

FED DECISION TO STAND PAT HELPS REVIVE ASIAN STOCKS

Recap: A buying spree in Asian stocks, particularly emerging markets, preceded last week's US Federal Reserve meeting, in hopes the Fed would leave its benchmark interest rate untouched. The rally continued after the decision was confirmed on Friday.

The SET Index moved in a range of 1,368.31 and 1,397.77 points, and closed on Friday at 1,390.32, up 0.6% from the previous week, in moderate trade averaging 35.58 billion baht a day. Foreign investors were net buyers of 2.2 billion baht and brokers bought 1.28 billion. Institutional investors were net sellers of 2.81 billion baht and retail investors sold 703.9 million more than they bought.

Big movers: NEW was last week's top loser, sliding 19.6% to 59.50 baht. Top gainer THTS rose 30.2% to 0.69 baht. AID led in volume, down 1.70% to 1.73 baht. The top three by turnover were JAS, down 3.3% to 5.80 baht; PTT, up 0.8% to 253 baht, and ITD, gaining 5% to 8.45 baht.

Newsmakers: The Fed refrained from raising its policy rate hike because of worries about the global economy, financial market volatility and sluggish inflation at home, but it left open the possibility of a modest tightening later this year. The next Fed meeting is on Oct 27-28. Only four of the 17 voting members on the FOMC now believe rates should not be raised until next year.

- The OECD trimmed its world economic growth forecast to 3% from 3.1% earlier, warning of a dramatic slowdown in Brazil and a global outlook clouded by uncertainty over China.

- Japan's exports slowed for a second straight month in August in a worrying sign that China's economic weakness spill over to the world's third-biggest economy. The 3.1% annual increase in exports in August was smaller than July's 7.6% year-on-year rise. Exports destined for China, Japan's largest trading partner, fell 4.6% in August, compared with July's 4.2% annual increase.

- Bank of Japan governor Haruhiko Kuroda voiced confidence that the economy can weather the hit from China's slowdown and weak demand in Asia, suggesting he saw no immediate need to expand stimulus further. But he reiterated the central bank "will not hesitate" to act if Japan's recovery and the bank's 2% inflation target are threatened.

- Indonesia's central bank has left its key policy rate unchanged as expected at 7.50%, as it tries to strike a balance between stabilising the rupiah, driving down inflation and promoting economic growth.

- Standard & Poor's raised South Korea's sovereign currency rating to AA- from A+, commending the strength of its economic growth, decline in short-term external borrowings, and reduced foreign indebtedness of its banks.

- The Bank of Thailand kept its policy rate unchanged at 1.5% but conceded that economic growth this year would not reach 3% despite new government stimulus measures.

- Deputy Prime Minister Wisanu Krea-ngam last week told foreign diplomats and international organisations that government might be able to shorten the time frame to the next election to between 16 and 18 months from 20, meaning a vote could take place as soon as February 2017.

- The Finance Ministry will soon announce new tax and non-tax incentives, separate from those provided under Board of Investment (BoI) privileges, for investment in high-potential industries.

- The cabinet has approved new incentives in which firms in targeted industries will receive a corporate tax exemption for 13 years, up from eight.



Tax in the post-exemption period will be reduced by 90% for 10 years, instead of 50% for five years currently.

- The BoI said the government would extend the corporate income tax exemption for firms investing in Special Economic Zones to eight years. Those already exempt for eight years would be eligible for a 50% corporate tax reduction for five years after the exemption period.

- The Government Savings Bank (GSB) and the Bank for Agriculture and Agricultural Cooperatives (BAAC) have approved a combined 18 billion baht in loans to the Village Funds following cabinet endorsement.

- A poll by the University of the Thai Chamber of Commerce showed that just 18% of the public and business owners were aware of government' latest two-phase economic stimulus programme.

- Deputy Prime Minister Prajin Juntong says a planned auction of 25 MHz of bandwidth on the 1,800-MHz spectrum will not be enough to meet demand. He said the telecom regulator should offer 30 MHz on Nov 11.

- A new alternative energy development plan calls for 30% of total supply to come from renewable sources by 2036, up from 1% now. The production capacity of the country's renewable energy industry will increase to 19,635 megawatts under the plan, the government said. The plan aims to increase consumption of biodiesel to 14 million litres per day and ethanol to 11.3 million litres a day.

- Major creditors of Sahaviriya Steel Industries Plc (SSI) are expected to agree to reschedule repayments of 44 billion baht in loans from the end of this month to Dec 30. SSI is struggling to avoid being delisted after recording negative equity of 1.78 billion baht amid the poor performance of British subsidiary SSI UK, which it acquired in 2011. On Thursday the company said it would suspend production at the UK unit, affecting 2,000 jobs, because of slumping prices.

Coming up this week: US existing home sales figures for August are due today, and euro zone consumer confidence tomorrow.

- Masterkool International Plc (KOOL), the outdoor fan and cooling equipment maker, will begin trading on the MAI on Wednesday at the IPO price of 1.80 baht.

- Thailand's August trade balance, US durable goods orders and new home sales are due Thursday.

- The final reading of US GDP for the second quarter is due on Friday.

Stocks to watch: Tisco Securities is bullish on construction and building and material stocks as they will benefit from infrastructure projects. It has buy recommendations on contractors CK and STEC, and on property stocks including ANAN, AP, QH and SPALL. It also recommends buying big-cap stocks expected to attract renewed foreign buying such as BJC, KBANK, LH, PTTEP, SCC and TRUE.

Thanachart Securities has buy recommendations on QH, PS, SIRI, STEC, CK, AMATA and TMB. It also recommends accumulating stocks that will gain from a commodity price recovery such as PTTGC, BCP, TOP and IRPC. As well, look at those benefiting from tourism such as AOT and CENTEL.

Technical view: Capital Nomura Securities tips support at 1,365 and resistance at 1,414 points. Tisco Securities puts support at 1,360 with resistance at 1,420 points.