



Markets are concerned that trade war may escalate as the US-China trade deal signed on January 15, 2020 will be reviewed on August 15. COVID-19 concern continues in Asia. SET Index may undergo correction. There is nothing new for our portfolio today. Top picks are INSET, SPVI, and STA.

SET correction likely amid negative factors

After entering the trade war truce deal on January 15, 2020, the US and China are set to review the deal on August 15. Markets have been worried because 1) US-China relationship has not been smooth and 2) China fails to increase import of U.S. goods as targeted under the deal since its economy is pressured by the COVID-19 pandemic. This issue has encouraged fund inflow in safe assets and boosted gold price above US\$2,000. At the MPC meeting today, the interest rate is anticipated to be held, while the rate is still projected to be lowered one more time later this year to 0.25%. Thailand's economy still has to be supported by easing monetary and financial measures, while excess liquidity is still high. Non-bank financial plays are still pressured by a loan rate ceiling cut and debt collection fee control. There is nothing new for our portfolio today. Top picks are INSET, SPVI, and STA.

Progress on Royal Decrees on Borrowing of B1tr

| Date | Debt Instruments | Sources | Loan Limit (Million B) | Loan Term (year) |
|-------------------------------------|-------------------------------------|------------------------------|------------------------|------------------|
| Withdrawn Budget | | | | |
| 05-May-20 | Promissory note (PN) | BBL, KTB, KBANK | 70,000 | 4 |
| 12-May-20 | Promissory note (PN) | BBL, KTB, UOB | 50,000 | 1 |
| 14-May-20 | Saving bonds (Rao Mai Ting Kan) | General Public | 30,111 | 5 |
| 14-May-20 | Saving bonds (Rao Mai Ting Kan) | General Public | 19,889 | 10 |
| 02-Jun-20 | Promissory note (PN) | BBL, KKP, GSB | 50,000 | 4 |
| 19-Jun-20 | Government Bonds (Emergency Decree) | Financial Institutions | 42,361 | 4.5 |
| 08-Jul-20 | Loan agreement (Term Loan) | GSB | 30,000 | 4 |
| 10-Jul-20 | Government Bonds (Emergency Decree) | Financial Institutions | 26,400 | 9.4 |
| 22-Jul-20 | Loan agreement (Term Loan) | BAY, GSB, KTB, BBL | 30,000 | 4 |
| Total | | | 348,761 | |
| Budget in Withdrawal Process | | | | |
| 04-Aug-20 | Loan agreement (Term Loan) | Asian Development Bank (ADB) | 0 | 5 |
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Source: PDMO / ASPS Research (as of August 4, 2020)

SET Index **1,330.81**
Change (pts) **9.58**
Market Cap (Million B) **55,136**

Net Trading Value by Investor Type (Million B)

Foreign **-1,823.50**
Proprietary **401.66**
Institutional **2,434.42**
Retail **-1,012.57**

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US-China deal reviewed on August 15, heating up trade war

There are two issues that would still encourage fund flow in safe assets. Gold price rose 2% above US\$2,000/oz, while USD weakened further by 3.12%ytd.

Markets have been concerned about US-China trade war again. According to Reuters this morning, the US and China are set to review the trade deal phase 1 (effective on January 15, 2020) during a video conferencing on August 15, 2020. U.S. Trade Representative (USTR) Robert Lighthizer and Chinese Vice Premier Liu He will participate in the meeting.

China's Targeted Import of U.S. Goods in 2020-2021 (Trade deal phase 1)

| | FY2020 (Million US\$) | FY2021 (Million US\$) | % Change 2020 | % Change 2021 |
|--------------------|--------------------------|--------------------------|------------------|------------------|
| Industry | 32,900 | 44,800 | 42.9% | 36.3% |
| Energy | 18,500 | 33,900 | 24.1% | 27.5% |
| Services | 12,800 | 25,100 | 16.7% | 20.4% |
| Agriculture | 12,500 | 19,500 | 16.3% | 15.8% |
| Total | 76,700 | 123,300 | 100% | 100% |

Source: United States Trade Representative (USTR)

Under the trade deal phase 1, China needs to increase import of U.S. goods by US\$77bn in 2020. However, China's economy is pressured by the COVID-19 pandemic, so its import of U.S. goods is lagging far behind the first-year goal:

- China imported only 5% of the energy import target.
- China imported only 50% of the agricultural product import target.

Investors have to watch the US-China August 15 meeting closely, whether the US will impose additional tariff or non-tariff measures against China; this would have negative sentiment on stock markets. Fed presidents and Chairman Jerome Powell stated yesterday that Fed fund rate will be held at 0-0.25% until U.S. inflation rate rises to 2% (from 0.8%yoy in June), confirming that easing monetary policies are still necessary at least for the rest of 2020.

MPC to hold interest rate but still open for future cut

The market is waiting for the conclusion of the MPC meeting at 14:00 today. Thailand's interest rate is anticipated to be held at a historical low of 0.5%. Out of 16 Bloomberg analysts, only two expected 0.25% interest rate cut while the other 14 projected the rate to be held unchanged.

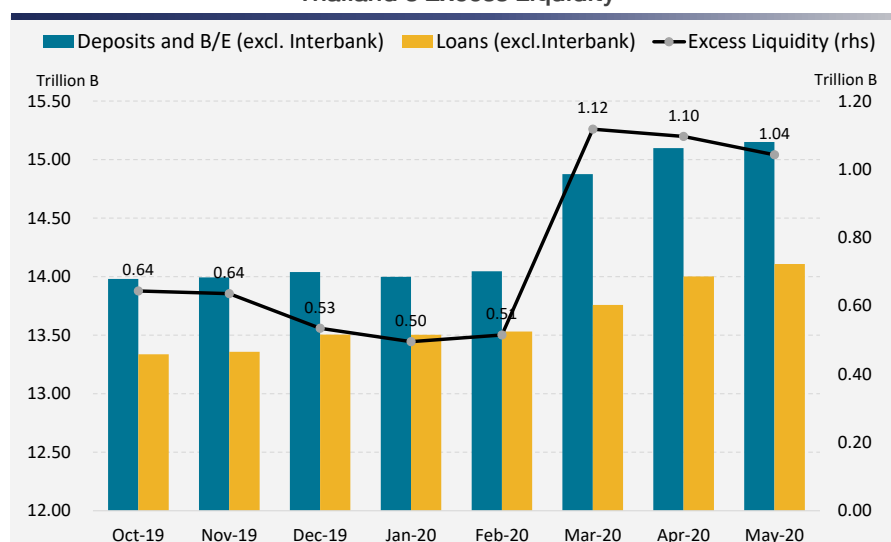
We anticipated the interest rate to be held at this meeting and then lowered one more time by 0.25% to 0.25% at one of the three remaining meetings this year (September 23, November 18, or December 23). **Additional easing monetary**

policies are also expected, e.g. further financial institutions development fund (FIDF) contribution rate cut from 0.23% (lowered from 0.46% earlier this year).

There are many factors that encourage an interest rate cut:

- Net interest rate was still as high as +2% (the interest rate of 0.5% minus the latest inflation rate of -1.57%yoy), still having room for an interest rate cut.
- Financial support policies are delayed and stumbled for the short term due to cabinet reshuffling, which will result in a vacuum in economic stimulus measures in 2H20.
- Excess liquidity in Thailand's financial system is still high, with deposits minus loans of B1.04tr in May (the highest in almost ten years), reflecting massive excess liquidity.

Thailand's Excess Liquidity



Source: BOT / ASPS Research

The government's measures to help the sluggish economy recover are funded through the royal decrees on borrowing of B1tr.

- 1) **Budget disbursement** – Under the royal decrees on economic stimulus budget of B1tr, only B123bn has been withdrawn so far.
- 2) **Funding** – The government has funded these measures through promissory notes (P/N), savings bonds, and international loans through the Asian Development Bank (ADB). Only B400bn has been funded since the beginning of 2020. If the other B600bn is financed through international loans, liquidity in the financial system would decrease from a surplus of B1tr, not affecting a future interest rate cut yet. Yet, borrowing of over B1tr may make it harder to lower the interest rate.

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Source: PDMO / ASPS Research (as of August 4, 2020)

BOT cuts credit card, personal loan rate ceilings (in forecast)

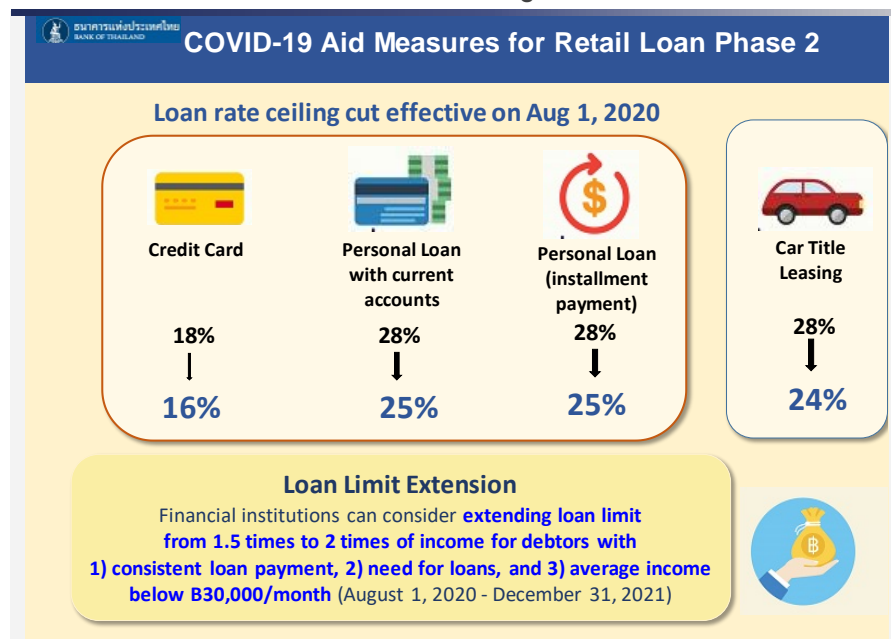
The Bank of Thailand (BOT) permanently lowered interest rate ceilings for credit card loans (from 18% to 16%), personal loans (from 28% to 25%), and car title loans (from 28% to 24%), effective on August 1, 2020. This would mainly affect AEONTS and KTC (not under our coverage) that have credit card and personal loan rates above the new ceiling; this is already included in AEONTS's forecast.

In contrast, this would have limited impact on MTC and SAWAD as their loan rates are lower than the new ceilings. For SAWAD, some of less popular cars (less than 5% of net loans) are subject to loan rate higher than 26%; it may issues less of these loans as they are not worth the risk. New loan rate ceilings only take effect on new loans issued after August 1, 2020, while existing loans are not affected, so SAWAD would be limitedly affected. Still, there is still risk of default (failing to repay loans on time) during the economic deceleration. **We reiterate Switch for AEONTS(FV@B110), MTC(FV@B53), and SAWAD(FV@B54).**

Meanwhile, the BOT is now discussing changes in debt and loan collection fee with the Thai Hire-Purchase Association (THPA). The BOT initially collect debt and loan collection fee of B100 via phone and B500 on site.

This issue would have negative sentiment on leasing plays (especially truck leasing). According to THANI, investors have to watch this issue closely as different products are subject to different collection fees; truck leasing loan collection fee is much higher than other leasing loans. **We recommend BUY for ASK(FV@B21) for favorable valuation, with P/E ratio of only 8x, and dividend yield of over 8%p.a.**

BOT Loan Ceiling Cut

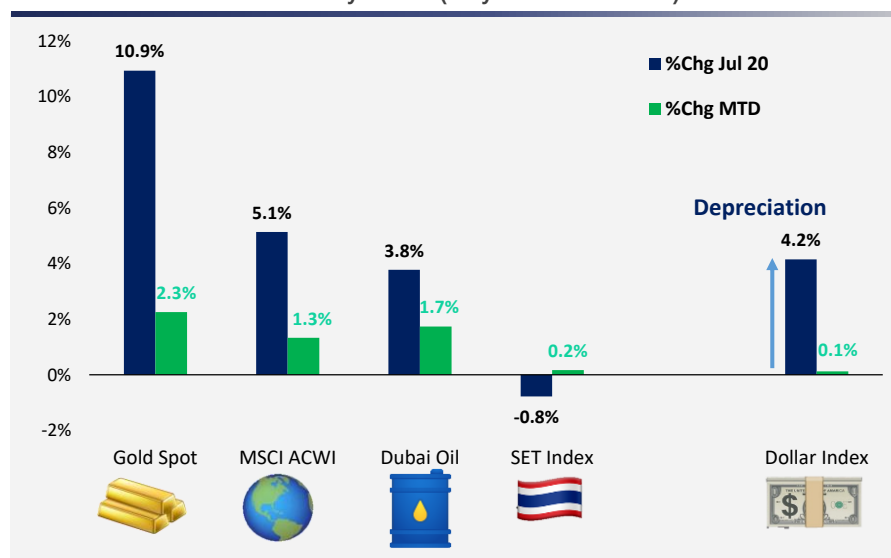


Source: ASPS Research

Fund flow focusing on safe assets

Excess liquidity is slowed down by the COVID-19 pandemic (especially a second wave of infection in Asia), while US-China trade deal will be reviewed on August 15, 2020. Fund flow is not likely to return to stock markets yet while focus on safe assets instead. Gold price rose 10.9% in July and 2.3% mtd to a historical high of US\$1,230, while risky assets rise less.

Returns by Asset (July 2020 – Present)



Source: SET / ASPS Research

We recommend stocks with good immunity to COVID-19 and supportive factors as follows:

- 1) Solid fundamentals (BUY recommendation, some upside).
- 2) Stronger EPS growth than the market.
- 3) Price laggard (lower P/E ratio than peers).
- 4) Particular positive factors.

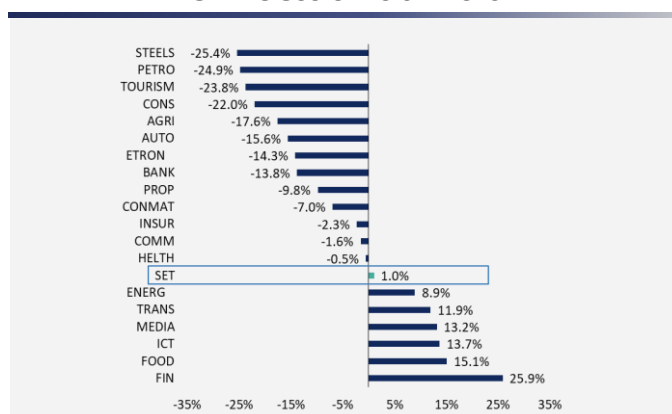
Progress on Royal Decrees on Borrowing of B1tr

| | 1 | | 2 | 3 | | 4 | |
|---------|----------------|-----------|--------|----------------|---------|----------------|--|
| Company | Recommendation | FairValue | Upside | EPS Growth 20F | PER 20F | PER 20F (Peer) | Strategist Comment |
| STA | BUY | 37.00 | 37.0% | Turnaround | 11.56 | 30 (STGT) | Benefiting from COVID-19. Rubber glove business grows significantly. |
| INSET | BUY | 4.18 | 19.4% | 22.0% | 13.37 | 15-30 | Benefiting from work from home (WFH) policy (data center). 5G service has begun. |
| SPVI | BUY | 3.06 | 11.0% | -9.9% | 16.18 | 40 (COM7) | Benefiting from learn from home (LFH) policy. Three stores will be opened in 3Q20. |
| AP | BUY | 7.70 | 19.4% | 12.8% | 5.86 | 12-15 | Presales increasing since April, driven by low-rise sales. |
| INTUCH | BUY | 70.00 | 25.0% | -7.8% | 17.58 | NA - 20 | Positive sentiment from 5G service in the future. |
| CPALL | BUY | 78.00 | 12.6% | 1.8% | 27.34 | 25-50 | Positive sentiment from future economic boost measures. |
| | | | | | | | Return 1 Day |
| | | | | | | | 1.88% |
| | | | | | | | 1.72% |
| | | | | | | | -3.50% |
| | | | | | | | 3.23% |
| | | | | | | | 0.49% |
| | | | | | | | 0.78% |

Source: PDMO / ASPS Research (as of August 4, 2020)

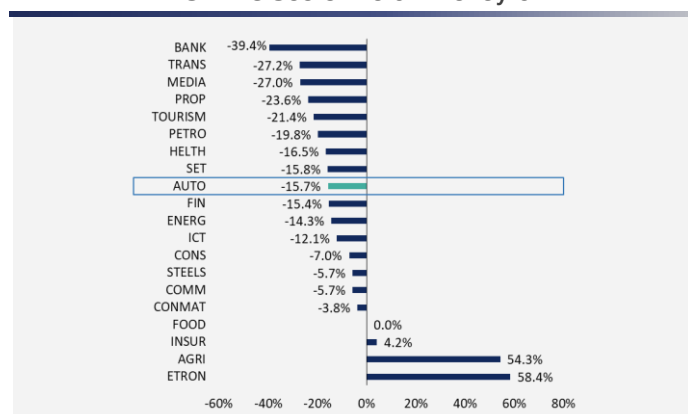
Top picks today are SPVI, INSET, and STA. STA will keep outperforming the SET, in line with global rubber glove plays that rallied yesterday, e.g. Supermax (+15.9%) and Top Glove (+5.5%).

SET vs Sector Return 2019



Source: ASPS Research

SET vs Sector Return 2020ytd



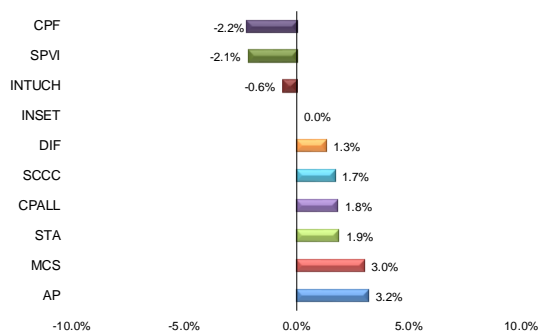
Source: ASPS Research

Market Talk Top Picks

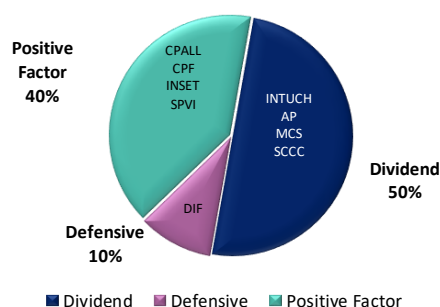
| Stocks | Start Date | Weight | Accumulated Return | Price Avg. Cost | Price Last | Fair Value | PER 2020F | Dividend Yield | Cut Loss/ Stop Profit | Strategist Comment |
|------------|-----------------|------------|--------------------|-----------------|--------------|--------------|--------------|----------------|-----------------------|--|
| CPALL | 30 Jul 20 | 10% | 1.84% | 68.00 | 69.25 | 78.00 | 27.34 | 1.84 | 65.00 | CPALL is still greatly underperforming the SET, even though its businesses already rebounds back to normal (driven by necessity goods sales) while stores are reopened after lockdown. |
| INTUCH | 9 Jun 20 | 15% | -0.59% | 56.33 | 56.00 | 70.00 | 17.58 | 3.93 | 51.50 | INTUCH enjoys positive sentiment from THCOM (holding over 40% stake in THCOM). |
| DIF | 3 Aug 20 | 10% | 1.32% | 15.20 | 15.40 | N.A. | N.A. | 6.78 | 14.80 | DIF is a good safe haven amid SET fluctuation. Dividend yield expected over 6%p.a. |
| AP | 22 Jul 20 | 15% | 3.20% | 6.25 | 6.45 | 7.70 | 5.86 | 6.48 | 5.80 | AP's 2Q20 profit is estimated at B1.17bn, jumping 153%yoy and 90%qoq, driven by shared profit from JV and transfer revenue. |
| STA | 4 Aug 20 | 10% | 1.89% | 26.50 | 27.00 | 37.00 | 11.56 | 3.70 | 24.80 | Easing measures may allow medical and wellness tourists to enter Thailand, having positive sentiment on healthcare plays. |
| SCCC | 29 Jul 20 | 10% | 1.70% | 147.00 | 149.50 | 176.00 | 15.29 | 4.68 | 137.00 | SCCC's 2Q20 profit grew 61%yoy (better than expected) thanks to cheaper raw material in Vietnam and lower energy cost. Dividend yield is expected at 5%p.a. |
| INSET | 3 Aug 20 | 5% | 0.00% | 3.50 | 3.50 | 4.18 | 13.37 | 2.99 | 3.26 | INSET's 2Q20 profit is estimated at B26.8m, down only 2%yoy. More projects will be delivered as COVID-19 subsidies. Revenue from maintenance works (higher margin) will increase. |
| SPVI | 3 Aug 20 | 5% | -2.13% | 2.82 | 2.76 | 3.06 | 16.18 | 3.33 | 2.62 | SPVI's 2H20 profit is expected to grow strongly yoy. SPVI focuses on educational market, having 25% of total outlets in universities. It benefits from learn from home (LFH) policy. |
| MCS | 16 Jul 20 | 10% | 3.01% | 13.30 | 13.70 | 17.70 | 7.72 | 6.29 | 12.60 | MCS's 2Q20 profit is estimated to grow 71%yoy to B202m, mainly from delivery volume of 13,500 tons to Japan. |
| CPF | 15 Jul 20 | 10% | -2.21% | 34.00 | 33.25 | 40.00 | 12.74 | 2.41 | 32.00 | CPF's net profit is estimated to grow 16.8%yoy in 2020 and 4.7%yoy in 2021, driven by a strong growth in the pork business in Thailand and Vietnam. |

Yesterday we excluded BDMS from our portfolio and switched to STA

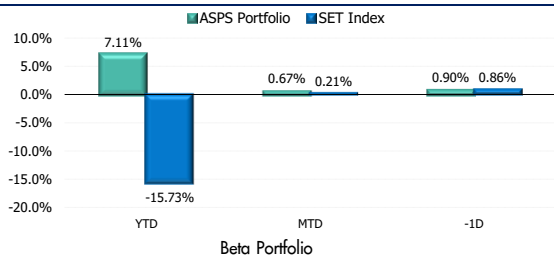
Accumulated returns since our recommendation



Stock Classification



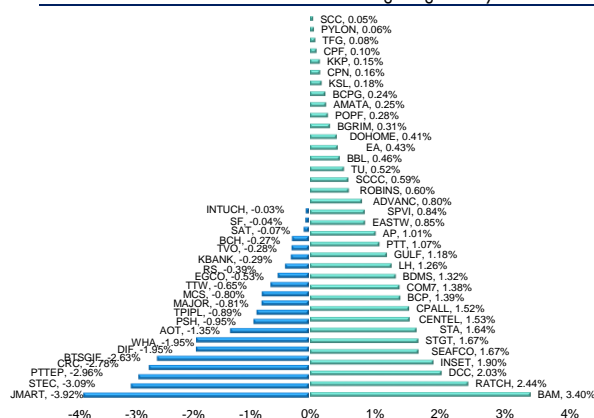
Accumulated returns



Beta Portfolio



Accumulated returns since beginning of the year



Source: ASPS Research

Equity Calendar

Research Division

August 5, 2020

| August 2020 | | | | |
|---|--|--|--|-------------------------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| 3 XR NEWS 7:1n @B0.01 New shares trading S5024C2009F 30m units S5019C2009D 60m units MOC : Jul-20 CPI | 4 XD BLAND @B0.02 XW MORE 12 existing: 1MORE-W2 @free New shares trading MINT 563,293,156 shrs (xr) PROUD 88 shrs (w) TH 1,506 shrs (w) HSI28C2009E 87m units S5024C2009G 30m units | 5 Last trading day SUPER-W4 New shares trading TUP 27.988m shrs (pp) | 6 XD PTL @B0.29 XR W 1:0.30n @B0.12 W 1,021 shrs (w) | 7 MPC meeting |
| 10 XD RP @B0.0056 RP 20 existing: 1STD @free WHABT @B0.1365 WHART @B0.1780 XN WHABT @B0.02 WHART @B0.0135 | 11 Share delist GOLD XD DREIT @B0.175 TCAP @B1.20 TCAP-P @B1.20 | 12 XD CPNCG @B0.2515 DIF @B0.2610 GC @B0.18 NC @B0.10 POPF @B0.2470 PPF @B0.175 PTTEP @B1.50 RAM @B0.90 SCC @B5.50 XW ALL 4 existing: 1ALL-W1 @free | 13 Conversion BM-W1 1:1w @B4.00 (final) TCAP-P 1:1 | 14 |
| 17 XD BOFFICE @B0.2497 SNC @B0.35 XW SAWAD 25 existing: 1SAWAD-W2 @free Conversion MINT-W6 1.027:1w @B41.878 | 18 XD SKY @B0.001851851932 SKY 30 existing: 1STD @free | 19 XD PLE @B0.07 | 20 XD PM @B0.10 | 21 |
| 24 Conversion LIT-W1 1:2w @B4.00 NESDB - GDP 2Q18 | 25 Conversion ECF-W3 1.0008:1w @B4.9958 | 26 XW CWT 10 existing: 1w @free | 27 | 28 |
| 31 Conversion SUPER-W4 1:1w @B2.49 (final) BOT : Jul-20 Trade | | | | |

| September 2020 | | | | |
|----------------|--|------------------------------------|---|-----------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| | 1 Delisting SUPER-W4 XD ORI @B0.29 MOC : Aug-20 CPI | 2 | 3 | 4 |
| 7 | 8 | 9 | 10 | 11 |
| 14 | 15 | 16 XR TSF 1:2n @B0.02 | 17 XR AMATA 12.8554217:1n @tba | 18 |
| 21 | 22 | 23 | 24 | 25 |
| 28 | 29 BOT : Aug-20 Trade | 30 | MPC meeting | |

| October 2020 | | | | |
|--------------|-----------------------------|---|----------|----------|
| Monday | Tuesday | Wednesday | Thursday | Friday |
| | | | 1 | 2 |
| 5 | 6 | 7 MOC : Sep-20 CPI | 8 | 9 |
| | MPR Press Conference | | | |