

Converging Déjà Vu led by CPAXT

- Déjà Vu panic triggered by CPAXT, unsettling politics, and GMT
- CPAXT's investment in Happitat – boon or bane?
- Buy on dip; STGT, NER, PTG, SPRC, BBGI, CPALL

Déjà Vu panic triggered by CPAXT, unsettling politics, and GMT

On 17 Dec-24 the SET Index dropped by 24 points, breaking below the critical support level of 1,404, and experienced the steepest decline in Asia (-1.7%). Thailand might be facing certain issues that evoke a sense of déjà vu among investors—an unsettling familiarity with events that shake confidence for investor in the Thai stock market. This is reminiscent of the scenario over two years ago, when the SET Index rocketed from 1,273 to 1,500 within two months by mid-October. Three Déjà Vu are 1) governance concerns; 2) political turmoil return; and 3) eroding profits for listed companies.

Déjà Vu #1: Governance Concerns and Investor Confidence

CPAXT's investment in the "Lotus's Mall Bangna (Happitat)" project reignited governance concerns in the market. Spanning over 30 rai, this development will feature a 48,000-square-meter shopping center, including a new Lotus's Hypermarket concept designed to extend its retail and wholesale business, alongside the current 1.5m square meters of leased property under CPAXT's management. Management cited that Happitat will further leverage CPAXT's success with the Lotus North Ratchapruuek project in the West to the East suburb of Bangkok.

Déjà Vu #2: For Whom Was This Done? - Political turmoil return

Thailand's political challenges appear to be resurfacing, potentially haunting its people once again. The revival of protests by the "Anti-Thaksin" group on 18 December 2024, coupled with the legal case involving the "14th Floor," seems poised to reignite political conflicts on the streets after a prolonged period of calm. This situation bears resemblance to the period when Thailand awaited elections and the formation of the new government led by the Move Forward Party, which ultimately led to a seven-month hiatus in government spending, deeply affecting the economy and investor confidence.

Déjà Vu #3: Eroding Profits

The economic landscape and profitability of listed companies face a looming challenge with the implementation of the Global Minimum Tax (GMT) starting in 2025. This GMT policy mandates multinational corporations earning annual revenues exceeding THB28b to pay a minimum tax rate of 15%. Companies currently enjoying lower tax rates will see their profit margins diminish, likely impacting the bottom lines of key global firms operating in Thailand.

Buy on dip; STGT, NER, PTG, SPRC, BBGI, CPALL

We believe SET index will rebound to stay above 1,400 in 2024, given the improving economic outlook on THB10,000 campaign, rising FDIs, growing tourism revenue, and low interest rate. We prefer bottom-up approach for our top picks given the rising risks from the coming Trump 2.0 on 20 January 2025. Our top picks are STGT, NER, PTG, SPRC, BBGI, and CPALL.

Globlex Securities Company Limited acts as one of the authorized sellers of MQDC debentures. This declaration is made to ensure transparency and disclose any potential conflict of interest.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

Assistant Analyst

Peerayu Sirivorawong

Converging Déjà Vu led by CPAXT

Déjà Vu panic: CPAXT, unsettling politics, and GMT

On 17 December 2024 the SET Index dropped by 24 points, breaking below the critical support level of 1,404, and experienced the steepest decline in Asia (-1.7%). This was a sharper drop compared to Indonesia (-1.4%), India (-1.3%), South Korea (-1.3%), the Philippines (-1.13%), China (-0.7%), Singapore (-0.66%), Malaysia (-0.6%), and Japan (-0.24%).

This suggests that Asian stock markets weakened today due to concerns over the assassination of a Russian general by Ukraine and the looming interest rate hike by the Federal Reserve. But why did the SET Index fall much more sharply than other Asian markets?

Thailand might be facing certain issues that evoke a sense of déjà vu among investors—an unsettling familiarity with events that shake confidence across all investor groups in the Thai stock market. This is reminiscent of the scenario over two years ago, when the SET Index rocketed from 1,273 to 1,500 within approximately two months by mid-October.

Déjà Vu #1: Why Was It Done? – Governance Concerns and Investor Confidence

Issues related to governance, fraud, insider trading, front-running, fake transactions, and misguided investments have repeatedly eroded investor trust in the Thai stock market. Cases like Stark serve as a grim reminder of how these practices can harm investors.

This time, concerns seem to stem from CPAXT’s announcement of its investment in the “Lotus’s Mall Bangna (Happitat)” project. Spanning over 30 rai, this development will feature a 48,000-square-meter shopping center, including a new Lotus’s Hypermarket concept designed to extend its retail and wholesale business, alongside the current 1.5m square meters of leased property under CPAXT’s management.

The intensifying industry competition will blur the lines between retail/wholesale and shopping center industries in Thailand, with five players emerging: Central Group, Siam Piwat, The Mall Group, CP Group, and Chang Beer Group.

Exhibit 1: Forestias project



Sources: [Think of living](http://Thinkofliving.com)

Exhibit 2: CPAXT announced an investment in the Happitat project



Sources: [Thunhoon](http://Thunhoon.com)

Déjà Vu #2: For Whom Was This Done? - Political turmoil return

Thailand's political challenges appear to be resurfacing, potentially haunting its people once again. The revival of protests by the "Anti-Thaksin" group on December 18, 2024, coupled with the legal case involving the "14th Floor," seems poised to reignite political conflicts on the streets after a prolonged period of calm.

This situation bears resemblance to the period when Thailand awaited elections and the formation of the new government led by the Move Forward Party. That period ultimately led to a seven-month hiatus in government spending, deeply affecting the economy and investor confidence.

Déjà Vu #3: Eroding Profits

The economic landscape and profitability of listed companies face a looming challenge with the implementation of the Global Minimum Tax (GMT) starting in 2025. This GMT policy mandates multinational corporations earning annual revenues exceeding THB28b to pay a minimum tax rate of 15%. Companies currently enjoying lower tax rates will see their profit margins diminish, likely impacting the bottom lines of key global firms operating in Thailand.

These factors—political uncertainty and structural economic changes—add layers of complexity to Thailand's market environment, potentially further shaking investor confidence.

What to do post SET index plunge under 1,400?

We believe SET index is likely to rebound to stay above 1,400 by the end of 2024, considering that the economic outlook is improving on the back of endemic drivers – THB10,000 campaign, rising FDIs, growing tourism revenue, and low interest rate. We prefer bottom-up approach in selecting our top picks given the rising risks from the coming Trump 2.0 on 20 January 2025. Our top picks are STGT, NER, PTG, SPRC, BBGI, and CPALL.

GENERAL DISCLAIMER

Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.