

## REGIONAL MARKETS UPDATE

## ASEAN

## THAILAND: 3.0 STARS (ATTRACTIVE)

- Consumer Price Index slid to -0.05% y-o-y in Jun 17, after a -0.04% y-o-y contraction in May 17
- Core CPI fell to 0.45% y-o-y in Jun 17, after a 0.46% y-o-y increase in May 17
- Consumer economic confidence fell to 63.3 in Jun 17, down from 64.3 in May 17
- Consumer confidence fell to 74.9 in Jun 17, down from 76.0 in May 17
- Custom exports grew by 11.7% y-o-y in Jun 17, after a 13.2% y-o-y increase in May 17
- Custom imports grew 13.7% y-o-y in Jun 17, after a 18.2% y-o-y growth in May 17
- Custom trade balance increased to USD 1917 million in Jun 17, up from prior value of USD 944 million in May 17

## INDONESIA: 3.0 STARS (ATTRACTIVE)

- Exports contracted by -17.2% y-o-y in Jun 17, after an upward-revised 24.6% y-o-y increase in May 17
- Imports contracted by -11.8% y-o-y in Jun 17, after a downward-revised 23.6% y-o-y increase in May 17
- Indonesia posted a trade surplus of USD 1631 million in Jun 17, up from previous' upward-revised trade surplus of USD 578 million in May 17
- CPI increased to 4.4% y-o-y in Jun 17, after a 4.3% y-o-y increase in May 17
- Consumer Confidence Index fell to 122.4 in Jun 17, down from 125.9 in May 17
- Foreign reserves slid to USD 123.1 billion in Jun 17, increased from USD 125.9 billion in May 17

## MARKET OUTLOOK

As the calendar flips across July, Thai equities had its 2017's and 2018's earnings forecasts downgraded by -0.9% and -1.1% respectively over the month, bringing the SET Index's earnings growth to 5.2% and 10.7% for 2017 and 2018 respectively. Financials witnessed the most significant downgrade in its earnings revision, with analysts slashing -0.2% on its earnings estimates over the month. The downgrade may be attributable to disappointing earnings results that came in for 2Q 17, and a sign of deteriorating asset health coming from an increase in gross nonperforming loans. Besides Financials, analysts were also less positive on the earnings prospect for Consumer Staples and Utilities, with both of their earnings estimates slashed by -0.1% over the month. On the other hand, analysts turned favorable on the earnings prospect for Telecommunications, and most of the earnings upgrade was attributable to Samart Telcoms PCL. The positive outlook was based on the company's successful tenders for several large-scale government projects, which are expected underpin its earnings and profitability going forward. Energy (+0.1%) and Materials (+0.1%) were among other sectors which receive positive earnings revision over the month.

Across the Straits of Malacca, Indonesian equities, represented by JCI Index, had its current year and next year's earnings forecasts revised downwards by -2.0% and -3.3% respectively, bringing its earnings growth to 15.0% and 14.7% for 2017 and 2018 respectively. Looking into sectors, analysts remain pessimistic towards Materials and continues to slash its earnings estimate this month by -0.2%. Similarly, Energy and Consumer Staples' earnings estimates were revised downwards as well by -0.1% over the month. On the other hand, consensus was more positive on the earnings outlook for Financials, particularly Bank Mandiri Persero Tbk PT with its plans to expand its banking operations towards Malaysia via Qualified Asean Bank (QAB) initiatives. Apart from Financials, Industrials, Information Technology and Utilities received positive earnings revision over the month of July as well.

Thai Kingdom's exports and imports figures continue to portray a decent trade condition, with both coming in at double-digit growth. External demand for electrical and electronic products continues to remain robust, while agriculture exports growth was encouraging as well on the back of better crop yields. Looking towards Indonesia, external trade figures both dipped into contractionary territory for the first time in 2017. However, the contraction may be attributed to seasonal factor, as the one-week long Eid holiday shifts to a month earlier this year compared to that of 2016. We are in view that exports growth will rebound back to positive figures in the coming months on the back of global economic recovery and improving economic condition from its major trading partners. On the monetary front, Bank Indonesia (BI) held its 7-day Reverse Repo Rate at 4.75%, where the move came within market expectations. BI Governors are in view that domestic economic growth remains on track, albeit not as strong as previously projected. BI remains convicted in coordination with the Indonesian Government to control inflation within the target corridor and support the current structural reforms to pave solid path for sustainable economic growth.

Moving forward, Thailand's economic growth is expected to gain further traction driven by the external sector, while private consumption is expected to recover at a gradual pace. The rollout of various scheduled MRT projects and urban developments should provide decent support to domestic growth in 2H 17. At this juncture, we have decided to maintain the star rating for Thai equity market at 3.0 stars (Attractive). As for Indonesia, we foresee private consumption to recover gradually on Indonesia's front as the political tension subsides, and infrastructure spending to provide an additional thrust to both nations' economic growth. Additionally, the recent S&P rating upgrade will serve as a stimulus to attract more foreign direct investment into Indonesia's economy. As macroeconomic conditions and growth story remains intact, we maintain the star rating for Indonesia at 3.0 stars (Attractive).