

# Thailand Morning Cuppa

## Top Story

### Banks : NEUTRAL (Maintained)

Meeting The Authorities: BoT & FPO

Sector Update

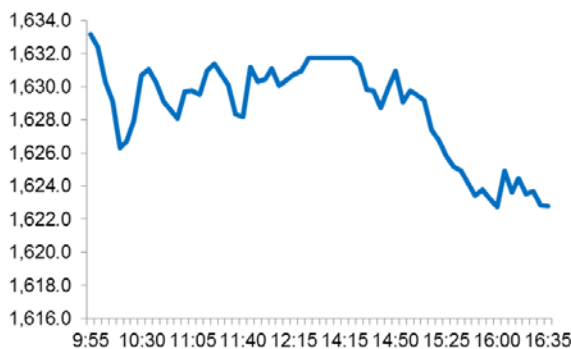
Stay NEUTRAL; Top Pick: Bangkok Bank, given its attractive valuations and high reserves that comply with new regulations. Kasikornbank and Siam Commercial Bank are also preferred banks. Although growth prospects are dragged by the slowing economy, the valuations of banks under our coverage (TH Banks) are relatively undemanding – they trade at -1SD of historical means. Fundamentals are strong, with high reserves and solid Tier-1 capital to withstand economic risks and comply with new regulations.

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Today's Report: [Banks : Meeting The Authorities: BoT & FPO \(23 Sep 2019\)](#)

Previous Report: [Banks : Mixed Bag In 2Q19 \(9 Jul 2019\)](#)

Chart 1: SET intra-day graph



SET	2016	2017	2018	2019F
PE (x)	16.71	16.90	16.37	14.75
P/BV (x)	1.84	2.09	1.80	1.70
Yield (%)	3.16	2.80	3.09	3.37

SET Value by investor Type: Daily

	Buy (THBm)	Sell (THBm)	Net (THBm)
Institution	6,082.45	6,520.52	-438.07
Proprietary	5,899.22	6,474.63	-575.40
Foreign	18,861.59	20,426.19	-1,564.60
Retail	14,310.30	11,732.23	2,578.07

SET Value by investor Type

	MTD (THBm)	YTD (THBm)
Institution	-6,338.90	26,079.73
Proprietary	3,299.82	10,708.46
Foreign	-7,917.89	-1,488.95
Retail	10,956.98	-35,299.26

SET50 Index Future

	Long	Short	Net	MTD	YTD
Institution	37,594	38,949	-1,355	-14,365	-5,655
Foreign	47,188	58,869	-11,681	74,891	67,390
Local	97,043	84,007	13,036	-60,526	-61,735

Foreign Fund Flows (USDm)

	Daily	WTD	MTD	YTD	YoY
Thailand	-51.3	-51.3	-259.1	-50.4	5269.3

Note: \*As at 23 Sep 2019 closing

Table 1: Key market indices (24 Sep 2019)

	Index	Chg	% Chg	% YTD
SET	1622.79	-13.41	-0.82%	3.8%
SET50	1078.65	-10.39	-0.95%	3.2%
SET100	2374.28	-22.10	-0.92%	3.5%
Dow Jones	26949.99	14.92	0.06%	15.5%
S&P500	2991.78	-0.29	-0.01%	19.3%
Nasdaq	8112.46	-5.21	-0.06%	22.3%
FTSE	7326.08	-18.84	-0.26%	8.9%
FSSTI	3143.24	-16.44	-0.52%	2.4%
Hang Seng	26222.40	-213.27	-0.81%	1.5%
Nikkei	22079.09	UNCHG	UNCHG	10.3%
KLCI	1592.93	-4.48	-0.28%	-5.8%
SHANGHAI SE	2977.08	-29.37	-0.98%	19.4%
JCI	6206.20	-25.27	-0.41%	0.2%

Key Statistics

Foreign Exchange Rates / Oil Market

USD	Closed	Chg.	%Chg.
Baht (Onshore)	30.48	0.00	0.00
Yen	107.64	0.09	-0.08
Euro	1.10	0.00	-0.01
<b>Oil Price (USD/barrel)</b>			
Brent	63.95	-0.67	-1.04
Nymex-Crude Light	58.35	-0.29	-0.49

Note: \*As at 23 Sep 2019 closing

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Central Pattana (CPN TB)</b>	93	40.4	<ul style="list-style-type: none"> <li>Following the online retail trend, the malls of Central Pattana – Thailand's No.1 shopping mall developer – are likely to become the centre of consumer lifestyle and activities</li> <li>Strong rental rate hikes at its flagship CentralWorld mall after the completion of a major asset enhancement at end 2018</li> <li>Transfer of three residential projects (c.THB2.2bn), mainly in 2H19, should strongly support earnings growth in the latter half</li> <li>Loan refinancing may lower its Grand Canal Land's cost of debt by c.0.5ppts by the final quarter this year, benefitting Central Pattana's interest expenses</li> </ul>
<b>Charoen Pokphand Food (CPF TB)</b>	31	18.1	<ul style="list-style-type: none"> <li>Charoen Pokphand Food's swine business should enjoy its high margins from the tightened supply conditions throughout the year from an ongoing African Swine Fever outbreak</li> <li>Rising opportunity for the broiler business, which might indirectly see demand growth for chicken as cheaper protein substitute for pork from China, as well as an increase in import volumes from Japan</li> <li>Upside: Biological assets that should turn positive in 2H19</li> </ul>
<b>CP All (CPALL TB)</b>	95	17.6	<ul style="list-style-type: none"> <li>CP All's earnings outlook this year will mainly be driven by its businesses in Thailand – both 7-Eleven convenience and Siam Makro cash &amp; carry stores. 7-Eleven may perform well in its growth strategy as usual, while Makro sales may improve from a low base in 2018 when it was affected by a deflation in food prices. We expect SSSG of 3% and 2% for 7-Eleven (2018: +3.2%) and Makro (2018: -0.2%)</li> <li>Makro's plan to open six cash &amp; carry stores abroad in 2019 vs only two in 2018 may enhance its opex and undermine CP All's bottomline growth. Makro's overseas operations may not achieve its breakeven levels this year. Its plan to run 7-Eleven stores in Cambodia and Laos may conclude in 2Q19 and act as catalysts, as well as another S-curve in the long run – this is given that its investment costs may be smaller vis-à-vis Makro</li> <li>Expect core profit growth of 11-13% in 2019F-2020F vs 7% in 2018. CP All remains attractive as a long-term investment</li> </ul>
<b>Global Power Synergy (GPSC TB)</b>	80	16.8	<ul style="list-style-type: none"> <li>Strong earnings growth. 2019F-2020F earnings are expected to be boosted to THB4.2bn (+26% YoY) and THB9.2bn (117% YoY) as a result of the Glow Energy (GLOW) acquisition, and the Xayaburi and CUP4 projects</li> <li>Major beneficiary of the Government's small power producer (SPP) replacement programme, since Global Power Synergy will be the largest SPP player in Thailand after buying GLOW</li> <li>Long-term growth with PTT. As GPSC's major shareholders are PTT, PTT Global Chemical, and Thai Oil, its growth should be in line with that of the group</li> <li>24M Technologies – the future of renewables: GPSC is keen to start the development of high-voltage batteries and energy storage in the US. It expects to complete the pilot plant by 2020, and commercial production is expected within two years thereafter</li> </ul>
<b>Minor International (MINT TB)</b>	50	36.1	<ul style="list-style-type: none"> <li>The location diversification strategy allows it to enjoy solid growth from overseas expansion – mainly in Europe – and lower risk from slower demand for hotels and quick-service restaurant businesses</li> <li>Expect it to post the strongest 3Q earnings among our covered Thai hoteliers, thanks to a continued peak travel season in Europe, while those with heavy contributions from local Thai properties may remain in a green season with slow revenue per available room recovery YoY</li> </ul>

**Top BUYs**

	TP (THB)	Upside (%)	Catalysts
<b>Muangthai Capital (MTC TB)</b>	65	17.6	<ul style="list-style-type: none"> <li>Proactive branch network strategy would enable Muangthai Capital to reach untapped customers nationwide. Loan growth is expected to be strong at 30-20% in 2019-2021</li> <li>Earnings growth is expected to increase from higher NII from loans and elevated margins from a lower interest rate environment and credit ratings upgrade</li> <li>Balance sheet stays solid with low NPLs and a high LLC ratio. The NPL ratio remained low at 1.1%, while the LLC ratio was high at 275.8% in 2Q. These should enable MTC to set aside low provision levels and help sustain high profitability</li> </ul>
<b>PTT Exploration &amp; Production (PTTEP TB)</b>	156	25.3	<ul style="list-style-type: none"> <li>The company's products are both directly and indirectly linked to crude oil prices, therefore it remains South-East Asia's best proxy to crude oil price movement</li> <li>We expect higher sales volume while costs remain stable. We expect higher oil prices from current levels, which should be positive for share price movement</li> <li>The company also has USD4bn cash on hand available for value-accretive projects that may arise</li> </ul>
<b>Siam Cement (SCC TB)</b>	500	20.2	<ul style="list-style-type: none"> <li>Among Siam Cement's major businesses, cement and building materials can be major channels to improve its overall earnings, based on management's guideline of proactive long-term measures to cope with macroeconomic uncertainties, eg the US-China trade war</li> <li>While demand for cement has picked up since 3Q18, the company should leverage on this situation by introducing new high-value-added products in building materials and expanding its retail outlet network via partnerships made in major provincial cities</li> </ul>
<b>Supalai (SPALI TB)</b>	23.5	32.7	<ul style="list-style-type: none"> <li>As &gt;50% of its business is landed property for local demand, it looks defensive vis-à-vis pure condominium developers. New more effective property stimuli may also provide upside surprises</li> <li>Huge backlog of THB43bn, one of the industry's largest, will help to cushion the downturn</li> <li>Trading only at 7x P/E (-1SD level) against handsome yields of around 6% pa</li> </ul>
<b>WHA Corp (WHA TB)</b>	5.4	16.4	<ul style="list-style-type: none"> <li>WHA Corp is the proxy in industrial estates to benefit from e-commerce in Thailand. After the company's successful deal with Alibaba, its key strength in premium warehouses should make it an attractive option for e-commerce players, especially from China</li> <li>The stronger inflow of foreign direct investments (FDIs) into Thailand should bear fruit in 2,019 when investors make decisions on the Eastern Economic Corridor's 10 target industries.</li> <li>Good signals from Chinese FDI investors, as they are requesting visits to WHA's project sites, especially for smart electronics, auto parts for electric vehicles, robotics, and food for the future</li> </ul>

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