

# Monthly SET Strategy

## High dividend/laggard play still a safety bet

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**Summary:** Political stalemate in Europe and the US caused the gradual pace of recovery in the global economy to lose some steam as Italy's failure to form a strong government majority after inconclusive elections in late Feb 2013 means a new election will likely be called and the collapse of negotiations between US President Barack Obama and US congressional leaders that caused automatic spending cuts, the so-called 'sequestration' to take effect on Fri, Mar 1. Despite external uncertainties, Thailand's economy continued to perform well, driven largely by domestic engines and optimism over the likely recovery of exports in the second half of the year. The Bank of Thailand may likely revise upwards its economic growth forecast for 2013 from 4.9% to more than 5% after 4Q12 GDP growth came in stronger than expected at 6.4% and solid economic fundamentals may help consumers gain confidence to spend more.

Wild swings will likely continue to be the name of the game in the Thai stock market in the month of Mar 2013. Even though overall bullish sentiment may remain intact driven by further monetary easing actions by many central banks around the globe, external uncertainties from Italy's political impasse, US budget negotiations and the specter of more measures to cool the economy from China may possibly dent appetite for risk assets.

However, March was usually a bad month for Thai equities. Statistics showed the composite SET index dropped in Mar for 13 out of the past 20 years, translating into 65% odds of a market pullback in the month of Mar.

Investors should be more cautious in short-term trading within the month. High dividend/laggard play also seems to be a safety bet for the meantime. For medium to long term investment horizon, we believe strong economic growth driven by domestic consumption and investment may open up the potential for further upside in the Thai stock market. On this basis, any market correction would provide a good investment opportunity for medium to long term investors to accumulate stocks.

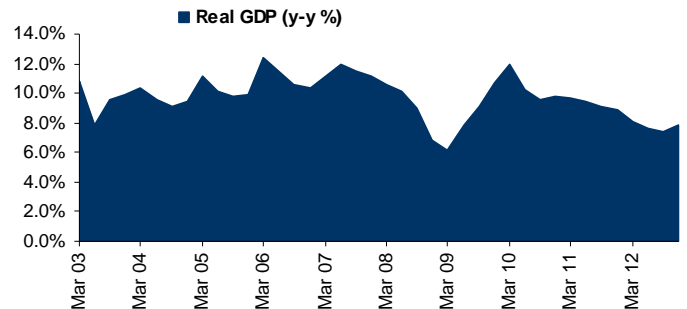
We peg resistance for the SET index at 1580-1600 and support at 1530, 1500 for the month of Mar 2013.

Our top picks for the month of Mar include GL, NTV, SCB and THAI.

### Global economy still on track for gradual recovery but vulnerable to several factors

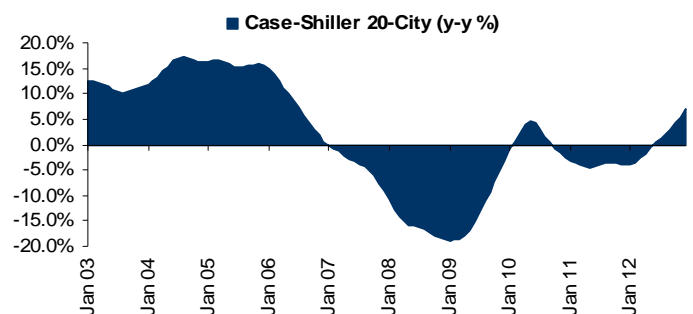
A close watch on key economic data out of several major economies remains necessary.

**Figure 1: China's GDP up from 14-quarter low of 7.4% in 3Q12 to 7.9% in 4Q12**



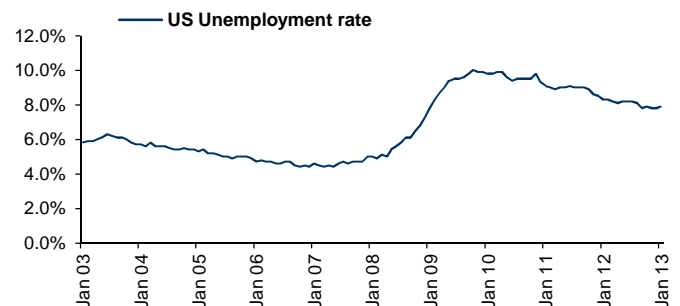
Source: Bloomberg

**Figure 2: US S&P/Case Shiller's home price index up for 7th month to 6.8% in Dec 2012**



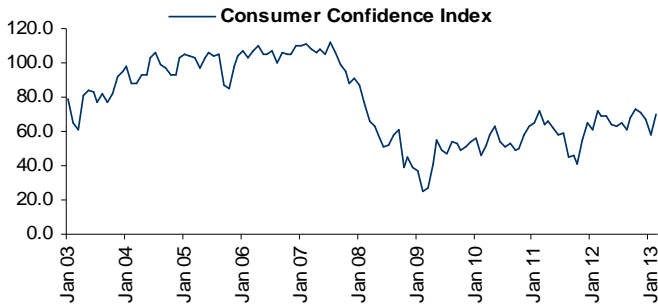
Source: Bloomberg

**Figure 3: US unemployment rate still near 8%**



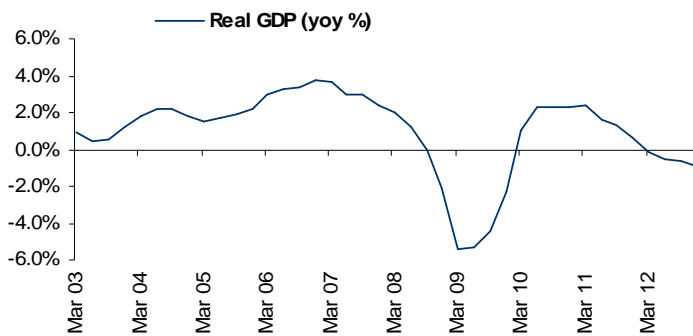
Source: Bloomberg

**Figure 4: US consumer sentiment up but not back to normal yet**



Source: Bloomberg

**Figure 5: Euro-zone economy still in bad shape**



Source: Bloomberg

**Thai economy: BOT tipped to raise 2013 GDP forecast on back of continued strong growth**

Thailand's economy continued to grow at a healthy pace. The latest data showed GDP grew as much as 6.4% in 4Q12, beating earlier market estimates. The Bank of Thailand will also likely raise its GDP growth forecast for 2013 from 4.9% to more than 5% due to better-than-expected growth last year and economic activity last year, which would keep growth momentum going into this year. Even though the government's two major large-scale investment projects have slightly been behind schedule, both projects have however progressed steadily.

- (1) The bidding for the Bt350bn water management and flood prevention projects: In the latest developments, the Water Management and Flood Prevention Commission approved a list of qualified companies selected to bid for the water management projects and the bid winners are expected to be announced in Apr 2013. Under the plan, the budget for water management projects must be disbursed within Jun 2013.
- (2) The Bt2.2trn infrastructure investment plan over the next seven years: In the latest development, the draft bill authorizing new borrowing of up to Bt2.2trn to finance infrastructure investment is expected to be proposed to the cabinet for approval in mid-Mar 2013 before sailing through the House of Representatives and the Senate. The bill is expected to take effect around Sep 2013.

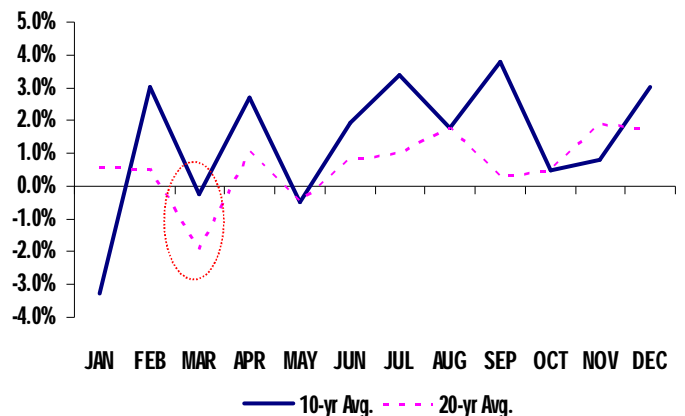
**Thai stock market outlook for Mar: Liquidity-driven sentiment intact but external uncertainties likely to cap gains and drag market into correction**

- Thai stock market outlook  
Several stock markets across the globe surged to new multi-year highs and the Dow Jones Industrial Average also soared to a record high. Thai stocks also followed the same path. The composite SET index flirted with 19-year high and extended the streak of higher closes to nine straight months in Feb 2013 driven by ample global liquidity and continuous launches of trigger funds, which boosted buying orders from institutions.

Sustaining a strong market rally may need stronger catalysts. If we look at factors that may move the market over the next one month, we continue to give more weight to external factors as political uncertainties in Italy and the US may put global economic recovery at risk. The possibility of new elections in Italy and the US debate for a fiscal 2013 appropriations bill in late Mar as well as the implementation of automatic spending cuts, or the so-called 'sequestration' will be key factors to watch this month. With no fresh positive catalysts in sight, we believe external uncertainties may put a cap on market gains and dent appetite for risk assets. Further external deterioration may possibly knock the market into correction mode.

March was also usually a bad month for Thai equities. Statistics showed the composite SET index dropped in Mar for 13 out of the past 20 years, translating into 65% odds of a market pullback in the month of Mar.

**Figure 6: Benchmark SET Index performance over the past 20 years**



Source: Bisnews

For the month of Mar, we peg resistance for the composite SET index at 1580-1600 and support at 1530, 1500.

- **Investment strategy**  
Investors should be more cautious in short-term trading within the month. High dividend/laggard play also seems to be a safety bet for the meantime.

For medium to long term investment horizon, we believe strong economic growth driven by domestic consumption and investment may open up the potential for further upside in the Thai stock market. On this basis, any market correction would provide a good investment opportunity for medium to long term investors to accumulate stocks.

### Top picks for the month of Mar 2013

#### 1. **GL** **Target price: Bt104**

- GL racked up CY12 net profit growth of 66.2% y-y to Bt357.38mn as total revenue grew 7.5% y-y and cost/income ratio and effective tax rate dropped.
- There is still room for further growth in Thailand driven by the government's populist policies to boost consumption and the positive impact from operation in Cambodia is likely to become more evident in 3QCY13.
- We leave our CY13 net profit outlook for GL unchanged at Bt482mn, up 35% y-y but we raise our target price for GL to Bt104/share as we change our valuation method on the stock to a P/E multiple of 17x to reflect continued strong earnings growth outlook

#### 2. **NTV** **Target price: Bt37**

- NTV reported 4QCY12 profit growth of 47.68% y-y to Bt50.78mn on higher patient volume and reflecting the impact from severe floods in 4QCY11. For all of CY12, revenue and net profit hit a new record high. NTV posted a CY12 net profit of Bt245.86mn, up a healthy 51.12% y-y.
- We expect its net profit to rise further by 15.74% y-y to Bt284.55mn this year based on assumptions that IPD revenue growth will outpace OPD revenue on the back of higher admission rates after NTV focuses on treatments for cancer and heart diseases, a factor that could boost margin.
- We rate NTV shares a 'BUY' with a CY13 target price of Bt37/share.

#### 3. **SCB** **Target price: Bt211**

- Management has continued to guide for loan growth above the industry average at 12%-15% this year. In Jan 2013, the bank's loans grew 1.5%, outpacing the industry's average growth of 0.6% as the bank continued to benefit from higher auto hire-purchase loans under the government's first car tax rebate scheme.
- We expect CY13 to be another year that the bank will deliver the best earnings performance in the banking sector. Our forecast puts the bank's net profit at Bt46bn, up 15% y-y. For 1QCY13, earnings are also likely to be

better than 1QCY12 and 4QCY12 on the back of continued loan growth and dividend income from Vayupak Fund.

- Even though SCB is currently trading at a P/E of 15.09x and a P/BV of 2.79x, a premium to the sector's average of 15.44x P/E and 2.15x P/BV, we believe the stock remains a big laggard to its peers and the broader market. In the year to date, SCB share prices dropped 2%, underperforming a gain of 12% and 11% in the SETBANK and the SET index respectively. Our target price of Bt211/share also offers up to 18% upside from current trading levels, the highest in the banking space. We call SCB shares a 'BUY.'

#### 4. **THAI** **Target price: Bt34**

- THAI swung to an operating profit of Bt2.20bn in CY12 from an operating loss of Bt8.20bn in CY11 helped by rising passenger traffic. Including ex-items, CY12 net profit came in at Bt6.23bn.
- The outlook remains favorable for THAI in 1QCY13 on the back of capacity addition, a steady rise in the airline's cabin factor and a y-y increase in passenger yield. Last year huge post-flood promotional campaigns kept passenger yields at low levels.
- Change in accounting policy that extends the useful life of aircraft from 15 years to 20 years could result in depreciation savings of around Bt2.8bn this year, a factor that would further help improve overall earnings performance. We expect THAI to deliver a CY13 profit before exceptional items of Bt5.04bn. We call THAI shares a 'BUY' with a target price of Bt34/share.

Sector	Investment weighting in Mar 2013 compared to Feb 2013		Stock pick*	Investment thesis	Closing price as of Feb 28, 2013	2013			Mkt Cap as of Feb 28, 2013 (Btmn)
						P/E (x)	P/BV (x)	Div Yld (%)	
FOOD	Overweight	---	CFRESH	Brisk sales are expected to keep earnings strong in 1QCY12 compared to 1QCY11.	11.60	12.08	2.86	6.5%	5,288
BANK	Overweight	---	SCB	Loan growth and dividend income from Vayupak Fund would be key drivers of earnings growth in 1QCY13. The bank is also expected to deliver the best earnings performance in the sector this year.	178.00	13.42	2.48	2.5%	60,408
FIN	Neutral	---	GL	Earnings growth is expected to be strong in 1QCY13 compared to 1QCY12.	77.00	12.65	3.11	5.5%	5,354
CONMAT	Overweight	---	SCC	Higher construction activity is poised to boost domestic cement demand by 7%-10% while petrochemical business is likely to recover from last year's trough.	464.00	17.03	3.17	3.5%	556,800
ENERG	Neutral	---	PTT	PTT is a sector laggard. Higher gas sales volume and PTTEP's petroleum sales volume growth target of above 10% would be key earnings drivers for PTT this year.	350.00	8.13	1.19	4.3%	999,705
PROP Housing	Neutral	---	LH	SDH/TH sales momentum remains strong with a potential gain from the spin-off of Terminal 21 into the property fund.	12.00	19.35	3.53	3.7%	120,311
MEDIA	Neutral	---	TKS	TKS is awaiting the results of the bidding for two government projects and operating performance at subsidiary has improved.	8.00	7.77	1.63	5.8%	1,985
			AS	The start of summer school break and better operating performance from subsidiaries would bode well for AS.	15.30	12.75	3.52	7.8%	4,703
HEALTH	Neutral	---	NTV	More focus on specialist treatments, light debt load and dividend yield of roughly 3%-4% make NTV attractive.	30.00	16.85	3.64	3.6%	4,800
COMM	Neutral	---	CPALL	Earnings are set to grow on the back of new store openings and strong SSSG.	47.25	31.93	16.18	2.8%	42,452
TRANS	Neutral	---	THAI	Strong earnings momentum is set to continue in 1QCY13 boosted by depreciation savings following accounting policy change that extends the useful life of aircraft.	24.50	10.61	0.75	3.8%	53,478
ICT	Neutral	---	THCOM	iPSTAR deal in China with details of definitive agreement expected to be finalized within Mar 2003 would act as key earnings driver for THCOM.	28.00	28.00	1.99	1.4%	30,686

\* Model portfolio performance in Feb 2013

PST portfolio  Top three gainers/outperformers included SF, KCE and THCOM.  
 Top three losers/underperformers included CPF, PTT and SCC.

PST portfolio

**SET index outlook for Mar 2013: The higher the market goes, the louder the crash warnings will get**

Even though the composite SET index continued to make new highs, the Modified Stochastic hit the extreme overbought levels on both daily and monthly charts, which further narrows the upside potential and leaves the main index vulnerable to a correction. Support for the composite SET index is pegged at 1530, 1500 and resistance at 1580-1600 in the month of Mar 2013.



**Top picks**

**DTAC: 'TRADING'**

Support: Bt83.50 Resistance: Bt89.00, Bt91.00 Cut loss: Bt82.00



The stock traded near parallel channel support, close to 200-day EMA line at Bt83.50. MACD also flashed a buy signal. The downside appears limited. In our view, the stock is worth accumulating to bet on a rebound.

**CPALL: 'TRADING'**

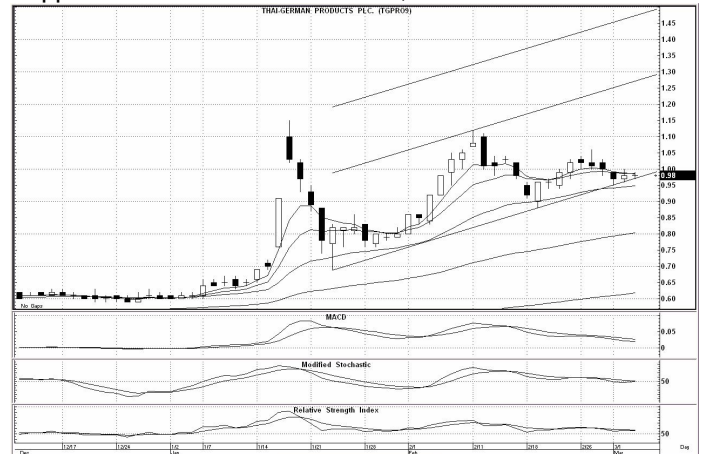
Support: Bt46.75 Resistance: Bt52.00, Bt54.00 Cut loss: Bt46.00



Bullishness remained intact as the stock held above 10-week EMA line, which acted as a strong support while sell signals from medium-term indicators: MACD and Modified Stochastic weakened. The time is nearing for the stock to move upwards in a major uptrend, in our view.

**TGPRO: 'TRADING'**

Support: Bt0.96 Resistance: Bt1.15, Bt1.25 Cut loss: Bt0.95



Share prices gradually rose along the trend line support. DI+ in Directional Indicator sustained above DI-. A test of the previous high at Bt1.15 is warranted.

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