

REGIONAL MARKETS UPDATE

ASEAN

THAILAND: 3.0 STARS (ATTRACTIVE)

- Consumer Price Index increased 0.86% y-o-y in October 17, similarly to the 0.86% y-o-y expansion in September 17
- Core CPI rose 0.58% y-o-y in October 17, after a 0.53% y-o-y increase in September 17
- Consumer economic confidence improved to 64.1 in October 17, up from 62.5 in September 17
- Consumer confidence increased to 76.7 in October 17, up from 75.0 in September 17
- Custom exports grew by 13.1% y-o-y in October 17, after a 12.2% y-o-y increase in September 17
- Custom imports grew 13.5% y-o-y in October 17, after a 9.7 % y-o-y growth in September 17
- Custom trade balance decreased to USD 214m in October 17, down from prior value of USD 3358m in September 17
- 3Q2017 GDP growth surged to 4.3% y-o-y, up from 2Q2017's 3.7% previously

INDONESIA: 3.0 STARS (ATTRACTIVE)

- Exports surged to 18.4% y-o-y in October 17, after a downward-revised 15.6% y-o-y expansion in September 17
- Imports grew by 23.3% y-o-y in October 17, after an upward-revised 9.1% y-o-y growth in September 17
- Indonesia posted a trade surplus of USD 895 million in October 17, up from previous' trade deficit of USD 1779 million in September 17
- CPI slowed to 3.6% y-o-y in October 17, after a 3.7% y-o-y increase in September 17
- Consumer Confidence Index weakened to 120.7 in October 17, down from 123.8 in September 17
- Foreign reserves fell to USD 126.6 billion in October 17, down from USD129.4 billion in September 17
- 3Q2017 GDP growth came in at 5.06% y-o-y, improved modestly from 2Q2017's 5.01%.

MARKET OUTLOOK

Over the month of November, Thai equities had its 2017's earnings forecasts downgraded by -0.6% while the 2018's earnings forecasts upgraded by 0.7%, bringing the SET Index's earnings growth to 3.6% and 11.6% for 2017 and 2018 respectively. Over the month, Consumer Discretionary saw the largest earnings downgrade (-0.3%), as one of its index constituents – GMM Grammy PCL posted -0.15% of earnings downwards revision. The financial results of this Thailand's leading entertainment company continued to be affected by the sluggish advertising sector due to the slowdown in the country economic condition and the intense competition in the media industry. The widening net loss (773 million baht 3Q17 vs 11 million baht 3Q16) was the main factor that led to the earnings downgrade for the company over the month.

Looking across the Straits of Malacca, Indonesian equities, represented by JCI Index, had its current year and next year's earnings forecast both revised downwards by -0.7% and -0.4% respectively, bringing its earnings growth to 12.1% and 12.9% for 2017 and 2018 respectively. Within the sectors, Consumer Staples saw the largest earnings downward revision (-0.3%), which was attributable to the poor quarterly result from one of its constituents – Charoen Pokphand Indonesia PT. The company's 3Q17 profit plunged by -46.1% y-o-y due to higher costs on the back of increased corn prices that led to suppressed feed margins, as corn comprises about 50% of feed materials. In fact, analysts believe that the faster-than-expected increase in raw feed material prices poise to hinder the company's growth.

Both ASEAN nations have released their Q32017 GDP figures over the month. On Thailand's front, resilient exports activities and agriculture sector were still the dominant drivers for economic growth, while private consumption and government expenditures improved modestly. Tourism receipts slowed down moderately amid lesser tourists from the West (Europe, America etc.), but was compensated by higher visits from China and South-East Asia. Thailand's consumer confidence has improved following the end of the late-King's mourning period, and is likely to remain so moving forward. We foresee private consumption and business activities to pick-up favourably in the coming months against a still-low inflation backdrop. Rotating south towards Indonesia, the nation's economic growth was a modest tad higher, driven by growing investment expenditure and higher government consumption. Double-digit exports growth was a positive contributor to growth as well. However, lower household spending and stronger imports amidst infrastructure build-up has weighed on the overall growth momentum.

Thailand's macroeconomic picture remains healthy at this juncture, with stable political scene is a positive bonus. Better agriculture yields and improving tourism activities should remain supportive to people's income, which may help stimulate private consumption. We expect Thai exports to continue to do well against a backdrop of global economic recovery. In expenditure terms, the disbursement of government budget for infrastructure projects is expected to boost both private and public investment activities. With that, we have decided to maintain the star rating for Thai equity market at 3.0 stars (Attractive). As for Indonesia, we foresee that private consumption will recover modestly in the near-term, and the on-going government consumption and investment spending to give additional thrust to its economic growth. Easing measures undertaken by Bank Indonesia are likely to provide a material lift to lending activities, which could further stimulate investment and consumption activities going forward. Given that Indonesia's fundamentals remain sound, we maintain the star rating for Indonesia at 3.0 stars (Attractive).