

MARKET TALK

Investment Strategy

BY RESEARCH DIVISION

May 12, 2022



SET Index to drop further

Top picks are BH, TIDLOR, VNG

U.S. inflation rate in April was 8.3%yoy (higher than 8.1%yoy expected), probably rising further in May 2022 as energy prices remain high and the Russia-Ukraine war continues. Thus, the US is anticipated to use tight monetary policies, having negative sentiment on stock markets. Fund flow is switching from risky assets to safe havens. Digital assets and stocks plunged drastically. Thailand's economic recovery is more at risk. 1Q22 earnings results of SET-listed companies making up 43% of SET capitalization have been reported so far, falling 2.3%yoy but growing 8.7%qoq (lower than expected).

SET Index is expected around 1,592-1,625 pts amid pressure. There is nothing new for our portfolio while we hold 30% in cash. Top picks are BH, TIDLOR, and VNG.

SET INDEX (pts) 1,613.34

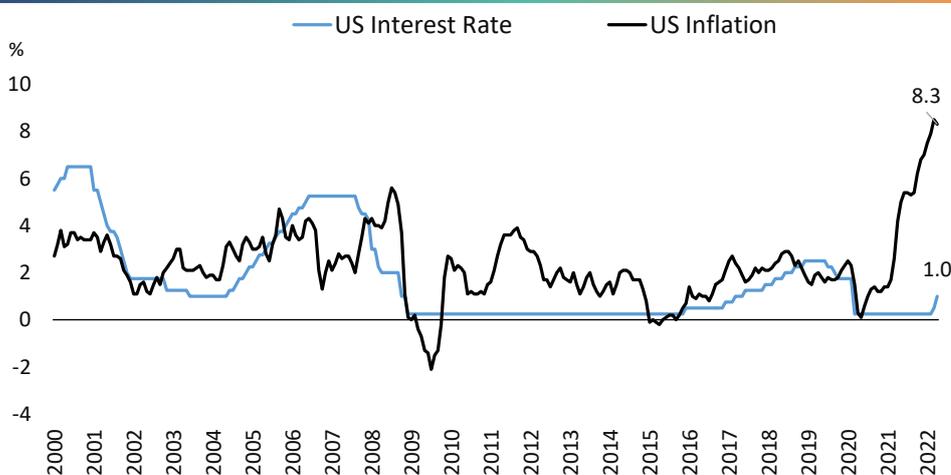
CHANGE (pts) **-9.44**

MARKET CAP **71,693.34**
(Million B)

Net Trading Value By Investor Type
(Million B)

Foreign	1,261.91
Proprietary	-522.17
Institutional	-2,928.07
Retail	2,188.33

U.S. Inflation vs Interest Rate



Source: Bloomberg

RESEARCH DIVISION

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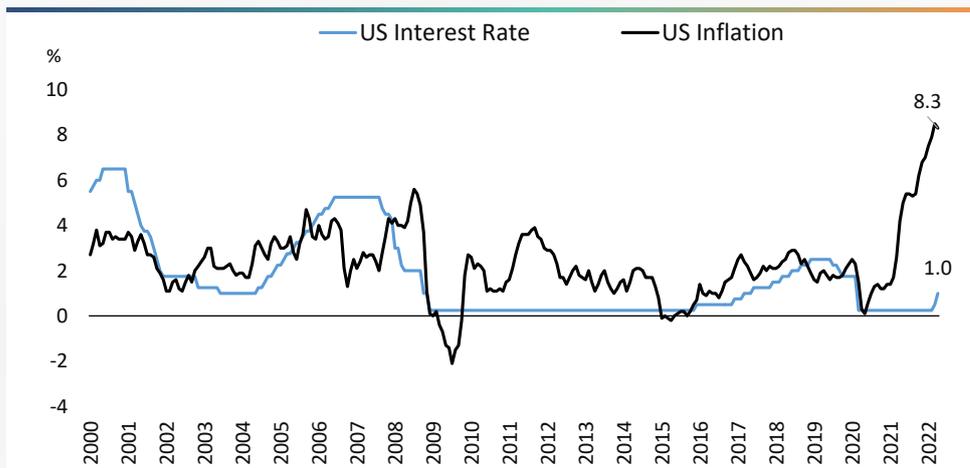


U.S. Apr inflation above forecast, likely rising further

U.S. consumer price index (CPI) in April increased to 8.3%yoy and 0.3%mom (higher than 8.1%yoy and 0.2%mom expected). Particularly, airline fares and public rose significantly and made up a 0.2% rise in CPI. Core CPI (excluding food and energy) rose 6.2%yoy (higher than 6.0%yoy expected). High inflation adversely affects all risky assets, especially tech-heavy NASDAQ that fell 3.2%. Closely correlated to tech stocks, Bitcoin also fell below a major supportive range of US\$30,000.

Amid high inflation, Fed is expected to hike the interest rate by 0.75% at the next meeting in June. Markets see 51.3% probability that the interest rate is hiked to 2.75-3% at end-2022, up from 19% chance last month.

U.S. Inflation vs Interest Rate



Source: Bloomberg

Change in Asset Prices

	Last	%Chg	%MTD	%YTD		Last	%Chg	%MTD	%YTD
America									
NASDAQ	11,364.24	-3.18%	-7.87%	-27.36%	Dollar Index	103.85	-0.07%	0.86%	8.55%
S&P	3,935.18	-1.65%	-4.76%	-17.44%	EURO/USD	1.05	0.02%	-0.28%	-7.52%
Russel	1,718.14	-2.48%	-7.83%	-23.48%	USD/THB	34.62	-0.23%	1.06%	-3.51%
DJIA	31,834.11	-1.02%	-3.47%	-12.40%	Gold Spot	1,854.60	0.12%	-2.23%	1.39%
Europe					*Negative means depreciation				
FTSE 100	7,347.66	1.44%	-2.61%	-0.50%	BOND (US)				
DAX	13,828.64	2.17%	-1.91%	-12.94%	2 Year	2.64	0.95%	-2.85%	260.16%
Euro Stoxx 50	3,647.87	2.62%	-4.08%	-15.13%	5 Year	2.90	-0.64%	-1.99%	129.30%
CAC 40	6,269.73	2.50%	-4.02%	-12.35%	10 Year	2.92	-2.34%	-0.44%	93.41%
ASIA					BOND (TH)				
Phillippines	6,635.86	-1.27%	-1.42%	-6.83%	1 Year TH	0.70	2.16%	11.58%	37.00%
Indonesia	6,816.20	-0.05%	-5.73%	3.57%	10 Year TH	3.41	0.24%	19.88%	79.82%
Australia	7,064.68	0.19%	-4.98%	-5.10%					
Japan	26,213.64	0.18%	-2.36%	-8.95%					
Malaysia	1,555.93	0.09%	-2.78%	-0.74%					
Korea	2,592.27	-0.17%	-3.81%	-12.94%					
China	3,058.70	0.75%	0.38%	-15.96%					
Hong Kong	19,824.57	0.97%	-6.00%	-15.27%					

Source: ASPS Research

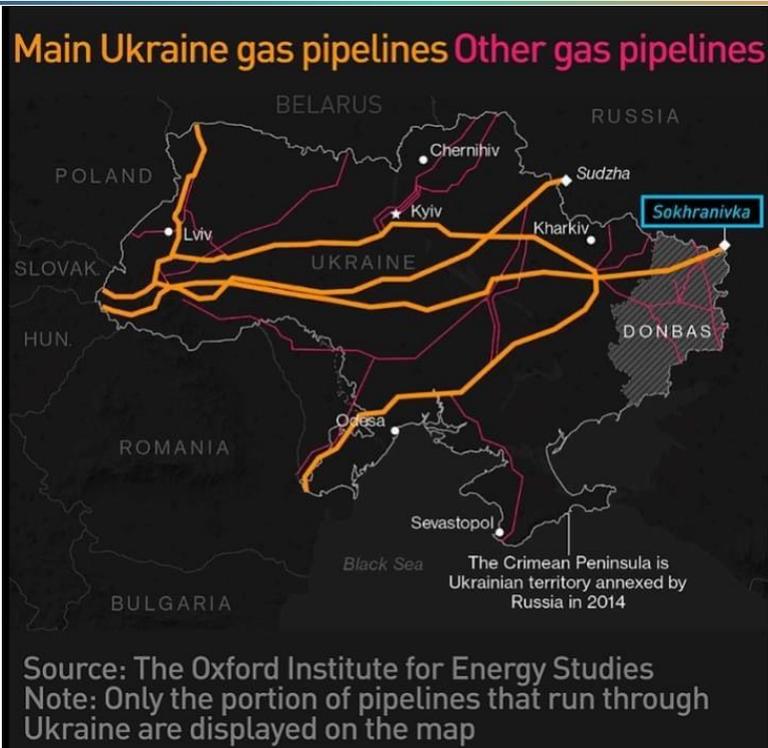
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Inflations are projected to remain high as the Russia-Ukraine war escalates. Ukraine suspended the gas flow from Russia to the EU via the Sokhranivka entry point in the eastern region, quoting force majeure; Ukraine will reroute the gas flow to the Sudzha physical interconnection point instead. This caused commodity prices to rise immediately, especially Brent oil price (+3%). Notably, Russia is the main EU energy supplier that accounts for 40% of the EU's gas import, while a one-third of Russian gas flow to Europe runs through Ukraine.

Pipelines from Russia to EU via Ukraine



Source: ASPS Research / Bloomberg

Investors are watching Fed's action on inflation. Fed will start quantitative tightening (QT) policy through balance sheet reduction of US\$47.5bn/month since June 1 onwards and US\$95bn/month since September 2022 onwards; this will cause fund flow to switch to safe havens. SET Index today is expected between a supportive range of 1,580-1,592 and a resistance range of 1,625-1,633 pts.



Economy may slow down. JSCCIB asks for relief

Thailand's economy is pressured by rising cost and higher inflation. Yesterday, the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) proposes to the government to support the economy and SME competitiveness through the following nine measures:

- 1) Keeping diesel price cap at B35/liter for three months
- 2) Extending diesel excise tax cut for other three months
- 3) Reducing import duty on raw materials
- 4) Pushing forward value-added tax (VAT) refund and low-interest loans
- 5) Accelerating Kon La Krueng (Half-Half) phase 5
- 6) Expanding Rao Tiew Duay Kan (We Travel Together) rights
- 7) Full easing on economic activities, especially entertainment venues
- 8) Reducing cost burden for businesses, e.g. collecting land and building tax at only 10% (from 100% in 2021)
- 9) Completely opening the country and appropriately taking care of THB

Economic driver are slowing down due to many negative factors. Leading economic indicators are declining; consumer confidence index (CCI) in April fell to 40.7 (eight-month low). Market earnings may drop later on.

Meanwhile, a rebound in tourist volume supports the economy. **We favor tourism plays (CENTEL, MINT, ERW), transportation plays (AOT, BA, BEM, BTS), tourist destination plays (CRC, CPN, MAJOR), and healthcare plays with most revenue from foreigners (BH, BDMS).**

U.S. inflation above forecast. Favor BH, TIDLOR, VNG

Global risky assets were highly volatile yesterday due to these factors:

- 1) **U.S. inflation rate in April was 8.3%yoy (higher than 8.1%yoy expected).** Dow Jones and NASDAQ fell and made new one-year lows. Raw material costs are staying high in the long term, while tighter monetary policies may be used.



Highest Market Returns after COVID-19 vs Present

Index	Lowest in ...	Highest Return after COVID	Change from Pre-COVID	52-Week High	Pre-COVID Index (Dec 2019)	Current Index (11 May 2022)
Nasdaq	1 year 5 months	80.7%	26.7%	16,212.23	8,972.60	11,364.24
Dow Jones	1 year 2 months	29.5%	11.5%	36,952.65	28,538.44	31,834.11
SET	-	9.4%	2.7%	1,718.55	1,570.84	1,613.34

Source: ASPS Research

2) Cryptocurrencies and crypto-related stocks are highly volatile. Yesterday, LUNA (formerly the world's second biggest stablecoin) plunged 93% to only US\$1, probable due to an attack. Other crypto-related assets also fluctuated, including share price of Coinbase (the world's second biggest crypto exchange platform) that fell from US\$207 to US\$53 in one month.

LUNA Coin Price Yesterday



Source: investing.com

Risky assets are still volatile as liquidity will decline since June onwards, while inflation will keep raw material prices high. Stock markets are expected to fluctuate longer.

To avoid fluctuation, we recommend holding 30% in cash and. Top picks are BH (low beta) TIDLOR (profit making new quarterly high), and VNG (benefiting from weak THB).

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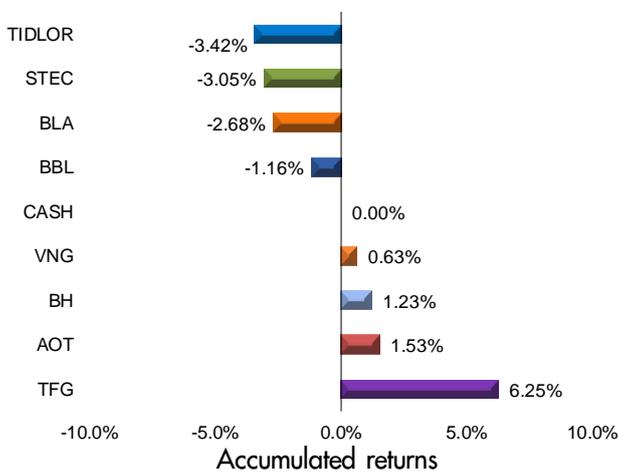


Market Talk Top Picks

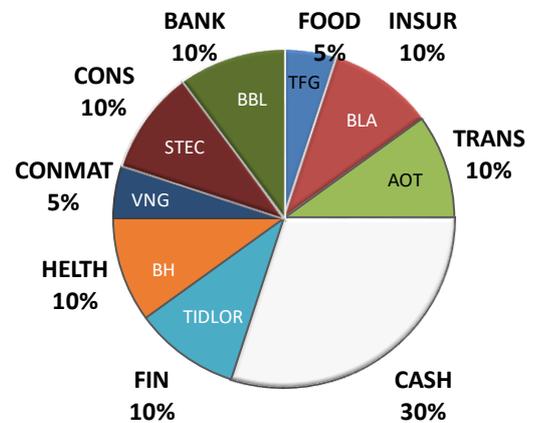
Stocks	Start Date	Weight	Accumulated Return	Price Avg. Cost	Price Last	Fair Value	PER 2022F	Dividend Yield	Cut Loss/ Stop Profit	Strategist Comment
STEC	05 May	10%	-3.05%	13.10	12.70	18.00	16.93	2.76	12.40	STEC's 1Q22 net profit is estimated at B204m, growing 4%yoy despite weaker revenue from construction due to labor shortage.
VNG	26 Apr	5%	0.63%	7.90	7.95	12.90	9.23	5.03	7.50	VNG's 2Q22 profit is expected to grow from 1Q22 as wood cost drops in dry season and glue price passed the peak in mid-April. 3Q22 profit is expected to peak.
AOT	17 Feb	10%	1.53%	65.50	66.50	69.64	NM	0.00	62.00	AOT is still far laggard from SET Index and has limited downside, advisable to accumulate for a potential rebound.
TIDLOR	05 May	10%	-3.42%	36.50	35.25	42.00	22.61	0.88	34.50	TIDLOR's 1Q22 net profit is expected to make a new high thanks to loan growth. SG&A and marketing expense is expected to drop due to seasonal effect.
BLA	11 Apr	10%	-2.68%	43.67	42.50	52.00	19.31	1.41	40.50	BLA's 2022 net profit is estimated to grow 18%yoy as insurance business rebounds. 1Q22 net profit is expected to grow from 4Q21.
BH	18 Apr	10%	1.23%	163.00	165.00	190.00	46.92	1.06	150.00	BH's 1Q22 profit is expected yoy and qoq, driven by a rebound in Thai and foreign patient bases (especially fly-in).
TFG	28 Apr	5%	6.25%	4.16	4.42	6.00	13.05	2.30	4.30	TFG's 1Q22 net profit is expected to grow qoq and yoy thanks to higher chicken and pork prices.
BBL	11 May	10%	-1.16%	129.00	127.50	152.00	8.45	3.33	122.00	BBL has more loans subject to a floating interest rate, so it benefits from an interest rate hike more than peers.
CASH	20 Apr	30%	0.00%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Cash 40%

Yesterday we cut cash by 10% and switched to BBL

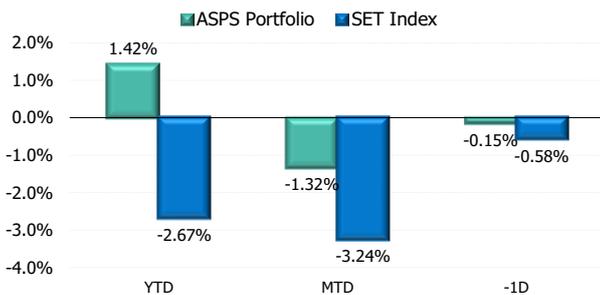
Accumulated returns since our recommendation



Stock Classification



Beta Portfolio



Source: ASPS Research

May 2022				
Monday	Tuesday	Wednesday	Thursday	Friday
<p>9</p> <p>XD A5 @B0.01 AMR @B0.08 ASEFA @B0.22 CCP @B0.013 CRC @B0.30 CSR @B0.75 CSS @B0.10 EASTW @B0.24 FE @B5.50 INET @B0.042 JUBILE @B0.37 KAMART @B0.06 LEO @B0.18 MILL @B0.01 MILL 10 existing: 1STD @free MOONG @B0.21 NOBLE @B0.08 ONEE @B0.069 ORI @B0.42 PB @B1.06 PROEN @B0.0577 RJH @B1.00 SECURE @B0.18 SK @B0.025 SITHAI @B0.03 SPC @B1.00 SSSC @B0.23 TC @B0.15 TOPP @B4.05 TPAC @B0.141</p> <p>XR GEL 3:1n @B0.23 KOOL 1:1.50n @B0.50</p> <p>XW GEL 2 existing: 1GEL-W5 @free PROEN 2 existing: 1PROEN-W1 @free</p> <p>New shares trading JCK 3,273,322 shrs (pp) JCKH 3,448,275 shrs (pp) LIT 29,532 shrs (w) POLAR 17,029,903,440 shrs (xr) VL 51,741,502 shrs (w)</p>	<p>10</p> <p>Co's name change JKN Global Media (JKN) > JKN Global Group (JKN)</p> <p>XD ALLA @B0.05 AMARIN @B0.19 AP @B0.50 APCS @B0.06 ARROW @B0.35 BAY @B0.45 BCH @B1.00 BGC @B0.12 BLA @B0.56 BRR @B0.07 FNS @B0.50 ILINK @B0.38 JWD @B0.25 M @B0.80 PIN @B0.15 PPM @B0.033 STI @B0.0694444444 STI 0.80 existing: 1STD @free TKC @B0.30 VIBHA @B0.05</p> <p>XW SA 100 existing: 35SA-W1 @free</p> <p>New shares trading COM7 1,199,998,265 shrs (xd) GC 39,999,864 shrs (xd) GLOBAL 200,065,584 shrs (xd) TRU 266,000 shrs (w)</p> <p>Conversion SABUY-W1 1.0549:1w @B3.08079</p>	<p>11</p> <p>Par decrease KPNPF B9.9124 par (from B10)</p> <p>XD AKR @B0.03 AMC @B0.34 PERM @B0.12 PF @B0.01555871128 PF 20 existing: 1STD @free PG @B0.10 SENA @B0.211477 SIAM @B0.01 SMIT @B0.22 SYNTEC @B0.03 TRU @B0.10</p> <p>New shares trading ALL 29,629,628 shrs (pp) SO 74,391,646 shrs (xd)</p>	<p>12</p> <p>Co's name change Finansa Pcl (FNS) > FNS Holding (FNS)</p> <p>XD AEONTS @B2.65 NEW @B0.35 WP @B0.15</p> <p>XW ITEL 5 existing: 1w @free</p> <p>New shares trading AQ 8,354,426,537 shrs (xr) BIZ 200,278,785 shrs (xd) NVD 172,574,237 shrs (xd) SC 631,666 shrs (w) TKS 46,221,972 shrs (xd)</p>	<p>13</p> <p>Par decrease CTARAF B8.8901 par (from B8.9371)</p> <p>XD DCC @B0.055</p> <p>XW JSP 4:1n @B0.10 TH 4 existing : 1TH-W3 @free</p> <p>Conversion TCAP-P 1:1</p>
<p>16</p> <p>PUBLIC HOLIDAY (Substitution for Wisakha Bucha Day)</p>	<p>17</p> <p>XD DIF @B0.2600 INETREIT @B0.2332 POPF @B0.2544 PPF @B0.1715 SIRIP @B0.0500</p> <p>XN ERWPF B0.0943</p> <p>Conversion MBK-W1 1.0971:1w @B2.7346 MBK-W2 1.0621:1w @B2.8245 MBK-W3 1.0298:1w @B2.9131 MINT-W7 1:1w @B21.60 MINT-W8 1:1w @B28.00</p> <p>PRG-W1 1.0278:1w @B4.8647</p>	<p>18</p> <p>Last trading day VIBHA-W3</p> <p>XD FTREIT @B0.1750 TPRIME @B0.1230</p> <p>XE J-W1 1:1w @B2.00 (final, "SP")</p> <p>XN CPNREIT @B0.1814</p> <p>XR CHO 17:2n @B0.702</p> <p>XW CHO 5 existing: 1CHO-W3 @free</p> <p>Conversion SAAM-W1 1:1w @B7.50 SAAM-W2 1:1w @B11.00</p>	<p>19</p> <p>XD JASIF @B0.23 SPRIME @B0.1490 TSTH @B0.05</p> <p>XE VIBHA-W3 1.0023:1w @B2.993 (final, "SP")</p> <p>XR PPPM 1:3n @B0.10</p> <p>XW PPPM 6 existing :1PPPM-W5 @free</p> <p>Conversion BROOK-W5 1.291:1w @B0.194 (final)</p>	<p>20</p>
<p>23</p> <p>Last trading day PERM-W1</p> <p>XD BBGI @B0.15 KTBSTMR @B0.1733 PSL @B0.50 TSC @B0.40</p> <p>XW CPANEL 5 existing: 1CPANEL-W1 @free</p>	<p>24</p> <p>XE JMART-W3 1.13019:1w @B9.73303 (final, "SP") PERM-W1 1:1w @B1.80 (final, "SP")</p>	<p>25</p> <p>XW PPM 2 existin :1PPM-W2 @Bfree</p> <p>Conversion NER-W1 1:1w @B1.80 (final)</p>	<p>26</p> <p>Delist NER-W1</p> <p>Conversion CHAYO-W1 1.251:1w @B5.192 (final) PORT-W1 1.09999:1w @B5.9091 (final)</p>	<p>27</p>
<p>30</p> <p>Conversion CGH-W4 1:1w @B1.25 CSC-P 1:1 NUSA-W4 1.135:1w @B0.881 SAMART-W3 1:1w @B10.00 SAMTEL-W1 1:1w @B12.00</p>	<p>31</p>			