

# Lack of positive drivers for Stock Exchange of Thailand

**Thanawat Patchimkul**  
Head of Research  
DBS Vickers Securities (Thailand)

**Research Department**  
Trinity Securities

Thai stocks have been moving sideways during the last two weeks, with the focus on corporate earnings. There have been sector rotations, with the construction-materials, petrochemicals, healthcare-services, and property sectors outperforming the market.

On the other hand, the market was weighted down by ICT (information and communications technology), commerce, banking, and energy stocks.

In terms of major market movers, the leaders are Siam Cement (SCC), Indorama Ventures (IVL), TPI Polene (TPIPL), IRPC, and Bangkok Dusit Medical Services (BGH). Laggards are PTT, Advanced Info Service (AIS), Siam Commercial Bank (SCB), PTT Exploration and Production (PTTEP), and Bank of Ayudhya (BAY).

Year to date, foreign investors have not significantly raised their holdings in Thai shares as anticipated. This, however, is in line with global fund flows.

In recent weeks, global investors have been holding their positions in the emerging markets as measured by the leading exchange-traded funds (ETFs), particularly the iShares MSCI Emerging Markets trading in both US and London markets.

We have seen the inflows continue into US, Japanese and, to a lesser extent, European stocks. Among other asset classes, sharp inflows were seen into gold ETFs, high-yield corporate bonds, and investment-grade bonds after the monetary easing by the European Central Bank.

Going forward, we believe investors will keep their focus on the corporate earnings that will mostly come out in the final week of February.

Positive indicators are needed to justify a further SET Index rally beyond this level.

We believe that a lack of positive drivers will keep investors sidelined, which means a higher chance of market weakness.

Global factors will influence market sentiments including the direction of oil prices, which influences the Thai oil-and-gas sector, and the European Union's negotiations with Greece.

Our recommended stocks are Asia Aviation (AAV), Minor International (MINT), Quality Houses (QH), Ratchaburi Electricity (RATCH), and STP&I (STPI).

This week, Greece's issue is on the watch after Germany decided to refuse Greece's proposal demanding a six-month extension of the bailout-programme period from Troika because it's not in line with earlier conditions requiring Greece to have belt tightening.

We expect this not-ended-yet issue to disturb investment climate.

The following issues should be monitored.

● **February 20:** The meeting of euro zone's finance ministers for emergency agenda on review of Greece's proposal on six-month extension of bailout period.

● **February 20:** Troika's deadline for Greece to submit its proposal to extend the current financial assistance project.

● **February 24:** Greece is set to make 595 million euro interest payment to the Troika. If the negotiation is not finalised within this Friday, Greece's financial status will worsen.

● **Late February:** If the ECB decides not to extend the ELA's ceiling, Greece may face significant liquidity. Now, there has occurred the phenomenon of deposit withdrawal in the system (20 billion euro from December 2014). The major risk may follow with a launch of capital control measure in the country.

● **February 28:** The last date for the current bailout programme.

**Investment strategy:** The SET Index is expected to stay above 1,600 points, fragile to corrections in terms of valuation and external risk factors. Slow down overall investment and hold cash at higher-than-normal level.

If investment must be made, focus individual companies as suggested.

● **Stocks with low beta and high alpha.** Stock picks: BCP, IFEC, VGI, TCAP, BJCHI, BTS, TMB, AAV, WHA, THAI, TRUE, ROBINS, IVL, SGP, KKP, STA, CPF, CCP, MONO, FOCUS;

● **Stocks with high dividend.** Stock picks: SGP, BJCHI, TICON, SIRI, TISCO, DELTA, KTB, STA, AP, KKP;

● **Stocks with normal rises in every March:** Stock picks: BBL, TISCO, KKP, LH, PS, BTS, STPI, GFPT, INTUCH. These stocks have dividend expectations at higher than 2.5 per cent.