

REGIONAL MARKETS UPDATE ASEAN

THAILAND: 3.0 STARS (ATTRACTIVE)

- Consumer Price Index surged by 0.76% y-o-y in Mar 17, after a 1.40% y-o-y increase in Feb 17
- Core CPI rose by 0.62% y-o-y in Mar 17, after a 0.59% y-o-y increase in Feb 17
- Consumer economic confidence increased to 65.1 in Mar 17, up from 64.3 in Feb 17
- Consumer confidence increased to 76.8 in Mar 17, up from 75.8 in Feb 17
- Custom exports inched up by 9.22% y-o-y in Mar 17, after a -2.80% y-o-y decrease in Feb 17
- Custom imports grew 19.26% y-o-y in Mar 17, after a 20.4% y-o-y growth in Feb 17
- Custom trade balance increased slightly to USD 1.62b in Mar 17, up from prior value of USD 1.61b in Feb 17

INDONESIA: 3.0 STARS (ATTRACTIVE)

- Exports grew by 23.55% y-o-y in Mar 17, after a 11.16% y-o-y increase in Feb 17
- Imports surged by 18.19% y-o-y in Mar 17, after a 10.61% y-o-y increase in Feb 17
- Indonesia posted a trade surplus of USD 1234 million in Mar 17, down from the previous surplus of USD 1319 million in Feb 17
- CPI increased by 3.6% y-o-y in Mar 17, after a 3.8% y-o-y increase in Feb 17
- Consumer Confidence Index increased to 121.5 in Mar 17, from 117.1 in Feb 17
- Foreign reserves climbed to USD 121.81 billion in Mar 17, from USD 119.86 billion in Feb 17.

MARKET OUTLOOK

As we progress towards the end of April, Thai equities have seen their 2017's and 2018's earnings forecasts upgraded by 0.1% and 0.2% respectively, bringing the SET Index's earnings growth to 6.0% and 11.8% for 2017 and 2018 respectively. The materials sector received the most upgrade in its earnings forecasts, inching upwards by 0.1% over the month. Among materials companies, the Eastern Polymer Group (EPG), a chemical manufacturing company, saw its earnings forecasts upgraded on the prospects of higher public spending from the US and still-healthy gross profit margin (GPM) of 32%, despite the its recently announced lower-than-expected earnings. Sectors such as the consumer discretionary and health care sectors have seen earnings forecasts upgrades as well, with both of the sectors' earnings being revised upward by 0.1%. Companies in most of the remaining sectors have also seen modest upgrades (less than 0.1%) in their earnings estimates. Out of 11 sectors, only the industrials sector saw a downward revision in its earnings, as the risk of higher oil prices continued to weigh on the earnings prospects of airline-associated companies such as Bangkok Airways PCL.

Across the Malacca Strait, Indonesian equities, as represented by JCI Index, continued to see upward revisions in their 2017 and 2018 earnings forecasts of 0.7% and 0.4% respectively over the month. The earnings growth for 2017 and 2018 are at 15.9% and 14.6% respectively. The industrials and materials sectors contributed to most of the earnings upgrades, as both sectors' earnings were revised upwards by 0.2% over the month. Analysts continued to remain positive on the energy (upward revision in earnings forecasts of 0.1%), and consumer related sectors such as the consumer discretionary and consumer staples sectors as they saw their earnings forecasts adjusted upwards by 0.1% as well. The utilities sector, however, was the only sector that experienced a downgrade in its earnings, with analysts slashing their earnings projections by -0.1%. Cikarang Lisrindo Tbk, one of the Indonesian power producers, saw its earnings downgraded in view of the 6-months delay in its coal-fired power plant projects. Its recent earnings result had also been impacted by the one-off employee benefits and premium payments to retire its bonds.

On Thailand's domestic front, the new King Maha Vajiralongkorn has finally endorsed the constitution at the beginning of April after the palace requested changes in January. The endorsement marks the countdown to Thailand's election, which is expected to begin no later than November 2018. We believe a clearer political scene has further lifted business and consumer sentiments across the nation, though the figures have already been on an upward trend over the recent months following the referendum approval from of the newly drafted constitution in August last year. As for Indonesia's political front, Anies Baswedan, former education minister, has recently won the race for Jakarta governor's election, eliminating the previous candidate Basuki Tjahaja Purnama ("Ahok") from his position as the latter had suffered a huge loss of confidence from the Muslim community (about 80% of Indonesia's population) after he made a sensitive remark on Quran at one of his campaigns in September last year. Although the victory has boosted the confidence of the opposition parties regarding the 2019's presidential election, we are of the opinion that the event is unlikely to post a major negative impact towards Indonesia's economy. Now that the uncertainties surrounding the elections have subsided, investors are likely to refocus their attention towards corporate earnings as well as other fundamentals of the Indonesia economy.

Both nations' exports growth figures were encouraging, with the latest data coming in better than consensus estimates. Thailand's exports were lifted by higher agriculture exports, particularly rubber, frozen poultry and fresh vegetables. Also, industrial products such as processed rubber, computer parts and fuel oil have contributed significantly towards Thailand's outbound shipments. As for Indonesia, its exports figures were also buoyed by oil and gas related products as well as rubber and rubber products. Minerals and materials such as ore, crust and grey metal exports have also contributed positively towards Indonesia's exports growth. Moving forward, we are of the opinion that both nations' growth prospects remain bright on the back of better weather conditions (which is favourable for agriculture yield) and exports growth, helped by the stabilising commodity prices. These factors are expected to bode well for the consumption-reliant ASEAN nations, with more than 30% of their workforce coming from the agriculture and manufacturing sectors. Conclusively, **we maintain both of these nations' star ratings at 3.0 Stars (Attractive).**