

## REGIONAL MARKETS UPDATE

## ASEAN

## THAILAND: 3.0 STARS (ATTRACTIVE)

- Consumer Price Index increased 0.78% y-o-y in Dec 17, similarly to the 0.99% y-o-y expansion in Nov 17
- Core CPI rose 0.62% y-o-y in Dec 17, after a 0.61% y-o-y increase in Nov 17
- Consumer economic confidence improved to 66.2 in Dec 17, up from 65.2 in Nov 17
- Consumer confidence increased to 79.2 in Dec 17, up from 78.0 in Nov 17
- Custom exports grew by 8.6% y-o-y in Dec 17, after a 13.4% y-o-y increase in Nov 17
- Custom imports grew 16.6% y-o-y in Dec 17, after a 13.7 % y-o-y growth in Nov 17
- Custom trade balance fell to USD -278 million deficit in Dec 17, down from prior value of USD 1,763.0 million in Nov 17

## INDONESIA: 3.0 STARS (ATTRACTIVE)

- Exports grew to 6.9% y-o-y in Dec, after an upward-revised 13.5% y-o-y expansion in Nov 17
- Imports grew by 17.8% y-o-y in Dec, after an upward-revised 19.2% y-o-y growth in Nov 17
- Indonesia posted a trade deficit of USD -270 million in Dec, down from previous' trade surplus of USD 127 million in Nov 17
- CPI grew to 3.6% y-o-y in Dec, after a 3.3% y-o-y increase in Nov 17
- Consumer Confidence Index weakened to 126.4 in Dec, up from 122.1 in Nov 17
- Foreign reserves fell to USD 130.2 billion in Dec, down from USD126.0 billion in Nov 17

## MARKET OUTLOOK

Over the month of November, the SET Index had its 2018 and 2019 earnings forecasts downgraded by -0.2% and -0.3% respectively, bringing the Thai equities' earnings growth to 9.5% and 10.1% respectively over 2018 and 2019. Most of the downgrades was attributable to Financials (-0.1%) and Consumer Staples (-0.1%), as analysts opine that asset quality risk remains a key price pressure for banks such as The Siam Commercial Bank and Kasikornbank. As oil price trends above USD 60 per barrel, it is unsurprising to see analysts revising their earnings estimates for Energy (+0.5%) upwards. Among Energy companies, PTT did most of the heavy lifting on earnings upgrade, where the company is expected to enjoy strong core profit growth with its core businesses picking up. Other than Energy, Materials (+0.2%) received positive earnings revision as well. The remaining sectors' earnings forecast remains largely unchanged over the month.

Across the straits of Malacca, Indonesian equities, represented by JCI Index, had its current year and next year's earnings estimates both revised upwards by 1.1% and 1.0% respectively. Meanwhile, the estimated earnings growth of Indonesian companies stood at 13.5% and 11.1% for 2018 and 2019 respectively. Within the sectors, earnings estimates among analysts' consensus for materials sector were positive (+0.5%), particularly Vale Indonesia Tbk PT as it reported a profitable 3Q for 2017 amid a higher nickel price which gives a boost to the company's revenue. Compared to 2Q17, the company's sales volume and revenues in 3Q 17 were 5% and 6% higher, respectively.

Looking up north, Thailand's continues to post robust exports growth. The nation witnessed higher demand for its rubber-related products, while demand for agriculture goods moderated. Exports growth for electronics products is still resilient, which gives affirmation that tech-related consumer goods are still in healthy demand. Consumers' confidence towards Thai's economic prospects have continued to improve. Looking at Indonesia, we saw Bank Indonesia's (BI) Consumer Confidence Index was at 126.4 in December, up from 122.1 in November. Indonesian consumers were more upbeat in December as they were more optimistic about job availability and their ability to purchase durable goods. On the monetary front, BI left its interest rate regime unchanged for the fourth straight month at the January policy meeting. At the current level of 4.25%, the policy rate is seen to be accommodative for growth and appropriate for the inflation outlook. The decision was in line with the efforts of the Indonesian government to maintain macroeconomic stability while stimulating the domestic economic recovery. Going into 2018, the policy focus has shifted once again to "vigilant of global financial risk, relating to the tighter monetary policy and fiscal reform plan in the US", as reflected in the December monetary policy statement.

While Thailand's macroeconomic data is still painting a positive picture for its economy at this juncture, we have yet to see encouraging earnings revision trend for the listed companies in Thailand. The current favourable weather will continue to lend its support towards the agriculture sector, which underscores the income of more than 60% of the labor force. As such, we expect private consumption to pick up over the next few months. Aside from the improving local economy, the kingdom is also riding on the tide of global economic recovery, benefitting from higher exports and better commodity prices. With that, **we maintain the star rating of the Thai equity market at 3.0 stars (Attractive)**. As for Indonesia, we foresee private consumption to recover gradually, and infrastructure spending to provide an additional thrust to its economic growth. The recent easing measures undertaken by BI may also provide a material lift to lending activities, which could stimulate investment and consumption activities going forward. Also, we expect exports to further improve, thanks to higher demand from China, Japan and the Eurozone, a rebound in commodity prices and implicit commitment of BI to keep the IDR from depreciating further. Given that Indonesia's economic outlook continues to be favourable as the conducive external environment persists and domestic conditions become more positive, **we maintain the star rating for Indonesia at 3.0 stars (Attractive)**.