



STOCK FOCUS

TISCO SECURITIES

TRUMP TARIFF DRAMA COULD DEPRESS SET IN SECOND HALF

The Stock Exchange of Thailand (SET) index reached a new low for the year in June, trading in a range between 1,053.79 and 1,149.68 points, and ending the month at 1,089.56, down 59.62 points or 5.2% from the month before.

Several factors influenced the market's direction. First, investors worried about a new 10% cap on the weighting of individual shares in key indices, in order to reduce the outsized influence of trading in firms such as DELTA, which accounts for 13% of the SET100. Passive funds correlated to the SET would need to adjust their holdings, which could lead to a DELTA sell-off. As it turned out, the effective date of the change has not yet been announced.

Fear of an escalating war between Israel and Iran also weighed on investors, though a subsequent ceasefire appears to be holding. In addition, very few countries have reached trade agreements with the US ahead of its July 9 tariff deadline, but President Donald Trump again moved the deadline to Aug 1, though the urgency of talks remains for countries such as Thailand.

Meanwhile, the border dispute between Thailand and Cambodia raised political and economic concerns, pushing the SET index to its lowest point of the year at 1,053.79 points. Average trading volume for the month was 39.2 billion baht, down 8.5% from May.

We began July with hopes that negotiations with the US would reduce Thailand's tariff rate from 36%. Vietnam reached a deal with the US for a rate of 20%, while allowing all US goods imports with zero tax.

However, July 9 came and went, and a letter from Trump informed Thailand it still faced a 36% tariff if a deal is not agreed by Aug 1. Trump also threatened any country that supports ideas advanced by the BRICS group with an additional 10% tariff hike. Thailand became a partner country of BRICS this year.

As it stands, Thailand's tariff rate is higher

than those proposed for its neighbours and direct competitors in many export categories: Malaysia (25%), Vietnam (20%), Japan and South Korea (25%) and India (26%).

If we cannot negotiate the rate down to 20-25%, in the long term we may lose production centres or foreign direct investment.

In the worst case, GDP growth next year could be less than 1%.

Meanwhile, political uncertainty continues to depress the market. The exit of the Bhumjaithai Party from the coalition leaves it with a slim majority, and the suspension of PM Paetongtarn Shinawatra complicates matters further. A final Constitutional Court

ruling on her fate will take a few weeks, with premature dissolution of the House the worst-case scenario.

INVESTMENT STRATEGY

Our investment strategy for this month is to avoid export-related stocks and focus mainly on domestic plays and stocks with good second-quarter earnings expectations. We picked Advanced Info Service (ADVANC), Bangkok Asset Management (BAM), Gulf Development (GULF) and Prima Marine (PRM).

■ We forecast second-quarter net profit for ADVANC of 10.9 billion baht, up 3.2% quarter-on-quarter and 27.3% year-on-year. The good result will come from adjusted prepaid packages, net subscriber additions and a decline in operating expenses due to fully appreciated assets and lower utilities expenses. The mobile operator just won an auction for the 2100 megahertz spectrum and this will help reduce costs starting from August. Moreover, its new English Premier League football broadcast package received a good response from the market with a lower package price than previous operator True. This will add further upside for its fibre business. ADVANC is always a good dividend stock with around a 5% yield per year.



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■ BAM announced recently it sold non-performing assets of 1.4 billion baht and special-mention non-performing loan collections worth 2.8 billion. These gains will be realised in the second quarter and will

boost its profit, exceeding our expectations. We upgraded our profit forecast for 2025 by 90%. The improved result could lead to a better dividend. With a dividend payout policy of 70% of net profit, we could expect a dividend of 0.64 baht per share for this year, a yield of almost 10%. Moreover, the lower interest rate environment will benefit BAM's operations.

- We recommend GULF mainly based on its good fundamentals and its share price dropping 15% the past two months. GULF just purchased a 50% stake in nine solar projects from GUNKUL, totalling 461MW. The increase in net asset value from these projects will be minimal at just 0.1 baht per share, given its total power portfolio of 13.2GW. Still it is a positive trend, as more projects will help profits continue to grow.
- PRM is another golden stock we have always preferred. Its fleet has come back to full service in the second quarter and it plans to add more ships in the third quarter. The Thailand-Cambodia dispute is not affecting its offshore oilfield services, as its services to OR are just 15-18 rounds per month, and it can always redirect to Singapore or Vietnam instead. PRM is also one of the best dividend stocks with a projected yield of more than 10% per year for the next three years.