

MARKET TALK

Investment Strategy

BY RESEARCH DIVISION

August 18, 2021



Global economy in K-shaped pattern. Top picks are COM7, KCE, SPALI

The COVID-19 pandemic caused worldwide economic recession in 2020. In 2021, the global economy started to recover but in a K-shaped pattern. The economy of some countries is rebounding, while the economy of some countries is still declining. Thus, different countries are using different monetary policies. Fed signaled QE tapering within 2021, while the Thai MPC considers lowering the interest rate further. As a result, foreign fund inflow may not return or fund outflow may continue, which means SET Index will be driven by local funds, especially institutional funds. SET Index may fall below 1,550 pts. There is nothing new for our portfolio today and we hold 20% in cash. Top picks are COM7, KCE, and SPALI.

SET INDEX (pts) 1,551.87

CHANGE (pts) 7.65

MARKET CAP 81,901.65
(Million B)

**Net Trading Value By Investor Type
(Million B)**

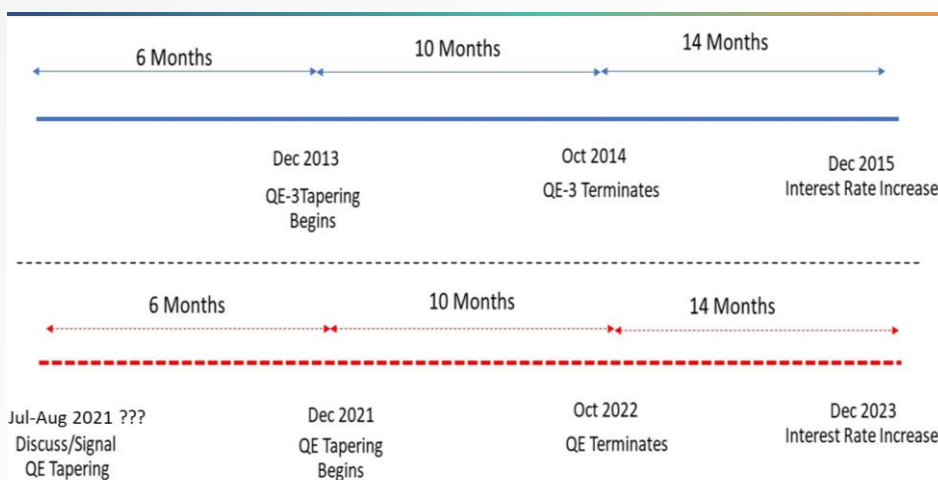
Foreign 1,536.36

Proprietary -219.48

Institutional -875.06

Retail -441.82

Fed's QE Tapering Timeline



Source: Fed / ASPS Research

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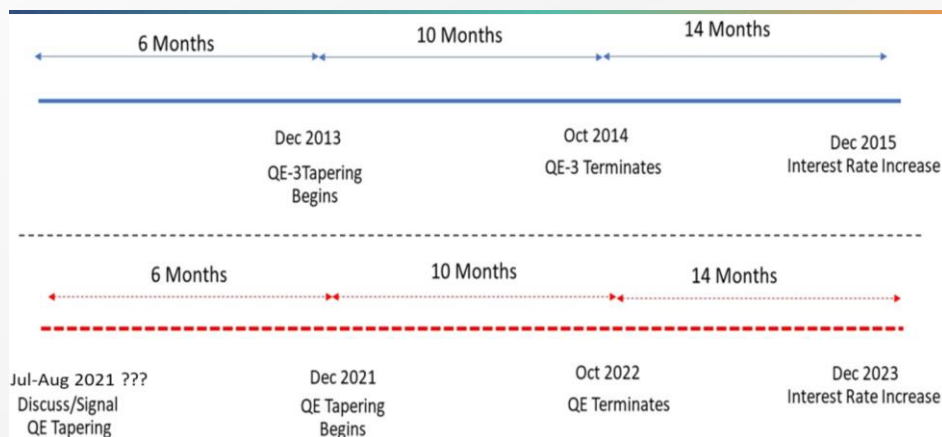


Fed minutes signals QE tapering in 2021

Fed minutes released last night confirmed that if U.S. economy keeps recovering, Fed will consider tapering QE from US\$120bn/month at present this year, according to most Fed officials. Markets are watching the Jackson Hole meeting on August 26-28, 2021.

During the previous QE tapering in 2013-2015, Fed first signaled QE cut in 2013 and raised the interest rate in 2015 (20 months later). Given that Fed hikes the interest rate in late-2023 (as signaled), Fed is anticipated to signal QE tapering in July-August 2021.

Fed's QE Tapering Timeline



Source: Fed / ASPS Research

QE tapering affects global markets as follows:

- 1) Global stocks may swing down in the short term after Fed shows QE tapering signals. Yesterday, U.S. stock markets fell 1% on profit-taking selling. This will have negative sentiment on SET Index today as well.
- 2) U.S. bond yields will enter an uptrend, while Thai bond yields will rise as well, having positive sentiment on BLA.
- 3) U.S. Dollar Index is expected to strengthen further from 93-93.5 at present, probably surpassing a major resistance range of 94. Meanwhile, THB is expected to weaken beyond B34/US\$, having positive sentiment on exporters, e.g. KCE, NER, and TU.
- 4) Foreign fund inflow in Asia and Thailand slowed down. Foreign were with MTD accumulated net selling in Asian stock markets at US\$4bn, net selling in three out of five markets, including Thailand with MTD net selling of US\$356m or B12bn.



Foreign Trading Value in Asian Stock Markets

Date	Indonesia	Philippines	S.Korea	Taiwan	Thailand	Total
2021 (ytd)	1,393	-1,752	-26,168	-16,248	-3,347	-46,122
Jan-21	775	-273	-5,254	-3,389	-365	-8,506
Feb-21	258	-191	-1,781	-3,224	-621	-5,560
Mar-21	-186	-483	-1,312	-5,523	-1	-7,505
Apr-21	-244	-278	68	2,758	-107	2,196
May-21	247	-239	-7,964	-1,911	-1,061	-10,930
Jun-21	342	-79	-792	-1,814	-314	-2,657
Jul-21	67	-183	-4,222	-4,210	-522	-9,070
Aug 21 (mtd)	134	-25	-4,909	1,066	-356	-4,091

Unit: Million US\$

Source: ASPS Research

As SET Index lacks foreign fund inflow, it may undergo correction. SET Index today is expected around 1,535-1,557 pts.

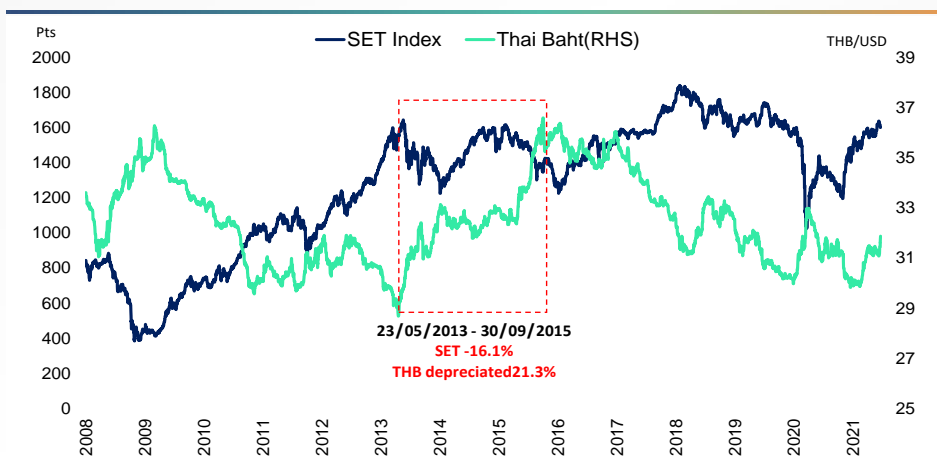
SET Index above 1,550 pts & SET50 Index above 940 pts



Source: ASPS Research

From when markets were first concerned about QE tapering in late-May 2013 to one year after QE was removed in September 2015 (more than two years), foreigners were net sellers at B330bn, SET Index plunged 16%, and THB weakened 21% and beyond B36/US\$.

SET Index above 1,550 pts & SET50 Index above 940 pts



Source: ASPS Research

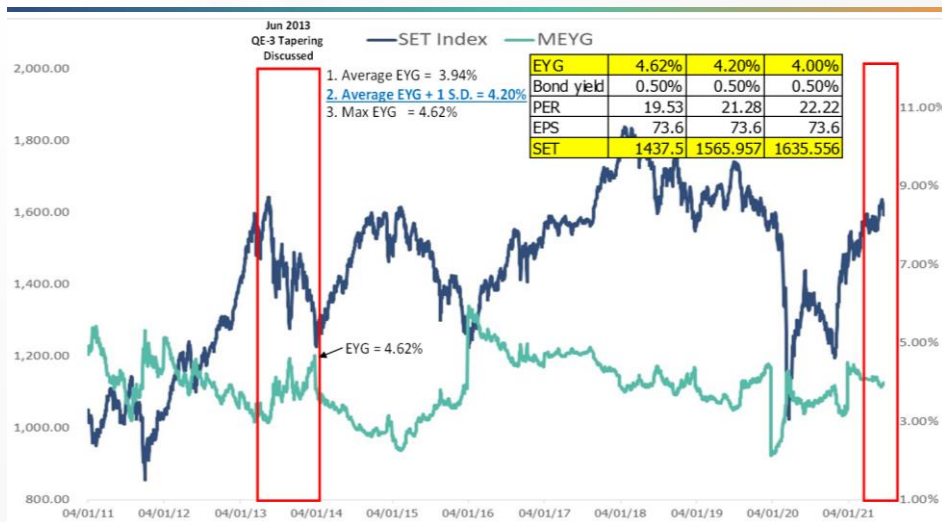
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During the past QE tapering, market earning yield gap (MEYG) peaked at 4.6% and marked the average at 3.9%. Based on 2021 EPS forecast of B73.60, SET Index target is expected to fall 115 pts to 1,437 pts.

QE Tapering Impact on SET Index



Source: ASPS Research

PM expects COVID-19 new cases to drop in late-August

As of this morning (August 19), Thailand reported 20,902 new cases, 22,208 recovered cases, and 301 deaths (near the record high of 312 yesterday).

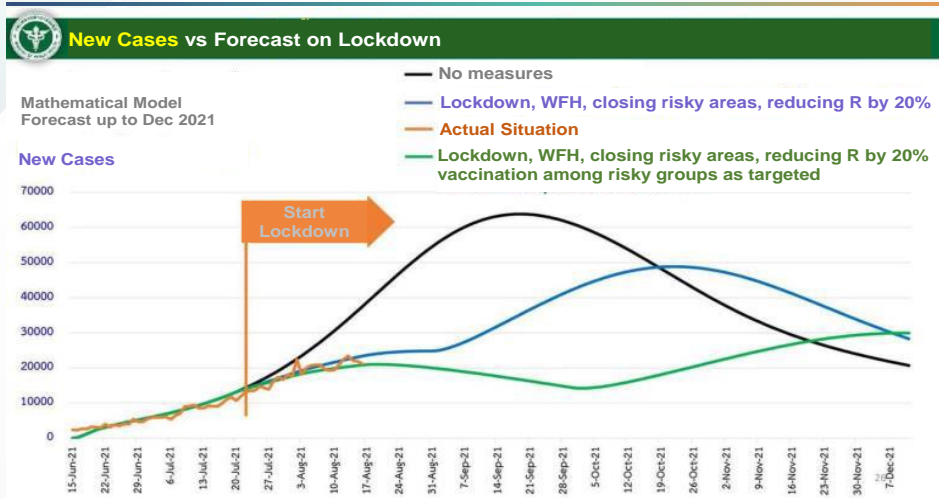
Prime Minister said yesterday that more effective lockdown will help slow down infection, expecting new case count to peak in end-August and start to decrease in early-September, and then curbs on some activities and businesses will be eased.

Following Prime Minister's statement, the COVID-19 situation is expected to improve soon. Thus, SET Index rose yesterday, driven by stocks benefiting from city reopening and easing on economic activities, e.g. AOT, AAV, MINT, BEM, OR, CRC, CPN, COM7, SPVI, MTC, SAWAD, and TIDLOR.

However, such statement still has downside risk. Earlier this week, the Center for COVID-19 Situations Administration (CCSA) still expected COVID-19 new case count to rise further.



End-2021 COVID-19 Infection Forecast



Source: ASPS Research

As new cases are still projected to increase, SET Index still has limited upside while valuation is expensive now (see Market Talk on August 16, 2021), so profit-taking selling pressure is likely soon.

As SET Index lacks driving force while negative factors are coming, we recommend stocks with good profit potential in 3Q21 and unique positive factors. Top picks are KCE, SPALI, and COM7.

Valuation of Today Top Picks

Company	Sector	Recommend	Last Price (18/08/2021)	FairValue	Upside	PER 21F	Div Yield 21F (%)
SPALI	PROP	BUY	21.00	25.50	21.5%	7.4	5.4
COM7	COMM	BUY	67.25	80.00	19.0%	36.6	2.2
KCE	ETRON	BUY	85.75	100.00	16.6%	34.4	2.3

Source: ASPS Research

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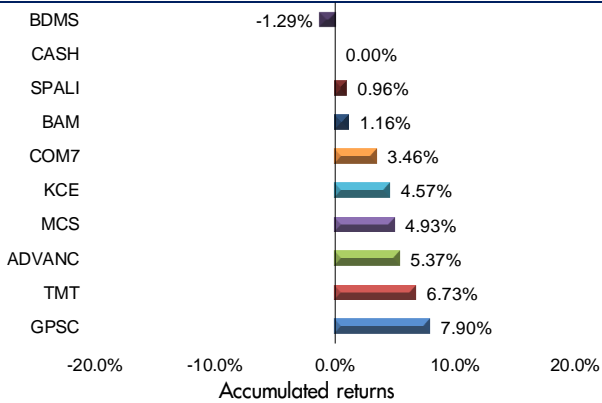


Market Talk Top Picks

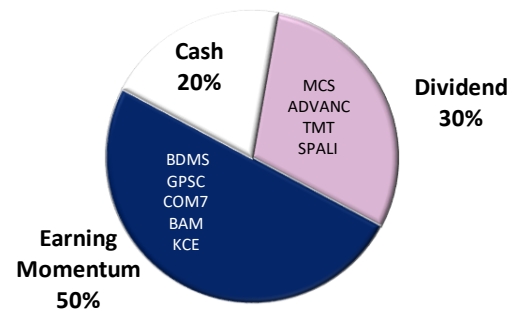
Stocks	Start	Weight	Accumulated Return	Price Avg. Cost	Price Last	Fair Value	PER 2020F	Dividend Yield	Cut Loss/ Stop Profit	Strategist Comment
BAM	10-Aug-21	10%	1.16%	17.30	17.50	23.00	21.29	3.99	16.40	BAM's businesses will rebound from 2Q21 on as cash collection is supported by economic recovery.
COM7	18-Aug-21	10%	3.46%	65.00	67.25	80.00	36.56	2.19	62.00	COM7 already absorbed risk and weak 3Q21 earnings. This is a good entry point to accumulate for long-term potential.
MCS	30-Jun-21	10%	4.9%	14.20	14.90	21.00	6.01	8.72	14.40	MCS's 2Q21 net profit is expected to at B330bn, growing 41%qoq and 46%yoy, thanks to delivery volume at 22,500 tons.
BDMS	25-Jun-21	10%	-1.29%	23.20	22.90	24.00	42.02	1.19	22.00	BDMS's profit would grow from 2Q21 on and in 2022. It has most patients in Bangkok. Thai patient bases would grow better than expected from vaccine rollouts in 2H21.
ADVANC	9-Jun-21	5%	5.37%	173.20	182.50	220.00	20.07	3.74	177.00	ADVANC is Disney+ Hotstar's exclusive partner in Thailand, having positive sentiment on share price and fundamentals in the medium and long term.
GPSC	30-Jun-21	10%	7.90%	72.75	78.50	88.75	26.72	1.91	76.00	GPSC's 2Q21 normalized profit is expected to grow further from 1Q21 thanks to higher power sales to EGAT.
KCE	17-Aug-21	10%	4.57%	82.00	85.75	100.00	34.43	2.33	78.50	KCE's 3Q21 net profit is expected to grow qoq and yoy as sales grow in high season and new plants start commercial run in September.
SPALI	16-Aug-21	10%	0.96%	20.80	21.00	25.50	7.41	5.40	19.70	SPALI's 3Q21 profit is expected to grow yoy and qoq, driven by lowrise backlog and transfers of two condominiums launched in 2Q21 and one new condominiums launched in 3Q21
TMT	23-Jul-21	5%	6.73%	10.40	11.10	12.40	8.05	9.01	10.60	TMT's 2Q21 profit is expected to make a new high at B426m, growing 400%yoy. Gross margin is expected at 14.2% thanks to rising hot-rolled steel price.

Yesterday we cut DOHOME from our portfolio and switched to COM7

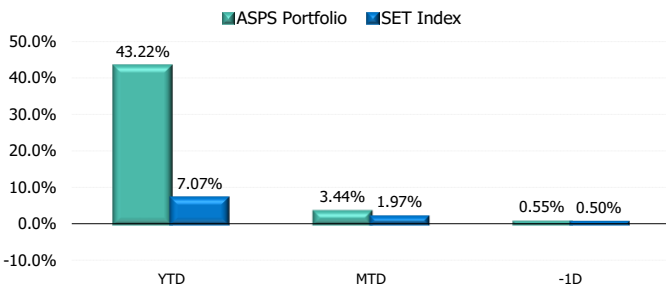
Accumulated returns since our recommendation



Stock Classification



Beta Portfolio



Source: ASPS Research

August 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
<p>16</p> <p>Par decrease ERWPF B8.6057 par (from B8.7003)</p> <p>XD ADVANC @B3.45 FTREIT @B0.1690</p> <p>XR BANPU 3:1n @B5.00</p> <p>XW BANPU 1 existing: 1BANPU-W4 @free BANPU 1 existing: 1BANPU-W5 @free</p> <p>Conversion MBK-W1 1.0329:1w @B2.9045 MBK-W2 1:1w @B3.00 MINT-W6 1.027:1w @B41.878 MINT-W7 1:1w @B21.60 MINT-W8 1:1w @B28.00 MINT-W9 1:1w @B31.00</p>	<p>17</p> <p>Last trading date VI, WR, YCI</p> <p>New listing - Warrant > MAI PJW-W1 191.358m units, B0.50 par</p> <p>XD INTUCH @B1.23 SNNP @B0.10 TPRIME @B0.1158 WHABT @B0.1565 WHART @B0.1915</p> <p>XN TPRIME @B0.0442</p> <p>New shares trading CHO 6.386m shrs (cb)</p> <p>NESDB - GDP 2Q/21</p>	<p>18</p> <p>Delist VI, WR, YCI</p> <p>XD BOL @B0.11 LPN @B0.10 SABUY @B0.03</p> <p>XW SIMAT 4.07 existing: 1SIMAT-W5 @free</p> <p>New shares trading CCET 2.870m shrs (w) NUSA 100m shrs (pp) SNC 74.443m shrs (po) TNDT 4.068m shrs (cb)</p>	<p>19</p> <p>Delist ITEL-W2</p> <p>XD 2S @B0.20 BSBM @B0.05 JASIF @B0.24 MGT @B0.03 SPRIME @B0.1310 SUN @B0.10 UEC @B0.06</p> <p>New shares trading JCKH 18.995m shrs (cb) SDC 110.974m shrs (cb)</p> <p>Conversion DIMET-W3 1.8679:1w @B0.3479</p>	<p>20</p>
<p>23</p> <p>XD ASIAN @B0.25 B-WORK @B0.1966 DCC @B0.05 EKH @B0.12 FSMART @B0.26 GVREIT @B0.1960 HUMAN @B0.06 IHL @B0.10 JMART @B0.40 JMT @B0.40 KCE @B0.60 KIAT @B0.01 NER @B0.07 PACO @B0.03 PCSGH @B0.15 PROSPECT @B0.2350 QH @B0.03 RJH @B0.40 RPH @B0.05 SAAM @B0.025 SFLEX @B0.04 SMPC @B0.35 STA @B1.25 STGT @B1.25 TQR @B0.165 TU @B0.45 YGG @B0.155</p> <p>XN PROSPECT @B0.0520</p>	<p>24</p> <p>XD ADD @B0.18 AIT @B0.70 BJC @B0.15 BGC @B0.12 CHG @B0.03 DMT @B0.07 KEX @B0.743 LH @B0.25 LPH @B0.10 MAKRO @B0.40 NOBLE @B0.35 ORI @B0.12 OSP @B0.45 PIMO @B0.018 SINGER @B0.15 SPALI @B0.50 SWC @B0.125 SYNEX @B0.18 TASCO @B0.25 TEAM @B0.05 VL @B0.01 WORK @B0.20</p> <p>XN BOFFICE @B0.1857 CPNREIT @B0.1025</p>	<p>25</p> <p>XD AJ @B0.40 AMATAR @B0.16 ASW @B0.02206 ASW 8 existing: 1STD @free CSS @B0.03 GPI @B0.03 GUNKUL @B0.06 KAMART @B0.04 LEO @B0.07 PHOL @B0.16 PM @B0.15 SAT @B0.40 SCM @B0.12 SPG @B0.20 TKS @B0.10 ZIGA @B0.13</p>	<p>26</p> <p>XD AMATA @B0.10 ASP @B0.20 CBG @B0.90 CCET @B0.02 CPTGF @B0.1315 DRT @B0.22 EGATIF @B0.1590 EGCO @B3.25 FPI @B0.05 HTECH @B0.11 JUBILE @B0.15 KBSPIF @B0.2260 KCAR @B0.17 KUN @B0.05 IVL @B0.25 JUBILE @B0.15 LALIN @B0.295 MBKET @B0.48 MEGA @B0.52 PSH @B0.31 PSL @B0.50 RCL @B1.50 SPCG @B0.25 SSTRT @B0.2000 TFFIF @B0.0685 TFG @B0.05 TKN @B0.05 TTLPF @B0.4250 TMT @B0.60 TNITY @B0.25 TOA @B0.31 TVO @B1.30</p> <p>Conversion JMT-W2 1.02129:1w @B18.60401 (final) MACO-W2 1:1w @B2.10 (final)</p>	<p>27</p>
<p>30</p> <p>XD AH @B0.47 AMR @B0.08 AYUD @B0.77 BKKCP @B0.1600 CPF @B0.40 KISS @B0.055 MIPF @B0.36 NSL @B0.25 SNP @B0.05 XO @B0.398</p>	<p>31</p> <p>XB KUN 5,720 existing : 1CB @B1,000</p> <p>XD BCH @B0.20 GAHREIT @B0.3000 HPF @B0.102 M-I @B0.1600 M-STOR @B0.0900 MNI2 @B0.0900 MNRF @B0.0240</p> <p>XN MNI2 @B0.4850 MNRF @B0.4600</p> <p>XR META 8:1n @B0.61</p> <p>Conversion CSC-P 1:1 D-W1 1.20:1w @B3.3333</p> <p>BOT : Jul-21 Trade</p>			
September 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
		<p>1</p> <p>XR BLISS 1:10n @B0.02</p>		<p>3</p>
	<p>MOC : Aug-21 CPI</p>			
<p>6</p> <p>Last trading day SST-W2</p>	<p>7</p> <p>Last trading day SMART-W2</p> <p>XE SST-W2 1.155:1w @B8.658 (final,"SP")</p>	<p>8</p> <p>XW SMART-W2 2.10065:1w @B0.71406 (final,"SP")</p>	<p>9</p> <p>XW ITEL 3.20 existing: 1ITEL-W3 @free</p>	<p>10</p>
<p>13</p> <p>XW SAAM 10 existing: 1SAAM-W1 @free SAAM 10 existing: 1SAAM-W2 @free</p>	<p>14</p>	<p>15</p>	<p>16</p>	<p>17</p>