

Main focus to be on earnings results

Therdsak Thaveeteeratham

**Executive Vice President for Research
Asia Plus Group Holding**

After the Songkran Festival, first-quarter earnings results will be the focal point.

The main issue will likely return to listed companies' earnings performance for the first three months of 2015, and that could drive up the SET Index again. Based on trends for industry performance, ASP analysts expect listed companies to report a combined profit of more than Bt200 billion in the quarter.

SCC (Siam Cement) has fully gained from the upward cycle of olefins. About Bt1.6 billion worth of profit after tax will be realised from liquidation of investments (Siam Michelin Group).

TASCO (Tipco Asphalt) will also benefit from the high selling price of asphalt with lower costs following drops in oil prices.

The service industry is also tending to make more profit. Both hotels and hospitals have seen improvement from the same period last year.

The retail group will see growth in income and profit from a year earlier thanks to more branches. However, clear positive signs have not been seen from existing branches yet.

As for the air-freight group, Both THAI (Thai Airways International) and AAV (Asia Aviation) have clear earnings improvements due to drops in oil prices and tourism recovery.

The ICT (information and communications technology) group has lower costs in providing services after the transfer of customer bases from second- to third-generation cellular. JAS (Jasmine International) also records special items for asset sales into an infrastructure fund.

Most of the groups expected to see a year-on-year profit slowdown are industries related to consumer products that have seen sales decline.

The energy and petrochemical group is expected to have a record of impairment in inventories in the first quarter, compared with none in the same quarter of 2014. Operations remain steady. As a result, net profit is expected to drop.

In the agriculture group, prices

of both pork and chicken meat have fallen. The first quarter is the low season for exports. Therefore, this group's net profit is expected to decline.

The commercial banking group is expected to register profit of Bt51.3 billion, up only 1.8 per cent year on year. Profit growth comes mainly from lower operational expenses. Income has not risen significantly.

Overall, if listed companies' first-quarter profit could exceed a total of Bt200 billion, that would be positive sentiment for the SET Index.

Chaiyaporn Nompitakcharoen

**Head of Individual Client Research Group
Bualuang Securities**

The Stock Exchange of Thailand gained by a slight 0.5 per cent last week to close under 1,550 points. We judge that the recent bounce is short-lived because of unpleasant economic data, a potential downgrade risk to earnings estimates by the consensus, and the presence of an aviation risk to the tourism industry.

Again, we believe that market valuation at forward PER (price-to-earnings ratio) of 15.2 times over 2015 earnings does not favour investors reloading stocks amid uncertain earnings estimates.

Our earnings preview for the bank sector concludes that loan growth for industry is slowing, implying sluggish business activities for sectors related to the real economy. Thus, the SET is likely heading for a limited upside of 1,560. It should then roll down.

Our strategy should stay in defensive stocks. Our picks are MK restaurants (M), Krung Thai Bank (KTB), Bangkok Life Assurance (BLA), CPALL, TRUE infrastructure fund (TRUEIF), and JAS infrastructure fund (JASIF).

Kitpon Pripisankit

**Equity Analyst and Strategist
Kasikorn Securities**

The SET Index rose sharply on April 6, reflecting investors' expectations that the US Federal Reserve may not hike its interest rates soon. This came after the United States' less-than-expected non-farm employment, and recoveries of energy stocks after Saudi

Arabia raised its oil prices for customers in Asia.

However, the SET Index was unable to pass through 1,555 points. Profit taking has been seen in stocks with sharp rises in prices. Trading turnover was thin last week, given individual investors' demand for no holding of stocks during the long Songkran holidays.

Based on five-year statistics, when investors bought stocks on the last day before the long holidays and sold stocks for profit five days after the festival, they earned 1.8-per-cent return on average. Given this seasonal factor (the SET Index rises after the Songkran Festival), we expect this to come from acceleration of economic activities before the holidays, and that could strengthen March's economic figures, which will be announced in April, and commercial banks' earnings announcement in late April (which has been very strong in past years).

Improvement of the European economy and gradual recovery of the US labour market will be positive to investment in equities during this time.

Key factors to watch: 1) International trade figures and GDP for the first quarter of 2015. If the figures come out satisfactory, that could boost the stock market. However, if the figures come out unsatisfactory, more economic stimulus measures are expected, and that will be positive to the stock market too. 2) Commercial banks' earnings performance, which will be announced as the first group. 3) Review of Thai economic figures that will raise expectations for the policy rate's cut.

This week is expected to see the SET Index rise. Choose individual stocks for investment. The SET Index is expected to test 1,580 points from late April to early May.

Stock picks: TCAP (Thanachar Capital), TISCO, SGP (Siamgas and Petrochemicals), MINT (Minor International), AP, SC (SC Asset), BCP (Bangchak Petroleum), MEGA (Mega Lifesciences).

Technical picks: TPOLY (Thai Polycons), SIRI (Sansiri), CNT (Christiani & Nielsen (Thai)), PM (Premier Marketing), MALEE (Malee Sampran).