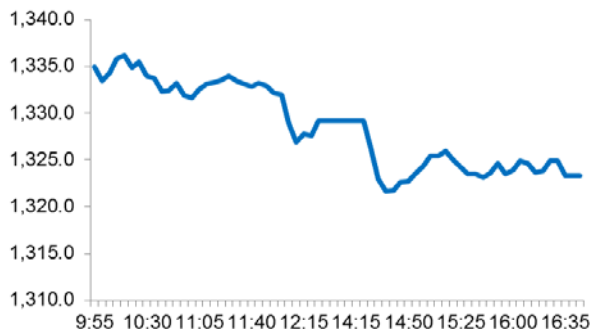
Economics View

- Thailand's economy could shrink by 10% YoY this year, and may only return to pre-COVID-19 levels in 2023 – as exports, tourism, and domestic consumption may only see a gradual pick-up once the pandemic ends.
- Digitalisation trends such as e-commerce, the development of 5G, cloud services, and the shift to work-from-home practices, as well as telemedicine are expected to pick up. Meanwhile, the sharing economy, renewable energy, and automation could undergo a delay post-pandemic.
- IT services could see a strong comeback, while the recovery in tourism is likely to be gradual, with the initial focus on selected businesses and medical tourism. The post COVID-19 period should see the manufacturing sector benefit from the relocation of production out of China. In the meantime, the banking sector is anticipated to step up digital banking services.

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Today's Report: [Impacts Of COVID-19 On Economy And Post-COVID Trends \(31 Aug 2020\)](#)

Previous Report: [July MPI Improved But Below Expectations \(26 Aug 2020\)](#)

Chart 1: SET intra-day graph


	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1323.31	-3.50	-0.26%	-16.2%
Thailand (SET50)	855.29	-3.37	-0.39%	-20.0%
Thailand (SET100)	1910.78	-7.54	-0.39%	-18.4%
USA (Dow Jones)	28653.87	161.60	0.57%	0.4%
USA (S&P500)	3508.01	23.46	0.67%	8.6%
USA (Nasdaq)	11695.63	70.29	0.60%	30.3%
UK (FTSE)	5963.57	-36.42	-0.61%	-20.9%
Singapore (FSSTI)	2539.63	19.82	0.79%	-21.2%
Hong Kong (Hang Seng)	25422.06	140.91	0.56%	-9.8%
Japan (Nikkei)	22882.65	-414.47	-1.78%	-3.3%
Malaysia (KLCI)	1525.21	-29.57	-1.90%	-4.0%
China (SHANGHAI SE)	3403.81	53.69	1.60%	11.6%
Indonesia (JCI)	5346.66	-24.81	-0.46%	-15.1%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.08	-0.01	0.04
Yen	105.32	-0.05	0.05
Euro	1.19	0.00	0.12
Oil Price (USD/barrel)			
Brent	44.88	0.21	0.47
Nymex-Crude Light	43.07	0.10	0.23

Note: *As at 28 Aug 2020 closing

Table 1: Key market indices (31 Aug 2020)

SET	2018	2019	2020F	2021F
PE (x)	16.25	18.02	22.42	17.25
P/BV (x)	1.74	1.71	1.50	1.44
Yield (%)	3.35	3.26	2.67	2.96

SET Value by investor Type: Daily	Sell (THBm)	Net (THBm)
Institution	6,358.60	3,325.71
Proprietary	6,116.94	6,454.68
Foreign	18,993.77	22,810.54
Retail	23,203.79	22,082.18

SET Value by investor Type	MTD (THBm)	YTD (THBm)
Institution	10,263.03	79,735.41
Proprietary	-1,222.29	-202.73
Foreign	-21,253.34	-248,076.89
Retail	12,212.61	168,544.20

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	34,160	29,228	4,932	6,922	-428
Foreign	71,376	87,380	-16,004	4,983	110,721
Local	103,260	92,188	11,072	-11,905	-110,293

Foreign Fund Flows (USDm)	MTD	YTD	YoY
Thailand	-122.7	-233.9	-681.0
	-7803.5	-7085.6	

Note: *As at 28 Aug 2020 closing

Bulletin

STOCKS/SECTOR	NEWS	COMMENT	RATING
<p>CH Karnchang (CK TB)</p>	<p>The high-speed rail (HSR) project linking Suvarnabhumi, Don Mueang International, and U-Tapao International Airports is facing a delay due to a budget problem, State Railway of Thailand (SRT) said. The budget earmarked for the demolishing of infrastructure to make way for the new HSR system has not been approved, meaning delivery of the first phase will be delayed to Feb-Mar 2021 from the earlier-announced Jan 2021 date, it said.</p> <p>The aforementioned infrastructure has been earmarked for demolition, but contractors will now have to wait for approval under Budget 2021 before they can finish the job, Transport Ministry Permanent Secretary Chaiwat Thong-Kamkoon explained on Friday. The budget, he assured, would be approved before the end of this year.</p> <p>SRT Deputy Governor Sujit Chaosirikul said the deadline for delivery of the entire high-speed rail project was Oct 2021. <i>(The Nation)</i></p>	<p>The delay in de-levering the construction site to the bid winner has been a long-gestating problem for this project, as the 200km HSR linking the three airports covers five provinces. Currently, additional delays will be derived from the approval of the Government's budget, in our view. We expect there will be other factors – especially the land delivery – that will delay the project's progress going forward. We also expect CH Karnchang – although one of the construction partners in the consortium – to be less involved with this project, allowing it to focus more on winning projects that have lower chances of such delay problems. This should bode well for construction work profit margins.</p> <p>These projects include the construction of the west side route for Orange-Line Mass Rapid Transit network and Luang Prabang hydropower project in Laos. In combination, both projects will turn around CK's orderbook to a new high, ie more than THB150bn, and its revenue prospects should be enhanced – with the revenue growth starting from FY22 onwards. CK is our Top Pick in terms of new construction work prospects, as well as its policy of maintaining solid GPMs in the construction business.</p> <p>We maintain our call and TP on this stock.</p>	<p>BUY, TP: THB22.50</p>

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Advance Info Service (ADVANC TB)	220.00	19.57	<ul style="list-style-type: none"> Its superior spectrum portfolio, highest cumulative investment in its mobile network and largest market share should allow AIS to continue to sustain its cost advantage during this economic crisis. Company also has the highest room (vs peers) to leverage on its mobile subs base to boost organic growth through pre-to-post migration or FBB business expansion, which should allow it to sustain profitability during this unusual low churn rate environment.
AP (Thailand) (AP TB)	7.60	19.69	<ul style="list-style-type: none"> Its impressive presales of low-rise projects even amidst market concerns over the pandemic crisis can be attributed to its solid brand recognition, and this should lead to its escape from the earnings valley in 2Q20 and also in FY20. In spite of currently low presales of condominium project, the role of condominium is still significant in terms of revenue given AP's abundant orderbook, especially from JV projects which can be recognised as revenue in FY20-22.
Bangkok Chain Hospital (BCH TB)	16.00	6.67	<ul style="list-style-type: none"> Hospital's negatives from international travel restrictions and lockdowns should be limited on improved Social Security Office (SSO) payment scheme revenue and proactive COVID-19 strategy. We remain optimistic on double-digit growth prospects, driven by SSO's upward price adjustment – which should outweigh the temporary shortfall in the international patient segment. BCH has also seen positive results from its COVID-19 services launch, which could be an alternative revenue source this year. However, we view its main earnings driver as the utilisation rate ramp up at WMC and KH RAM.
Bangkok Expressway & Metro (BEM TB)	11.50	23.66	<ul style="list-style-type: none"> The company has approached the growth stage – especially after traffic resumption in both expressways and the Blue-Line Mass Rapid Transit (MRT) networks. The strong catalyst ahead is the success in winning the Orange-Line MRT concession as we believe the BEM-led consortium will be the likely bid winner.
Chularat Hospital (CHG TB)	2.80	9.38	<ul style="list-style-type: none"> Chularat Hospital's lowest exposure to the medical tourism segment vs other hospital groups under our coverage and the strong revenue exposure to government healthcare schemes (Social Security Scheme (SSS), National Health Security Office) should see its core operations outlook remain intact during the economic slowdown. The positive impact from the upward payment scheme adjustment by the Social Security Office should outweigh the negative impact from the non-Thai segment due to its higher revenue contribution. We maintain our high single-digit growth forecast on its topline, driven by services expansion in its existing projects and higher utilisation rate of two new hospitals
CP All (CPALL TB)	77.00	21.26	<ul style="list-style-type: none"> Still the best-in-class retailer, even though weak 2Q20F results are inevitable – due to a high base in the same period last year But, we expect a gradual recovery of convenience stores and Siam Makro sales in 2H20, as a V-shaped recovery, thanks to the re-opening of workplaces and schools, as well as increasing road traffic from the domestic tourism boost. As it has the most extensive store network, CP All may strongly benefit the new normal in terms of facilitating delivery of products and services through its developing omni-channel platform.
Global Power Synergy (GPSC TB)	80.00	22.61	<ul style="list-style-type: none"> We expect two deals to be announced this year in 2H20. One is a 40MW portfolio worth THB3bn. The other is a gas-to-power project. Phase 1 of the c.60-1,200MW project is expected to be in the investment range of c.USD360-960m, depending on size and costs We also like GPSC's shift towards being greener. It will also start to produce semi-solid state batteries by November/December – we believe there is strong growth potential in this business segment
Osotspa (OSP TB)	49.00	23.27	<ul style="list-style-type: none"> Robust sales for functional beverage products during COVID-19 pandemic in 2Q20F, mainly C-Vitt Vitamin C drinks, as the market leader with 31% share and it contributes c.9% of the group's revenue. Expect its 2Q20F earnings may slightly weak, before strengthening over 2H20F. The economic impact of COVID-19 may be challenging, but we are optimistic on its product leadership and cost control. Apart from the uptrend profit margins, further earnings drivers in the latter half include the launch numbers of new personal care hygiene products, which prove the firm's success in managing brands to be relevant to current trends and situations, and the planned opening of a new beverage filling facility in Myanmar – to boost production and sales coverage there.
Siam Cement (SCC TB)	440.00	28.28	<ul style="list-style-type: none"> There are three growth drivers including i) an upcycle of petrochemical spreads, ii) a series of new infrastructure projects to start the construction process, and iii) the growth expansion in packaging business especially after SCG Packaging raising funds from IPO. The company's earnings going forward should rely mainly on petrochemical unit's performance normalising to lower levels in 2H20 and growing stronger on a full-year basis in FY21.

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