

Headline	TRADERS FRET AS FED HINTS AT QE EXIT
Media Title	Bangkok Post
Date	27 May 2013
Section	Business
Page No	B10
Language	English

**MARKET MONITOR**  
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## TRADERS FRET AS FED HINTS AT QE EXIT

**Recap:** Global stock markets were jolted by US Federal Reserve chairman Ben Bernanke's hint that the central bank will taper off its asset purchases of US\$85 billion a month if the US economy is able to maintain positive momentum. Stocks fell at the end of last week, led by a 7.3% plunge on the Nikkei on Thursday, in response to worries that the Fed would turn off its money-printing machine.

The SET index was also under selling pressure, extending the weakness for a second consecutive session after the removal of Shin Corporation (INTUCH) from the list of stocks to join the MSCI Global Standard Index on June 1, because of concerns about a low free float.

The main gauge traded in a range of 1,629.47 and 1,582.77 points and closed on Thursday at 1,607.46, down 1.26% from a week earlier, with daily average trading of 66.68 billion baht. Foreign investors were net buyers of 1.06 billion baht and local investors were net buyers of 4.32 billion. Brokers were net sellers of 3.31 billion baht and local institutions sold 2.07 billion.

**Big movers:** INTUCH led in trading value and lost 4.6% from a week ago to 92.75 baht. TRUE rose 7.7% to 10.50 baht and CPALL gained 0.6% to 43.25 baht. The top gainer of the week was Thai Setakit Insurance (TSI), rising 87.7% to 13.90 baht, while the top loser was Yong Thai (YCI), falling 21.35% to 7.00 baht.

**Newsmakers:** The HSBC flash Purchasing Managers' Index (PMI) for China slipped in May for the first time since October to 49.6, below the key 50 level that divides expansion from contraction.

- ◆ Fed chief Ben Bernanke reiterated his dovish view that it is too early to withdraw existing stimulus measures. However, he also cited the risks of keeping interest rates too low for too long and left a room for a cutback in bond buying.
- ◆ MSCI removed the telecom holding company INTUCH from its list of stocks eligible to join the Global Standard Index as its free-float adjusted market capitalisation is lower than the requirement.
- ◆ Jitti Tangsitpakdi, chairman of the Gold Traders' Association, forecasts prices will remain volatile this year with a range between \$1,300 and \$1,600 per ounce, and could decline to \$1,200 next year if the Fed exits or slows down injecting money into the system.
- ◆ The Bank of Thailand wants to take another look at the data after saying that the 5.3% first-quarter GDP growth announced by the National Economic and Social Development (NESDB) was far lower than its estimate of 7.1%. The NESDB also revised down its full-year growth forecast to a range between 4.2% and 5.2%, from 4.5% to 5.5% forecast earlier.
- ◆ SET-listed companies (448 reporting) posted combined record net profits of 241 billion baht in Q1, up 12.8% from a year before.
- ◆ The recent rollout of third-generation (3G) service could lift growth in digital music sales by as much as 50% this year, say industry analysts. They value the industry at 3 billion baht, and say streaming and downloading will gain momentum and replace the declining ringtone business.

**Coming up this week:** The Monetary Policy Committee will meet on Wednesday, with the market expecting an interest-rate cut of 25 basis points to 2.50%.

- ◆ US data due US on Wednesday and Thursday include mortgage applications, final first-quarter GDP, and pending home sales.

**Stocks to watch:** Finasia Syrus Securities recommends buying property and leasing stocks that could benefit from an interest-rate cut. Its picks are SIRI and PS.

- ◆ Kasikorn Securities recommends buying potential gainers from the advent of the Asean Economic Community such as TK. It also likes insurers that stand to gain from the first-time car buyer scheme. It also recommends buying SMK and PTTGC on signs of global recovery.

**Technical view:** Asia Plus Securities tips support at 1,580 and resistance at 1,647. Maybank Kim Eng Securities sees support at 1,580 and resistance at 1,620.