

**STOCK FOCUS**

KTB SECURITIES THAILAND

BUYING OPPORTUNITIES FOR THE LONG TERM

The SET Index will likely remain volatile in November, having slipped below 1,200 points in late October before recovering in recent days.

Earnings reporting, which is set to end at mid-month, is expected to play a crucial role in determining market direction, apart from the ongoing pro-democracy protests.

On the external front, the outcome of the US presidential election and the severe second-wave Covid-19 outbreak in Europe and the US are likely to influence the direction.

Positive factors: The Covid-19 infection rate in many countries in Asia has gradually declined. This signals a possible relaxation of border closures, which should bode well for tourism-driven economies.

■ Third-quarter earnings have shown improvement in some sectors, though we forecast aggregate net profit for the SET will come in at around 1.2 trillion baht, almost the same as in the second quarter. We expect improvement to continue across the board, except for firms whose revenue is tied closely to the tourism industry.

Negative factors: The pro-democracy protests, if they escalate, will likely continue to pressure market sentiment. At the same time, however, any ending that

involves a drastic crackdown or violence would have an adverse impact on investor confidence.

- The resumption of Covid-19 lockdowns in Europe, particularly England, is expected to dampen the tourism outlook and the global economy.
- While our studies indicated that global equities would rally if President Donald Trump won re-election, a victory by Joe Biden would not be all bad for markets. This is because Republicans are likely to retain control of the Senate, which could keep a check on tax increases and business regulation.

NOVEMBER OUTLOOK

The index looks likely to extend its slide in November. However, the relative strength index (RSI) that has approached oversold territory in the weekly charts could trigger a rebound. The trading range is expected to be between 1,150 and 1,220 points.

Investment strategy: A pullback in the SET Index presents a buying opportunity, particularly for long-term investment, once several factors point to more certainty. Our stock picks for November include:

- BANPU (Buy, target 7.02 baht): Expect earnings to swing to positive territory



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in the next two years. Based on the Bloomberg consensus forecast, the energy company's earnings are expected to swing to a net profit of 2.6 billion baht in 2021 and 3.5 billion in 2022. In 2020, the net loss is estimated at 3.5 billion baht.

- **BBL (Buy, target 110 baht):** We forecast 2021 net profit to grow 14% to 23 billion baht on expectations of lower loan-loss provisions and a full-year contribution from the Indonesian bank Permata. Bangkok Bank's NPL ratio is expected to remain at a manageable level between 4% and 4.5%.
 - **PORT (Buy, target 2.80 baht):** We forecast net profit to grow by 57% this year to 78 million baht and by 28% next year to 100 million baht in 2021 on expectations of higher imports and exports and more revenue from related activities at ports and terminals. Additionally, the new Bangkok River Terminal port is expected to open in late 2021, which should bring a profit contribution of 10 million baht in 2022.
 - **STA (Buy, target 41 baht):** We forecast 2020 net profit at 4.6 billion baht, recovering from a net loss of 149 million last year. STA is expected to book profit from its natural rubber business of 1.6 billion
- baht compared with a loss of 728 million in 2019 as Chinese tyre manufacturers have resumed production, and some players in the natural rubber industry have left the business. In 2021, we forecast net profit to grow a further 5% to 4.8 billion baht.
- **STGT (Buy, target 116 baht):** We forecast 2020 net profit at 5.75 billion baht, up 806%, as average selling prices of rubber gloves are expected to reach 0.90 baht each, with the gross profit margin widening to 29%. We see upside to our forecast after Malaysia's biggest producer, Top Glove, reported a strong gross profit margin of 60% in its fiscal fourth quarter, compared to our 2020 forecast of 35%.
 - **TACC (Buy, target 8.30 baht):** We forecast net profit to grow 24% to 201 million baht as the gross profit margin is expected to increase to 34.5% given its successful product mix strategy. We expect to see a margin of 34.7% in the second half given a move to bigger beverage serving sizes.
 - **TNP (Buy, target 4.30 baht):** We forecast the retailer's 2020 core profit will grow 43% to 127 million baht given stronger spending power on the back of the government stimulus package.