STAGFLATION
RUBLE
CHINA
OIL
RATE
ENDEMIC
WAR
INFLATION

ABNORMAL

2Q 2022 | SCBS

SCBS RESEARCH

2Q22 SCBS Strategy – Fog of abnormal

The global economy's new abnormal. As 2022 continues to unfold from pandemic to geopolitical turbulence, two major growth risks loom large against a backdrop of alarmingly high inflation including the prospect of monetary policy mistakes and sizable commodity supplies disruption.

Shift in narrative away from reflation toward stagflation. A surge in energy cost has triggered a tighter monetary policy, downward revision in growth expectations and increased the uncertainty over the growth path, leading to a shift in the narrative away from reflation towards stagflation. Although the odds of a recession in 2022 are increasing, any recession will be mild as the global economy does not now have major imbalances that need to unwind along with easing border restrictions and reopening recovery.

Stagflation is looming for the Thai economy. The energy crisis has put global and the Thai economy at risk of stagflation in the next 3-6 months. Tighter global monetary policy is a policy risk that could result in a recession in the next 12 months. The Thai economy is likely to expand at a lower rate than previously expected at 3.63%, while the risk of stagflation is increasing.

Navigating geopolitical volatility. The Thai market tends to moderately underperform global markets in geopolitical risk spikes and defensives tend to outperform cyclicals. The 6-12 month performance after geopolitical spikes is more encouraging at 6-10%.

Headwinds are available; tail risks take time to absorb. We think the headwind for the market is the easing of geopolitical conflicts and less hawkish stance, with both a rate hike and balance sheet reduction. Growth is a tail risk for the market and hedging tail risks is extremely expensive.

Balanced portfolio during turbulence. While the financial transmission risks are likely to be manageable, the transfer of risk and reorienting of portfolios will take time. We think defense-exposed stocks will continue to outperform. Upstream energy is a good hedge in a high inflation environment. We would continue to prefer low beta quality stocks to reduce beta.

Revision momentum set to change. Earning**s revisions for** Thai companies could switch to show deterioration in the growth outlook, spike in energy cost and rising supply risk. Factoring in the geopolitical risks makes earnings downgrades likely.

Waiting for a correction in 2Q22, recovery in 2H22. Our 2022 SET Index target based on fundamentals is 1,660. The SET is expected to see a mild correction in 2Q22 to absorb stagflation risk. 2H22 will gain momentum from reopening and post-pandemic recovery and off last year's low base.

Alpha themes. We highlight four ideas for 2022 around the macro and micro themes of 1) high pricing power (high and stable margin), 2) benefits from reopening, 3) growth at a reasonable price and 4) quality stocks.

Favor domestic-facing, defensive, high pricing power and commodity beneficiary themes. 1) We think an investment stance weighted toward defensive is prudent during high uncertainty. 2) We believe domestic stocks with high pricing power and strong balance sheets should be preferred over global cyclical, which could be impacted more heavily by a global economic slowdown. 3) We also focus on stocks that are resilient to high oil price and inflation. Our top picks in 2Q22 are AOT, BDMS, CRC, GULF and PTTEP.

ECONOMIC

Key messages and contents

Key messages:

- The energy crisis is putting the global and Thai economies at risk of stagflation in the next 3-6 months.
- Tighter global monetary policy is a policy risk that could result in a recession in the next 12 months.
- The Thai economy is likely to expand at a slower rate than the 3.63% previously expected, while the risk of stagflation is increasing.

Global Economy 2Q22: The Fog of War

- The current economic situation does not reflect the Ukrainian crisis.
- Analysis of the relationship between the effects of the Ukrainian war on the economy
  - The five factors that will affect the economic numbers going forward are 1) the war and sanctions, 2) oil and commodity prices, 3) inflation, 4) monetary and fiscal policies and 5) economic impact.
- Forecasting: oil prices, inflation, monetary policy, economy and the risk of stagflation

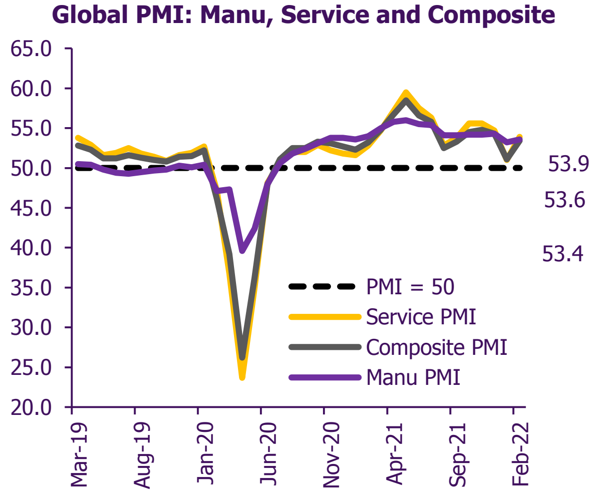
Thai Economy 2Q22: Consequences of the War

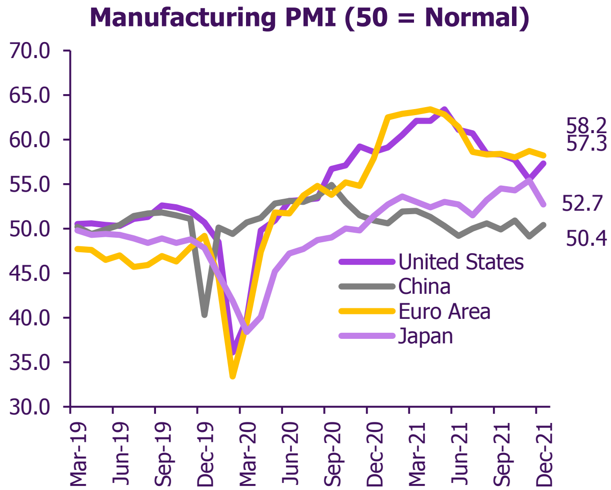
- Just prior to the invasion of Ukraine, Thailand’s economy had begun to recover after reopening
- Latest government estimates of the Thai economy compared to SCBS estimates.
- Thai inflation analysis and forecasts

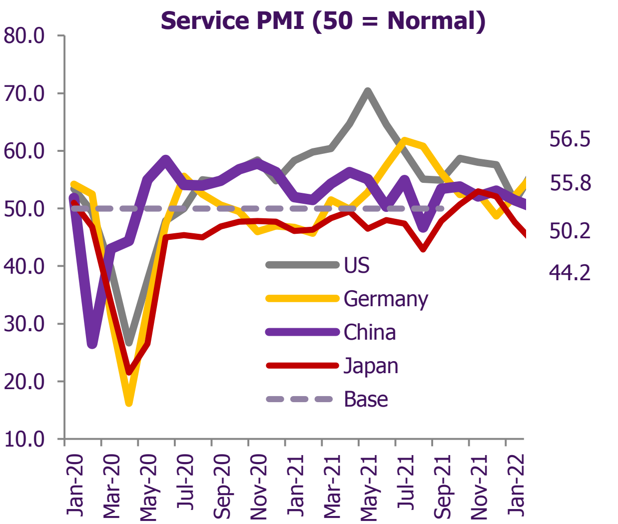
GLOBAL ECONOMY: CURRENT SITUATION

The current economic situation does not reflect the Russia-Ukraine war

- As of now, economic figures do not yet reflect the risks from the Ukrainian crisis, with the latest PMI numbers recovering from the effect of omicron and supply chain disruption that has begun to unravel, while China's numbers are slowing due to its zero COVID policy.







Source: CEIC, OPEC, SCBS Research

ANALYSIS OF THE RELATIONSHIP OF THE UKRAINIAN WAR TO THE ECONOMY

SCBS

Analysis of the relationship between the Ukrainian war and the economy

- Going forward, the result of the Ukrainian crisis will be the main factor affecting the global economic picture. We view the relationship as follows: 1) Russia-Ukraine war and sanctions on the Russian economy will affect commodity prices, especially oil; 2) oil and commodity prices will affect inflation; 3) inflation will affect the implementation of monetary and fiscal policy;
  4) inflation and monetary policy will affect the global economy and 5) the (Russia and global) economic downturn due to the severity of the war and economic sanctions, will eventually end the war.

War and sanctions

Economy

Oil and commodities

Monetary and fiscal Policy

Inflation

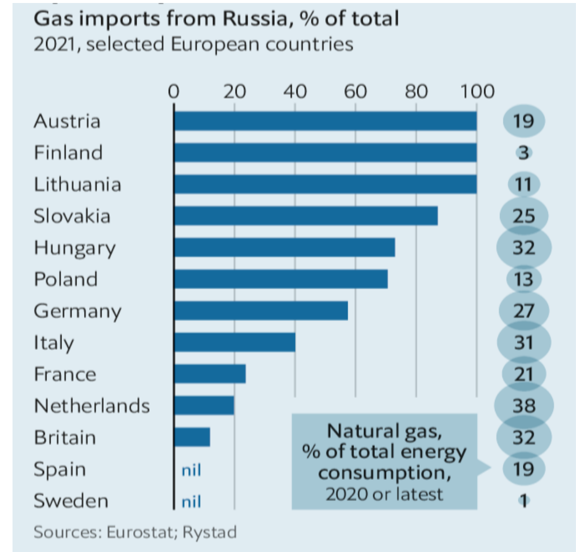
Russia-Ukraine war: Sanctions and their impact on the economy

- US and Western alliance retaliation: The US and allies have responded as follows.

1. Shut SWIFT channels and remove the access by Russian financial institutions to all forms of dollar-denominated transactions. This will make it difficult for foreigners to enter into transactions with Russia.
2. Boycott transactions with leading Russian financial institutions, including the Russian Central Bank, which blocks the bank from using the existing official reserves.
3. Sanctions on international trade with Russia: the US has imposed import sanctions on Russia's main export products, such as fuel; and
4. Financial sanctions against President Vladimir Putin and senior executives including the Russian oligarchs.

- Effects on the global economy and forecasts

1. Impact on commodity prices--Russia is the world's largest exporter of natural gas and the second largest exporter of oil, while also a major exporter of aluminum and copper. Ukraine and Russia together account for 30% of the world's wheat exports. Prices of these commodities would skyrocket if war breaks out between the West and Russia. Oil could reach $130 per barrel for a sustained period, while aluminum may rise to a record high.
2. Effect on the world economy-- Russia and Ukraine account for a combined 2.1% and 2.0% of world imports and exports, respectively. A war between the two countries could cut global trade growth from around 6% to at least 4%. Greatest effect will be on European countries, especially in terms of natural gas, which comes mainly from Russia. This will cause the price of natural gas to skyrocket, leading to an energy crisis and high inflation.



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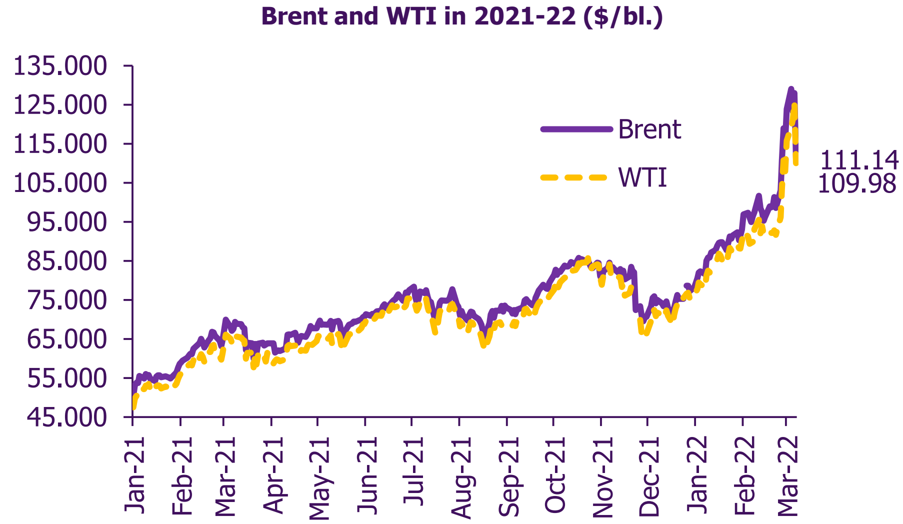
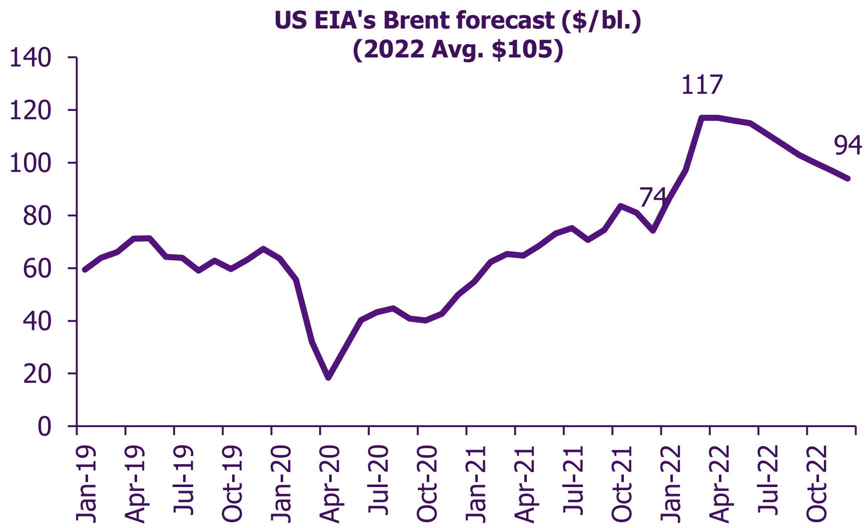
The impact of the war on oil prices and other commodities

- The risks of war and Western sanctions have pushed commodities, especially oil, to US$130 a barrel, before starting to decline after news of talks between Russia and Ukraine
- Many are expecting oil prices to average over $100 a barrel this year (US EIA forecasts a full-year price of $105 a barrel).

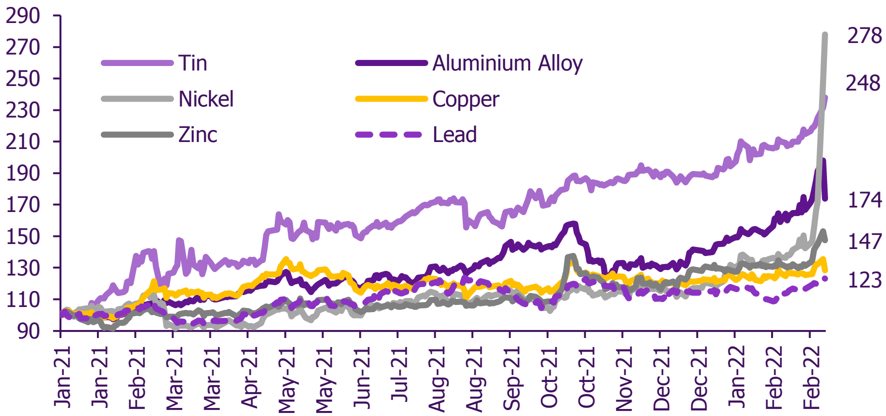


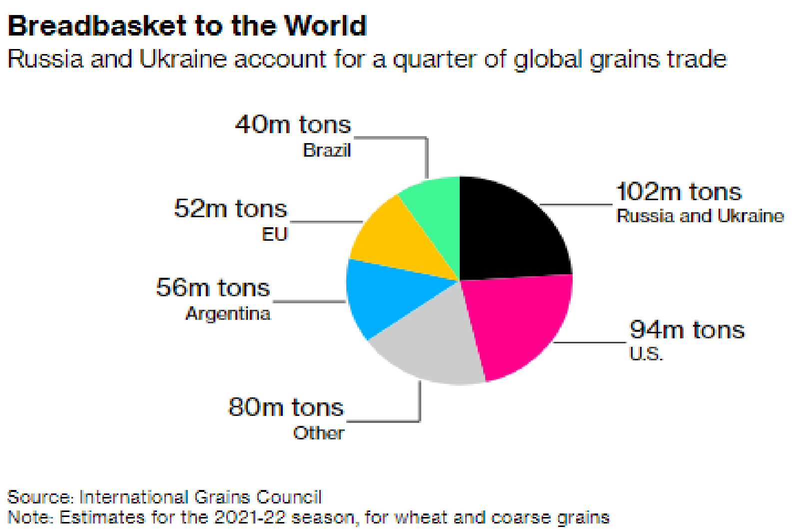


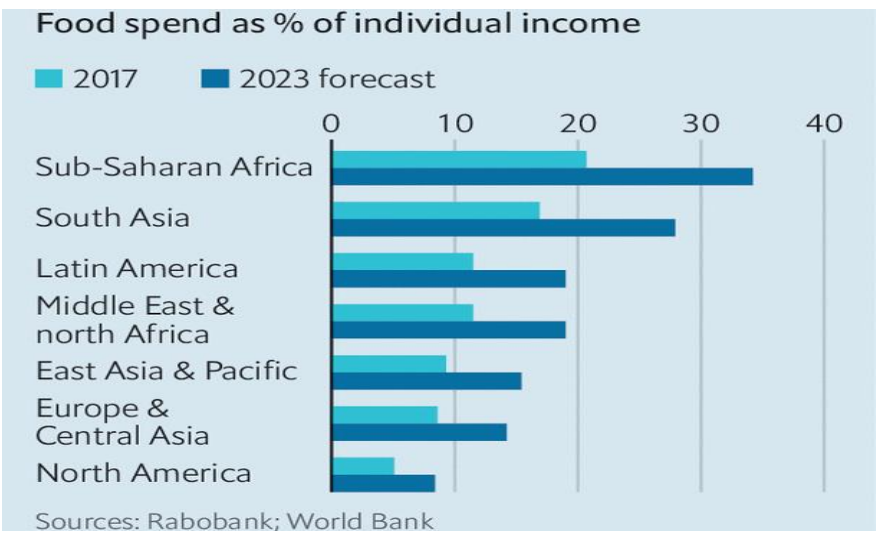
(Extra) Other commodities prices also rose sharply

- Both Russia and Ukraine are major commodities producers and exporters of both metals and grains; the war caused commodity prices to rise dramatically.

Hard commodity price (Jan 2021: 100)



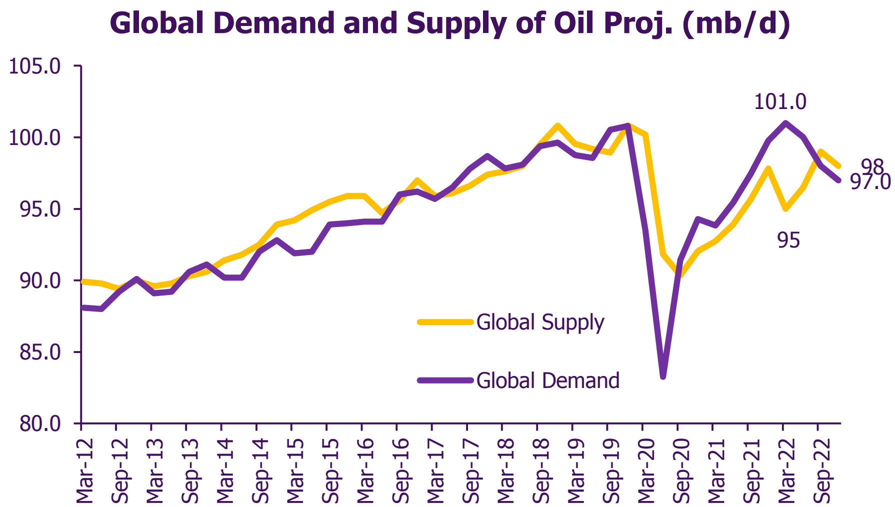


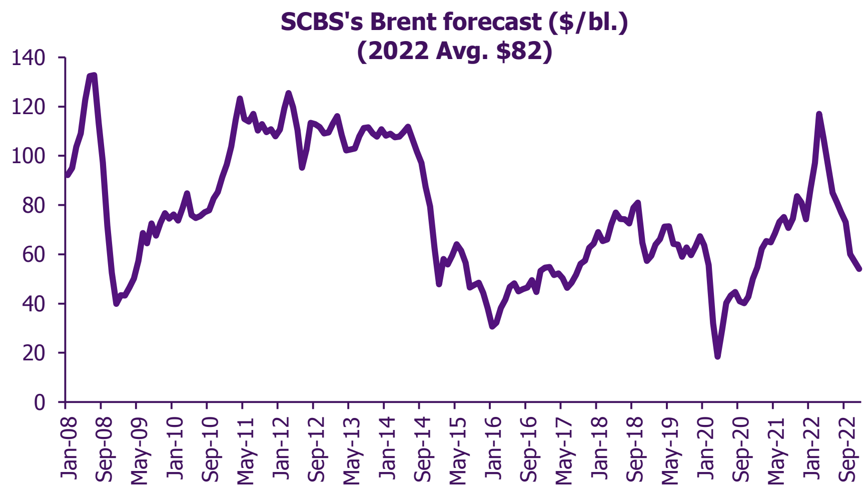


SCBS

SCBS oil price projection

- We expect demand to start to decline due to a weaker-than-expected economic recovery, greater economic and financial volatility and the tightening liquidity due to tighter monetary policy. As production from various sources increases and sanctions are lifted, the oil market will begin to return to balance in the second half of the year and bring prices back to the range of US$80-90/bbl.



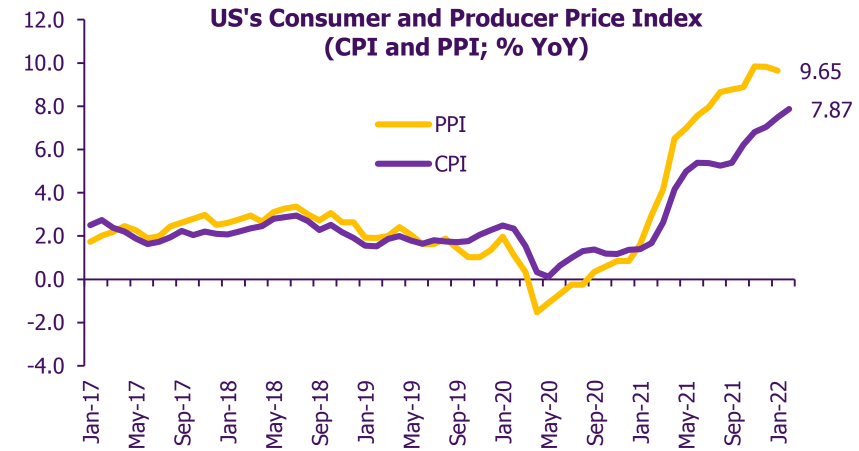


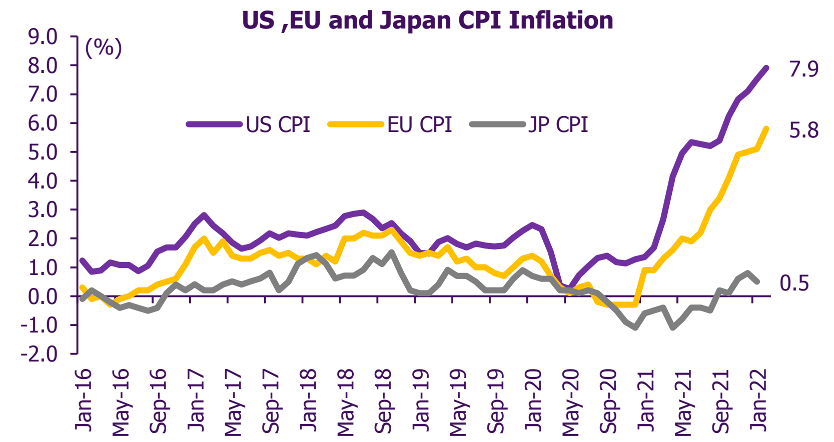
	3Q2021	4Q2021	1Q2022F	2Q2022F	3Q2022F	4Q2022F
Oil Demand	97.4	99.7	101	100	98	97
Oil Supply	95.7	97.8	95	96.5	99	98
Excess Demand	1.8	1.9	6.0	3.0	-1.0	-1.0
Brent ($/bl.)	73.5	79.6	95.0	85.0	75.0	75.0

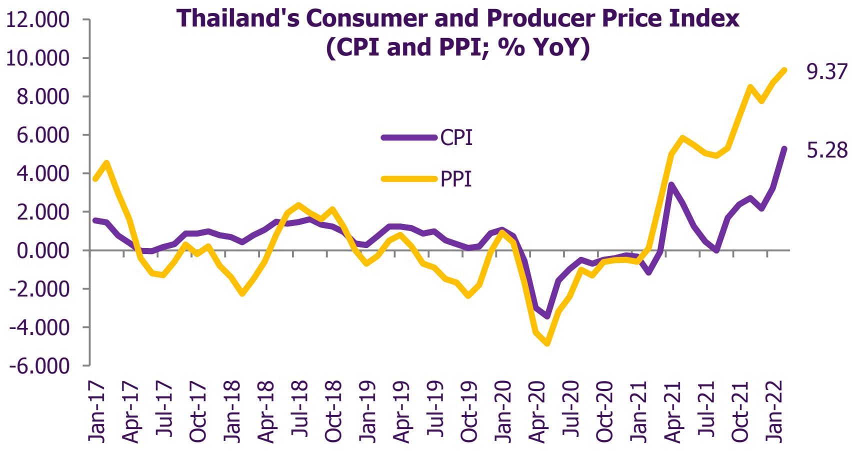
SCBS

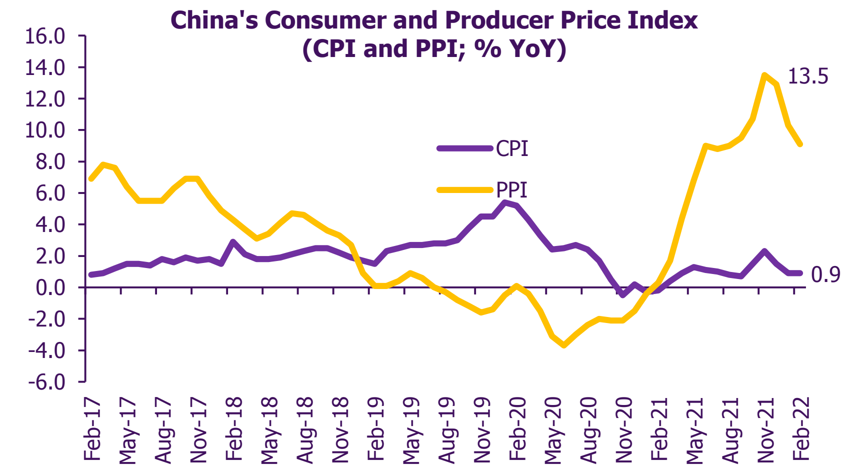
Current inflation is the highest in more than four decades due to problems caused by the COVID crisis.

- Inflation in major economies such as the US, Europe and Thailand is at a 40-year high due to supply chain problems related to COVID. If there were no Ukrainian crisis, we believe that COVID-induced inflation would decline. However, the Ukrainian crisis increases the risk of inflation.



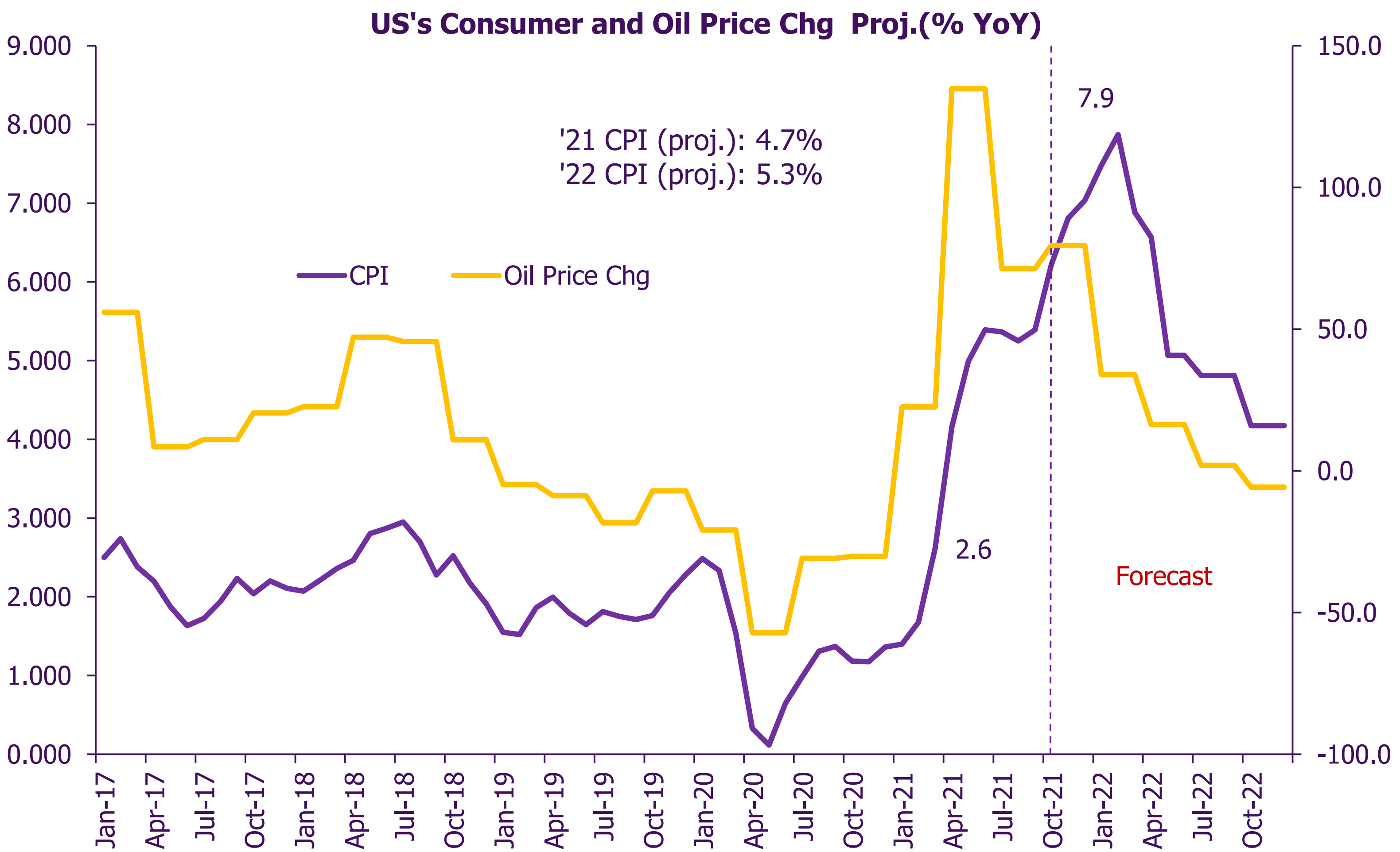






SCBS US inflation forecasts

- We still believe that global inflation going forward will be lower as the base effect will vanish in 2Q22. The key factor that will keep inflation from falling is commodity prices, particularly oil.



Sensitivity analysis of oil prices to inflation, economy and monetary policy direction in major economies

- Our calculations indicate that sensitivity of economies to oil prices in terms of their economic growth, from most to least sensitive, are Europe, the US, China and Thailand; as for sensitivity to inflation, from most to least are the US, Thailand, Europe and China. Hence we believe that the US Federal Reserve (Fed) will raise policy interest more aggressively if inflation rises, while the European Central Bank (ECB) and Thailand (BoT) are less likely to move this direction, while the People's Bank of China (PBOC) is unlikely to raise policy interest rates this year.
- However, if the war is prolonged, oil prices will be higher than we expect, resulting in higher inflation and economic slowdown (stagflation).

2022 Avg. Oil Price	$70	$80	$90	$100	Sensitivity (+$10: Oil)
US GDP	4.0	3.9	3.8	3.7	-0.1
US CPI	4.5	5.3	6.1	6.9	+0.8
FFR	1.25	1.50	1.75	2.0	+25bps
EU GDP	3.9	3.4	2.9	2.4	-0.5
EU CPI	3.0	3.3	3.6	4.0	+0.3
ECB	-0.5	-0.4	-0.2	0.0	+15bps
CN GDP	4.8	4.7	4.6	4.5	-0.1
CN CPI	2.7	2.9	3.1	3.3	+0.2
PBOC	4.3	4.3	4.3	4.3	nil
TH GDP	3.63	3.55	3.47	3.39	-0.08
TH CPI	1.6	2.1	2.6	3.1	+0.5
RP	0.5%	0.75%	0.75%	1.0%	+12.5bps

(Extra) FOMC Decision Mar 15-16, 2022

The latest Federal Open Market Committee (FOMC) decision is decisively more hawkish than we expected.

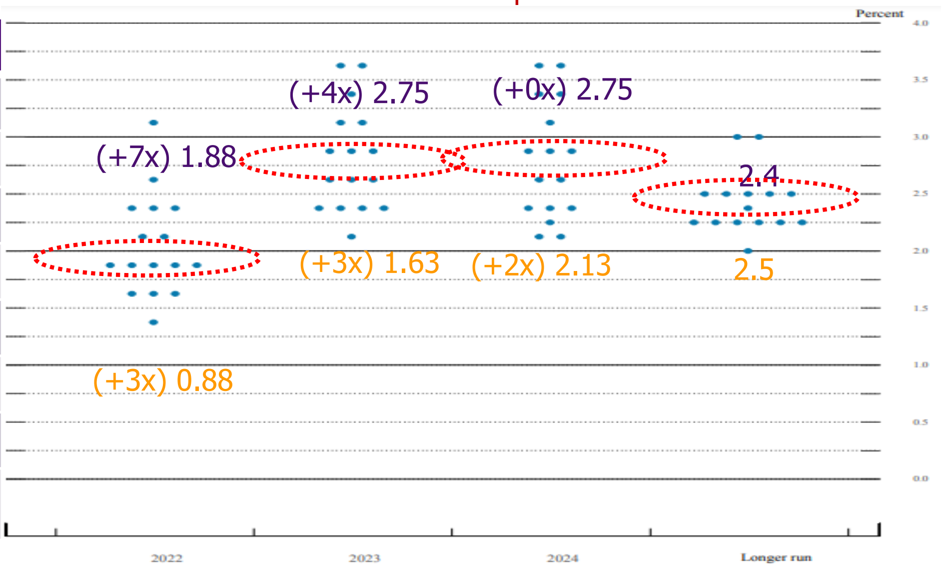
The FOMC decisions are given below.

1. Fed Funds Rate (FFR) lifted to 0.25-0.5% from 0–0.25%; Bullard voted for a 50 bps increase.
2. Quantitative tightening (QT) to announced in May
3. Dot plot is decisively hawkish: 7-4-0 vs 3-3-2
4. Fed downgraded growth, maintained unemployment, raised inflation forecast
5. Powell: Against the backdrop of an extremely tight labor market in high inflation, [the Fed] anticipates that ongoing increases in the target range for the FFR will be appropriate.
6. The Fed kept the door open to raising interest rates by more than a quarter point, determined to use tools to return the economy to price stability.

Mar 2022 Econ Projection VS Dec 2021

Variable (%)	2022	2023	2024	Longer run
GDP	2.8	2.2	2.0	1.8
(Dec Proj.)	4.0	2.2	2.2	1.8
U-rate	3.5	3.5	3.6	4.0
(Dec Proj.)	3.5	3.5	3.5	4.0
Core PCE	4.1	2.6	2.3	
(Dec Proj.)	2.7	2.3	2.1	
Fed Funds	1.9	2.8	2.8	2.4
(Dec Proj.)	0.9	1.6	1.6	2.5

Mar 2022 Dot plot



Our view

1. Fed assumption on oil price is likely higher than US$100/bbl.
2. Fed is determined to show the market that if it is "behind the curve", it will shift focus to halt inflation.
3. Dot plot forecasts are quite diverse this time. The gap between the lowest and highest interest rates projection for each year is more than 1.5 ppt compared to only about 1 ppt in the past, indicating no consensus on the economic outlook. Hence, there is a chance of switches in the direction of monetary policy to be either more accommodative or restrictive.
4. It is unlikely that the projection of unemployment did not move after several shocks, e.g. Ukraine, China's new COVID episode and Fed hike and QT.
5. We believe this shows a "policy mistake", and higher probability of a recession in 2023.

Forecasting the direction of the Fed's monetary policy

- As we see US inflation hovering around 5.3% this year (and will remain high in the first half), we look at the possibility that the Fed might 1) raise interest rates 7 times this year; and 2) double the size of QT measure to US$100bn.

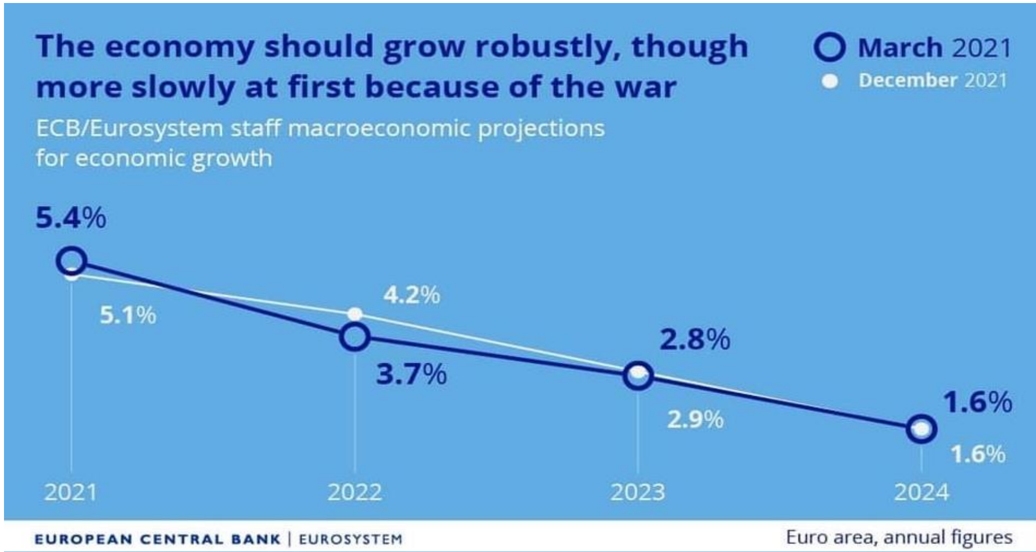
Timing	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1H24	2H24
CPI	7%	6%	3%	2%	2%	3%	3%	4%	3%	3%
FFR	0.25%	0.75%	1.25%	1.75%	1.75%	2.00%	2.00%	2.00%	1.5%	1.5%
B/S chg	0	-100/mt	-100/mt	-100/mt	-100/mt	-100/mt	-100/mt	0	0	0
B/S ($tn)	8.9	8.6	8.3	8.0	7.7	7.4	7.1	7.1	7.1	7.1
2YY (1/2FFR)	1.9	2.0	2.1	2.2	2.25	2.35	2.45	2.45	2.00	2.00
10YY (+10bps/$300bn)	2.15	2.25	2.35	2.45	2.50	2.55	2.60	2.50	2.50	2.50
2-10	0.25	0.25	0.25	0.25	0.25	0.20	0.35	0.25	0.5	0.5
GDP (%)	2.8%				2.2%				2.0%	

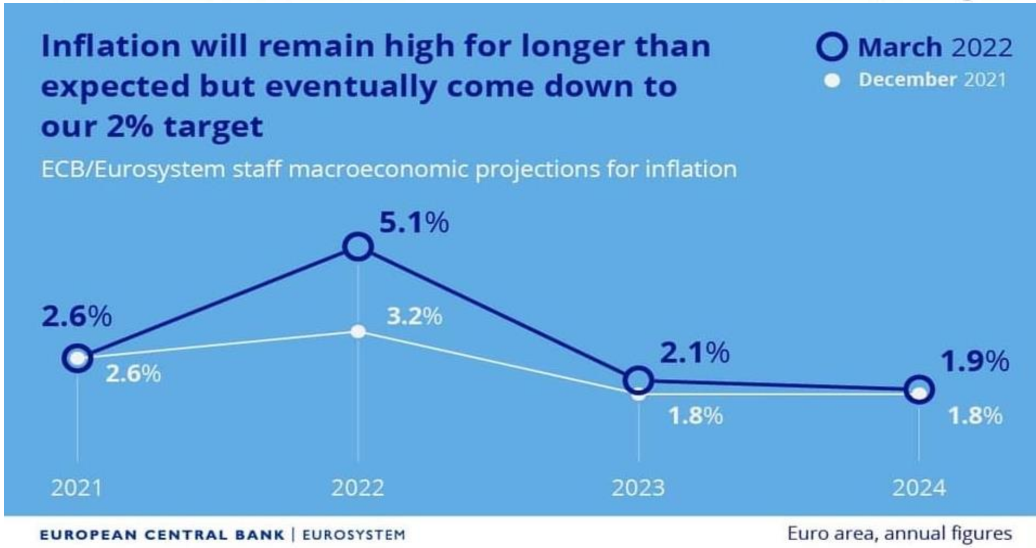
Our analysis:

1. It is possible 10-year bond yields will continue rising until peaking in the second half of 2023.
2. Given the current situation (the Fed raises interest rates 7 times this year and 3 times next year), the 10-year bond yield will be higher than GDP growth in the second half of 2023, making possible an economic or market recession in the second half of 2023, causing the Fed to cut interest rates + end QT measures.
3. However, if the Fed eases monetary policy tightening in the second half + 2023, while the economy continues to hold momentum in 2023, it is possible that there will be no market recession in 2023-24 (but less likely).

(Extra) ECB's economic and inflation forecasts

- The ECB has a different view of the economy and inflation than SCBS and Western analysts. They view that the Ukrainian crisis will not slow down the economy very much (GDP expansion to reduce from 4.2% to 3.7%), while it sees a significant rise in inflation (from 3.2% to 5.1%), causing the ECB to adjust its monetary policy direction.
- Hence, the ECB is speeding QE tapering, to end faster (in September) and is ready to raise interest this year.
- SCBS and Western analysts view such a move as too aggressive and may pose a risk to the European economy, which will face both the impact of the economic slowdown from the Ukrainian crisis and tightening monetary policy from the ECB.
- However, another lesson learned from the ECB's decision is the central bank’s choice between a slowing economy and rising inflation. Central banks tend to tame inflation at the expense of economic growth





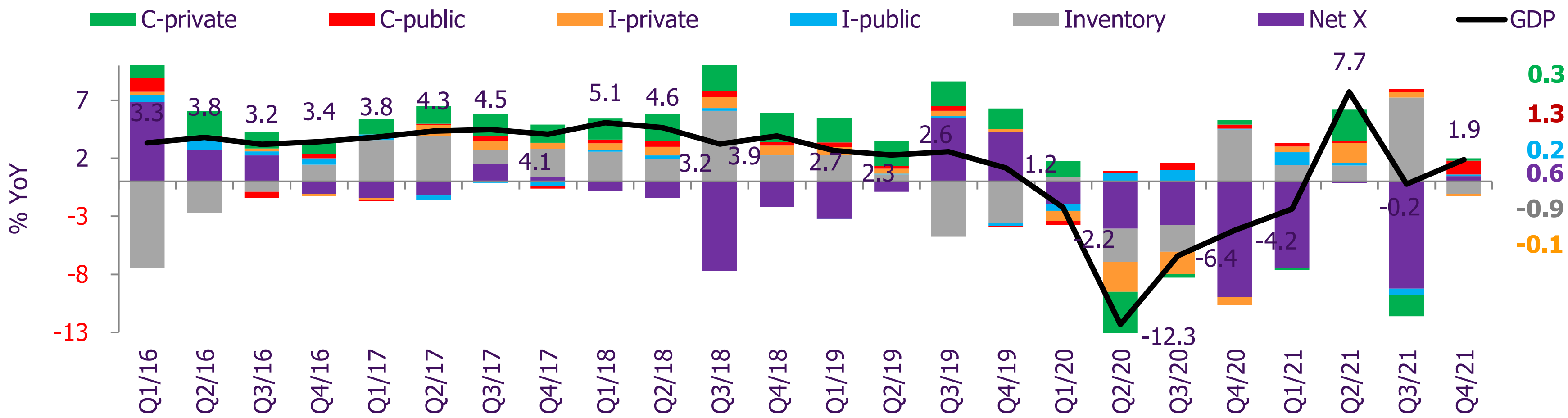
SCBS

THAI ECONOMY

Before the Ukrainian crisis, the Thai economy had begun to recover more strongly after it reopened

- The Thai economy in 4Q21 expanded 1.9%, higher than the forecast of 0.8%. Full-year growth was 1.6%, higher than the 1.2% forecast.

Contribution to Thailand's GDP Growth



The manufacturing sector improved in almost every category.

Growth accelerating sector: Manufacturing, transportation and electricity, while wholesale and retail continued to improve.

GDP Growth Production side									
Growth	Share	Yr2018	Yr2019	Yr2020	Yr2021	21Q1	21Q2	21Q3	21Q4
GDP	100.0%	4.2	2.2	-6.2	1.6	-2.4	7.7	-0.2	1.9
Agri	9.0%	5.8	-0.6	-3.6	1.4	1	2.1	2.2	0.7
Manufacturing	26.3%	3.4	-0.7	-5.7	4.9	1.1	17	-0.9	3.8
Electric	2.3%	2.2	4.6	-8.4	-2.5	-9.1	1	-2.4	2.1
Construction	2.9%	2.3	1.6	2.3	2.7	13.5	3.1	-4.2	-0.9
Wholesale, Retail	17.2%	6.4	4.5	-3.7	1.7	-2.4	5	2.7	2.9
Transport	4.9%	4.0	3.0	-21.0	-2.9	-16.9	10.3	-1.4	3.2
Hotel & Rest.	3.2%	7.9	7.8	-36.6	-14.4	-36.8	16.4	-19	-4.9
ICT	2.6%	8.4	12.3	4.6	5.7	4.5	5.6	6.8	5.9
Financial	8.0%	3.6	2.2	2.7	5.7	6.4	5.9	6.1	4.4
Real Estate	2.7%	5.4	3.8	1.4	1.7	2.2	2.7	0.7	1.3

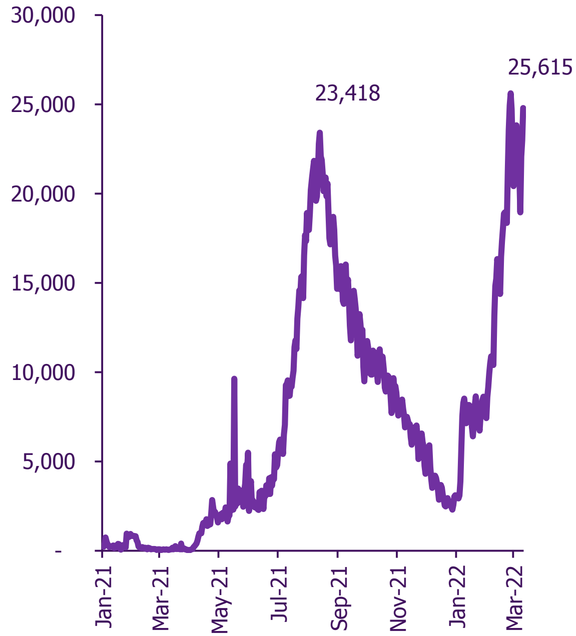
Supporting/risk factors for further expansion

(1) COVID-19 tagged as "endemic": Although the number of new infections increased massively during the current omicron phase, the number of severe cases and deaths has remained low and did not exceed the capacity of the public health system. We maintain our assumption that COVID-19 will be tagged as "endemic" in the latter half of the year.

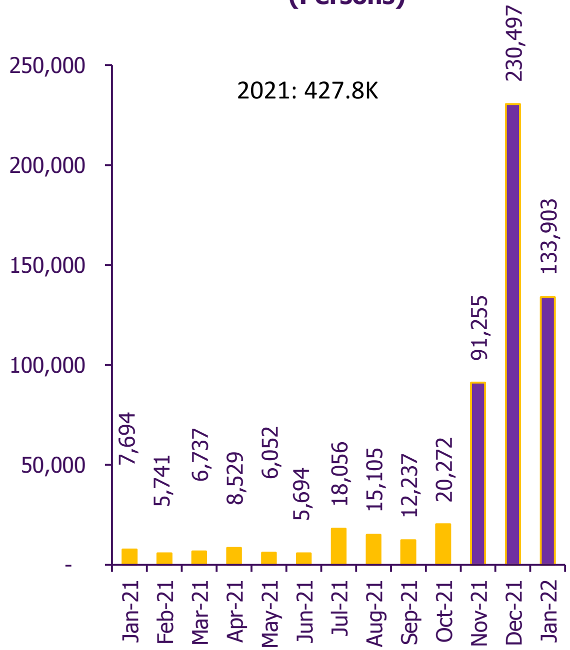
(2) Tourism recovery: COVID-19 as endemic, an end to the Ukrainian war and the country's reopening continues to support our estimate of 8mn tourists.

(3) Higher inflationary pressures due to the acceleration of energy prices and some fresh food prices, coupled with rising commodity prices and disruption in global production chains, will put more pressure on production costs and cost of living. Combined with a tighter global monetary policy, this may lead to a hike in Thai policy rate.

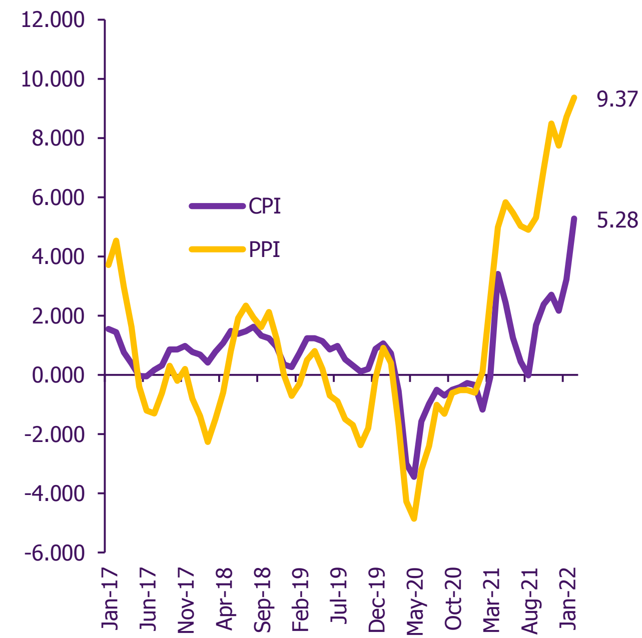
Thailand's New Patient (Persons)



No. of Tourist arrival projection in 2021 (Persons)



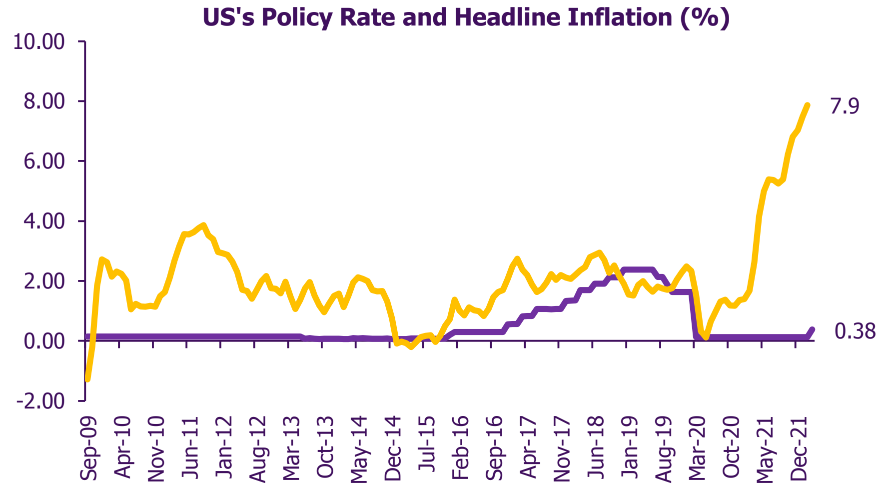
Thailand's Consumer and Producer Price Index (CPI and PPI; % YoY)

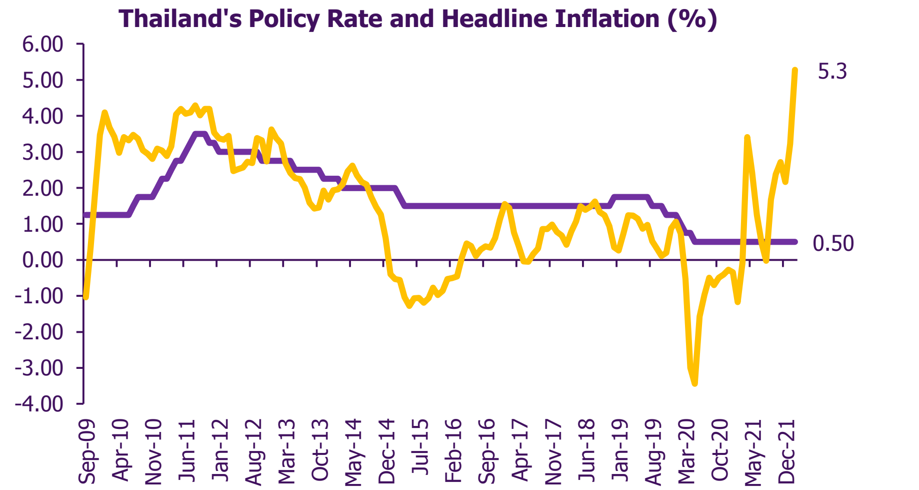


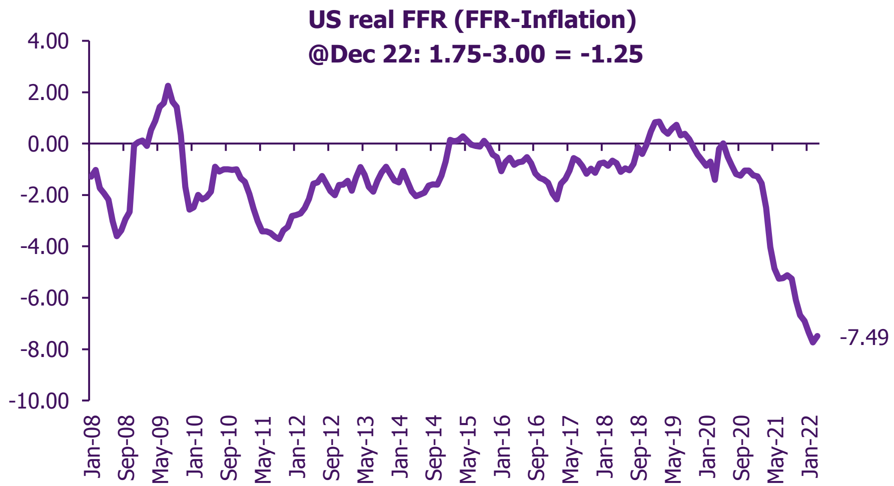
SCBS

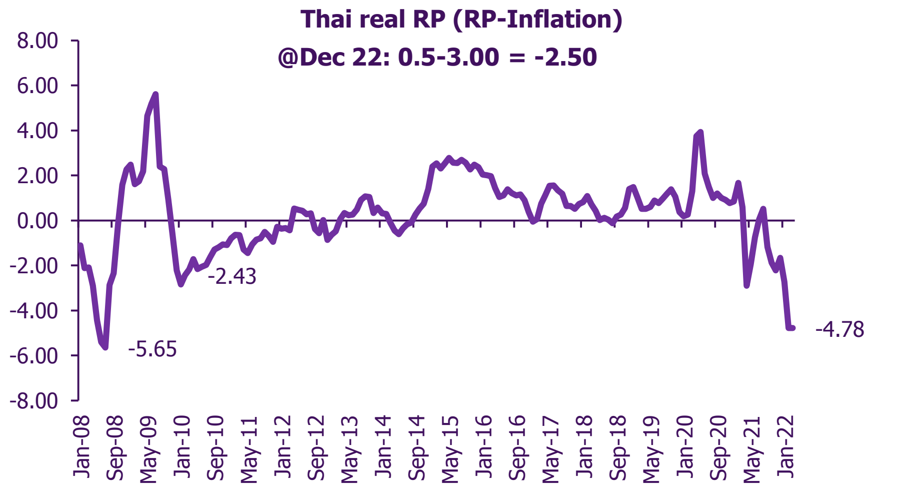
(Extra) Analysis of the chances the Bank of Thailand will raise its policy interest rate

- With Thailand's real interest rates being more than 1 time lower than those of the US at the end of the year, it is highly likely that the Bank of Thailand will have to raise interest rates at least once to pull out capital flows.









SCBS

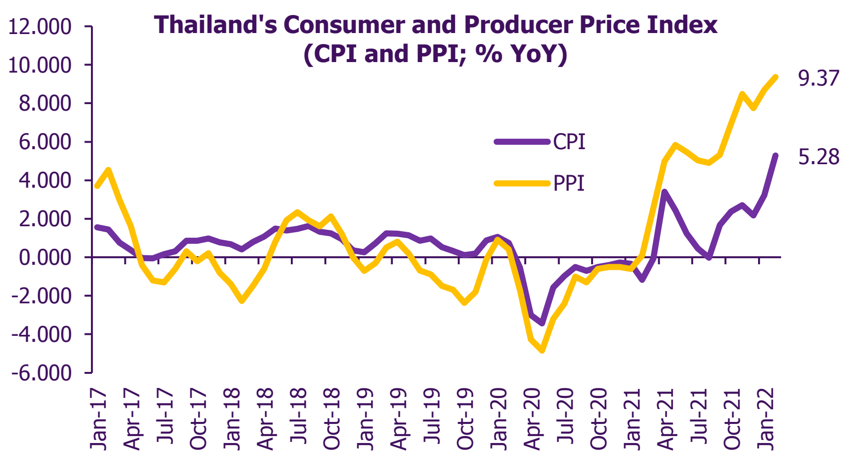
Latest government estimates of the Thai economy compared to SCBS

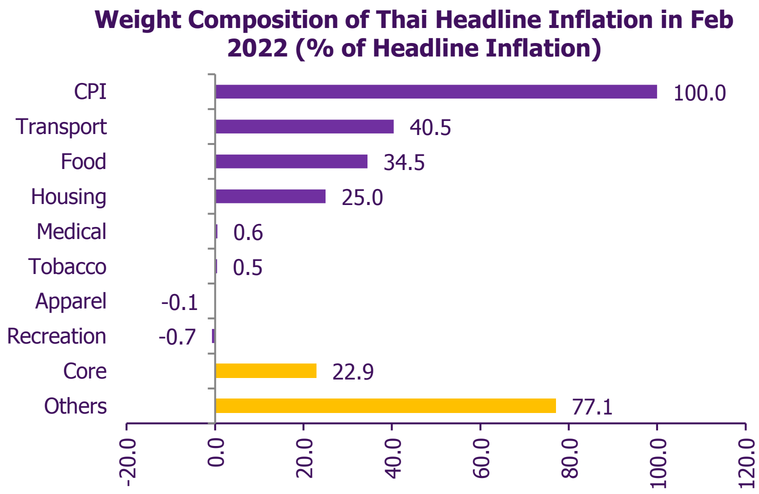
Macro growth projection	Actual 2019	Actual 2020	Actual 2021	FPO (Jan'22) 2022f	BOT (Dec'22) 2022f	NESDC (Feb'22) 2022f	SCBS (Feb'22) 2022f
GDP growth	2.2	-6.2	1.6	4.0	3.4	4.0	3.6
Private investment	2.6	-8.2	3.2	5.0	5.4	3.8	6.3
Public investment	0.1	5.1	3.8	3.7	3.6	4.6	4.1
Private consumption	4.0	-1.0	0.8	4.5	5.6	4.5	4.2
Public consumption	1.6	1.4	3.2	1.2	-0.3	-0.2	2.5
Export value in US$ terms (%)	-3.3	-6.5	18.8	3.6	3.5	4.9	2.0
Import value in US$ terms (%)	-5.6	-13.8	15.0	5.4	4.8	5.9	2.8
Current account to GDP (%)	7.0	4.2	-2.2	0.1	0.7	1.5	2.5
Headline inflation (%)	0.7	-0.8	1.2	1.9	1.7	2.0	2.1
USD/THB	31.0	31.3	32.0	33.1	N/A	32.5	32.0
Policy rate (%)	1.25	0.50	0.50	0.5	N/A	0.5	0.50
No. of inbound tourists (mn)	39.8	6.7	0.43	7.0	5.6	5.5	8.0

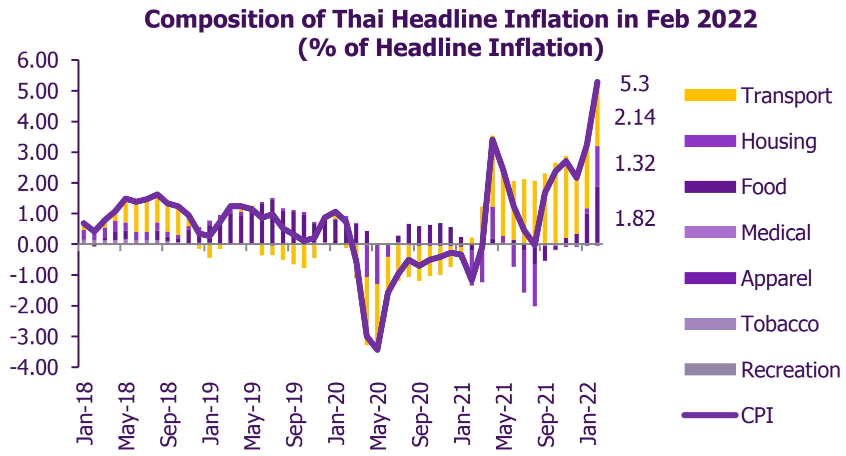
Source: CEIC, NESDC, BOT, FPO, SCBS Research

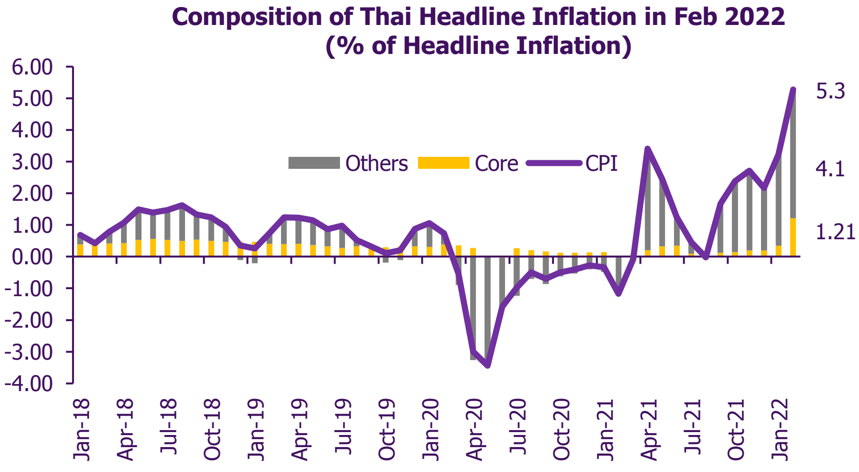
Thai inflation in February was 5.28 %, the highest in 13 years.

- Higher inflation is a result of 1) rising energy prices, especially fuel (Brent crude Feb 2022 = US$97.1, up 56% from Feb. 2021 at US$62.2) and electricity costs, 2) rising food prices (fresh food, instant food, food ingredients) and 3) rising housing expenditure.





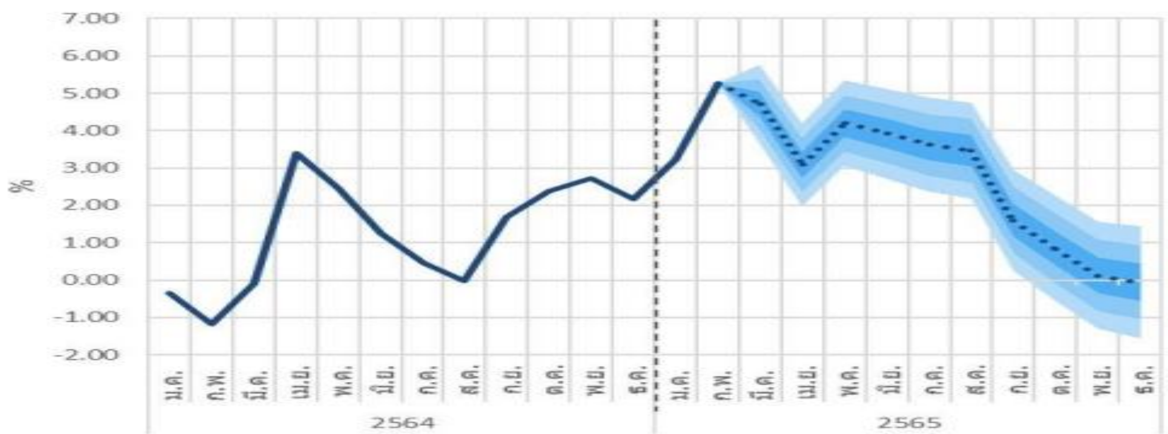




Thailand 2022 inflation forecast

- Our view is consistent with the Ministry of Commerce. Thailand inflation in 2022 will be around 2.1%, assuming oil prices are around US$80/bbl. This will allow the price of diesel to be fixed at Bt30/liter until around May and minimum wage is not increased this year. Also, the baht will be about 32/US$ (little depreciation from the present)

Ministry of Commerce inflation projection (2022: approx. 2%)



2022 Avg. Oil Price	$70	$80	$90	$100	Sensitivity (+$10: Oil)
TH GDP	3.63	3.55	3.47	3.39	-0.08
TH Consumption	4.20	4.12	4.06	3.98	-0.07
TH CPI	1.6	2.1	2.6	3.1	+0.5
RP	0.5%	0.75%	0.75%	1.0%	+12.5bps

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(Extra) Impact on the Thai economy of the Russian-Ukraine war

- The direct impact on the Thai economy from the Russian crisis may not be significant, but the indirect effect through rising oil prices will have a greater impact on inflation and monetary policy.

Impact on Thai Economy of the Russian-Ukraine war				
Thai-Russian	Export	Import	FDI	Tourism Industry
% of Total	0.4%	0.6%	0.2%	6.0% (470,000)
$bn	1.0	1.7	0.46	$1.1bn (B36bn) or 0.2% GDP
Impact of the boycott				
Financial issue	• Medium impact •Thai commercial banks may suspend trade finance financing to Russian-related businesses (e.g. exports, imports)			
SWIFT issue	• Small impact • There is no order from the Bank of Thailand to prohibit commercial banks from exchanging baht and ruble (because the ruble has to be converted into US dollars first), but usually any exchange between the baht and ruble is very small.			

STRATEGY

Key points of our 2Q22 strategy

		Our summary views
Macroeconomic outlook		Global economic growth will be affected by the Russia-Ukraine conflict. Inflation remains high from rising oil price that led to a faster-than-expected rate hike. Thailand has limited impact from the conflict. We expect BOT to raise policy rate at least 25bps in 2H22.
Economic bright spots		Service-related sectors, high pricing-power sectors, domestic consumption
Economic cycle		Easing lockdown restrictions lead to gradual economic recovery but the speed may be slower than expected due to spiking energy cost. Disruption in commodities could mean additional supply chain disruptions that would add to upside risk to inflation. Economic cycle is shifting to stagflation from reflation.
Stagflation risk		Concern on stagflation risk is rising from the Russia-Ukraine conflict. Market returns tend to slow and defensive stocks are expected to outperform. High and stable margin stocks should outperform because they are likely to be a good hedge against a slowdown and have low sensitivity to economic and inflationary problems.
Reopening and endemics		Most countries are focusing on a swift response to COVID outbreaks to prevent business disruption. Falling death rate suggests that we are approaching endemic phase. We have high hopes of reopening in 2H22, but our key concern is China's zero-COVID policy that could dampen the recovery
Earnings downgrade		Higher energy cost will have some bearing on the growth outlook. A sharp rise in oil helps near-term energy earnings but negatively impacts various downstream sectors with a lag. The sectors most vulnerable to rising energy cost are transportation, automotive, construction materials and packaging.
Alpha themes		We highlight four ideas in 2Q22 centering on the macro and micro themes of: 1) high pricing power, 2) benefit from reopening, 3) growth at a reasonable price and 4) quality growth stocks.
2Q22 strategy		The SET is expected to move in a narrow range with downside risk from earnings downgrades in 2Q22. We recommend focus on defensives, stocks with high and stable margin outlook, growth at a reasonable price and good quality with strong balance sheet and FCF. Market returns depend on earnings not valuation expansion.
Sell in May and go away?		High chance of "sell in May" but the Thai economy does not have a major imbalance and also benefits largely from reopening. A pullback provides an opportunity to build position for 2H22, seeming like a reflation cycle.
SET Index target		Our calculations put our 2022 SET Index target based on fundamentals at 1,660. Our key entry point is 1,550-1,600, while the take-profit level is above 1,780
Sector weighting 2Q22	**Overweight**	Commerce, Healthcare, Tourism
	Neutral	Bank, Beverage, Energy, Finance, Petrochemical, Property and Telecom
	Underweight	Agribusiness,, Building Materials, Entertainment/Media, Airlines
Recommendations		We look at stocks that 1) are little impacted by macro headwinds, 2) are gaining momentum from reopening activities, 3) are showing earnings growth or recovery with pricing power, 4) have limited financial risk or strong balance sheets and 5) have reasonable valuations. Our top picks in 2Q22 are AOT, BDMS, CRC, GULF and PTTEP.

Our 1Q22 recommendations outperformed the SET by 11%

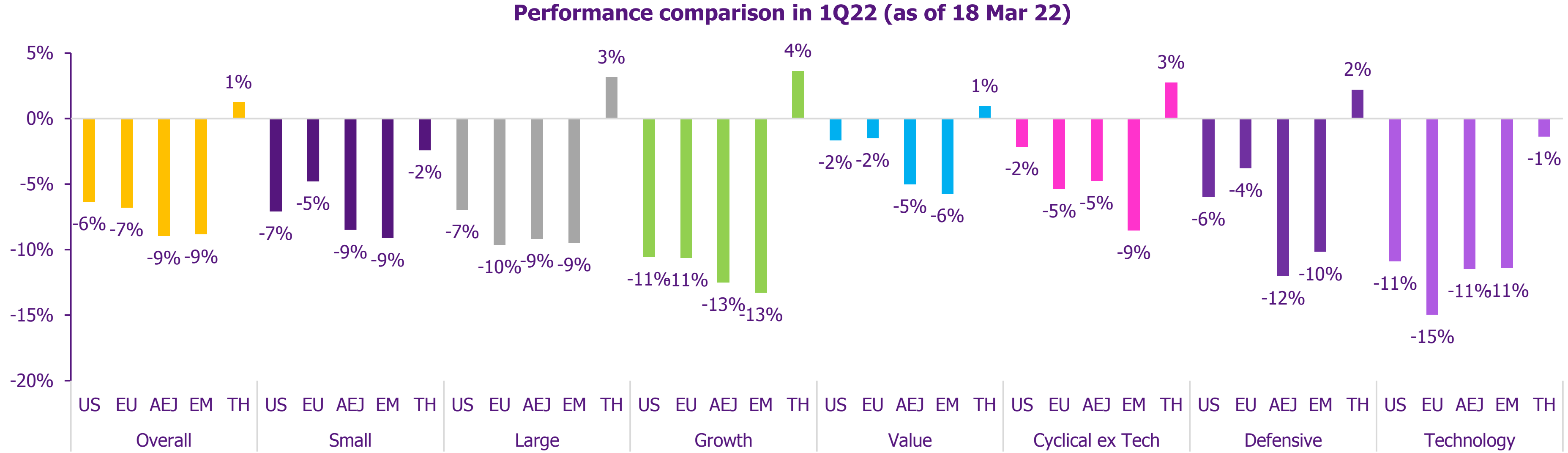
1Q22 has nearly come to an end, with the Thai stock market moving up little (+1.3%) but outperforming regional peers and the overall market by 10% and 8% respectively. The hope of reopening after accelerating COVID-19 booster shots and speeding up mass immunizations with a drop in death rate to 0.2% from 4Q21's 0.8% as well as no new COVID-19 restrictions are key supportive stories. The direct impact from the Russia-Ukraine conflict is minuscule for Thai listed companies.

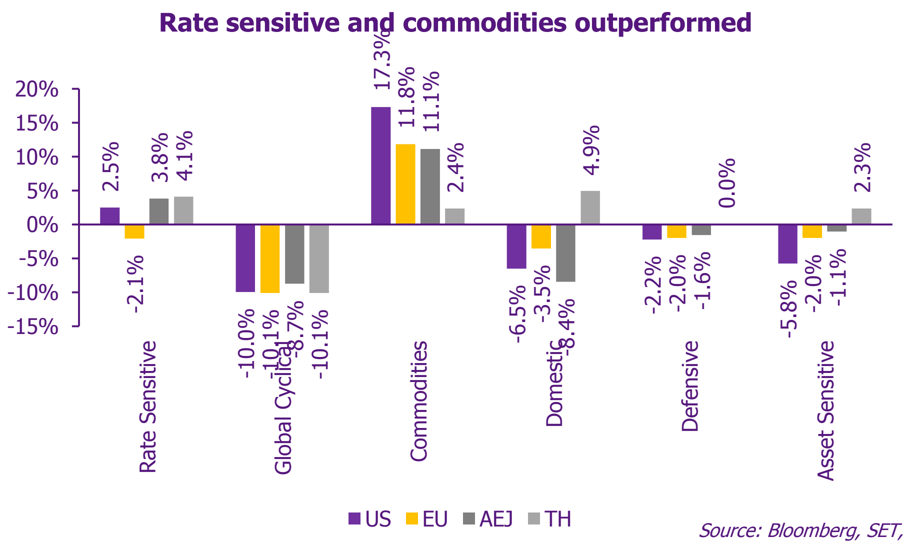
In 1Q22, we saw value stocks such as financials and energy and non-tech stocks outperform growth and global cyclical stocks. Rate-sensitive and commodities baskets outperformed asset-sensitive and domestic baskets. Inflation-linked stocks remained a bright spot as the Russia-Ukraine conflict will affect commodities prices and cause supply-chain disruptions. However, share prices have partially priced in the rate hike environment and rising commodities prices.

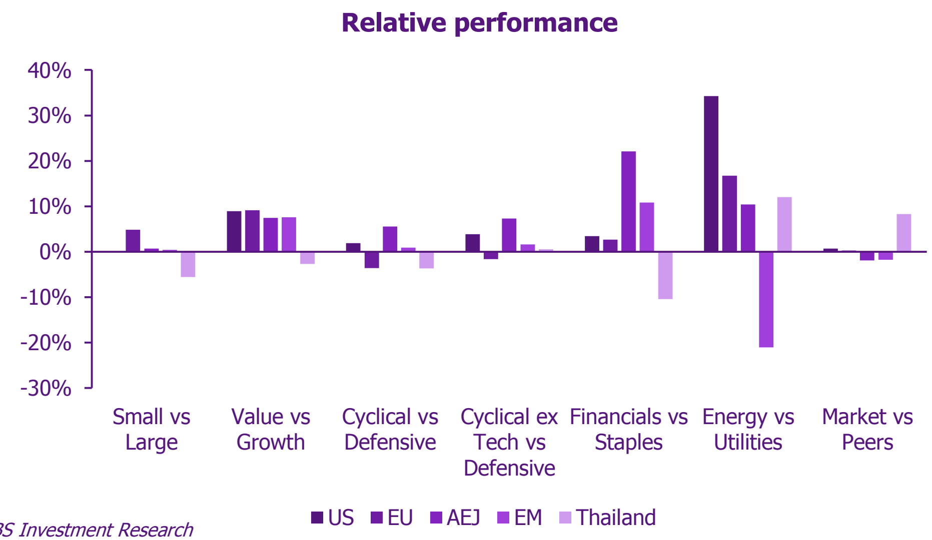
The Thai stock market is moving sideways while the others offer negative returns in 1Q22; index contribution has been concentrated in four sectors: Healthcare, Telecommunications, Commerce and Banking, while Electronic Components and Packaging disappointed. Foreign investors have bought a net US$2.9bn in Thai equities QTD, continuing from the strong inflow in 4Q21 of US$845mn. Foreign flows are the same in ASEAN peers such as Indonesia (US$1.7bn) and Malaysia (US$1.3bn).

Our top picks that focused on pricing power, strong balance sheets and reasonable valuation offered average returns of 16%, representing excess returns of 11% as all of our stock picks outperformed. Our beta plays such as ADVANC (+10%) and KBANK (+18%) offered 13% higher returns than large-caps. Our alpha plays such as AH (+9%), BLA (+36%) and NYT (+8%) far outperformed.

Rate-sensitive & commodities outperformed in 1Q22







Source: Bloomberg, SET, SCBS Investment Research

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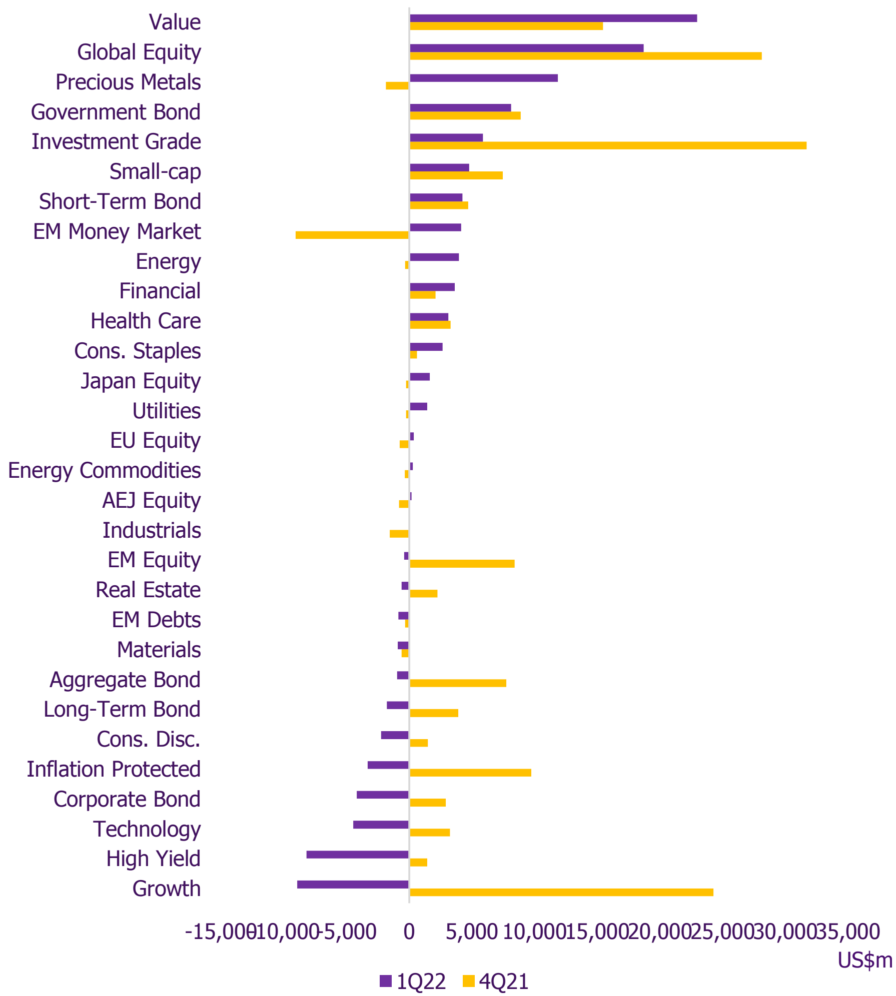
Inside the investor's mind: what are they doing now?

4Q21 amd 1Q22 ETF Flows



Source: EPFR, ETF

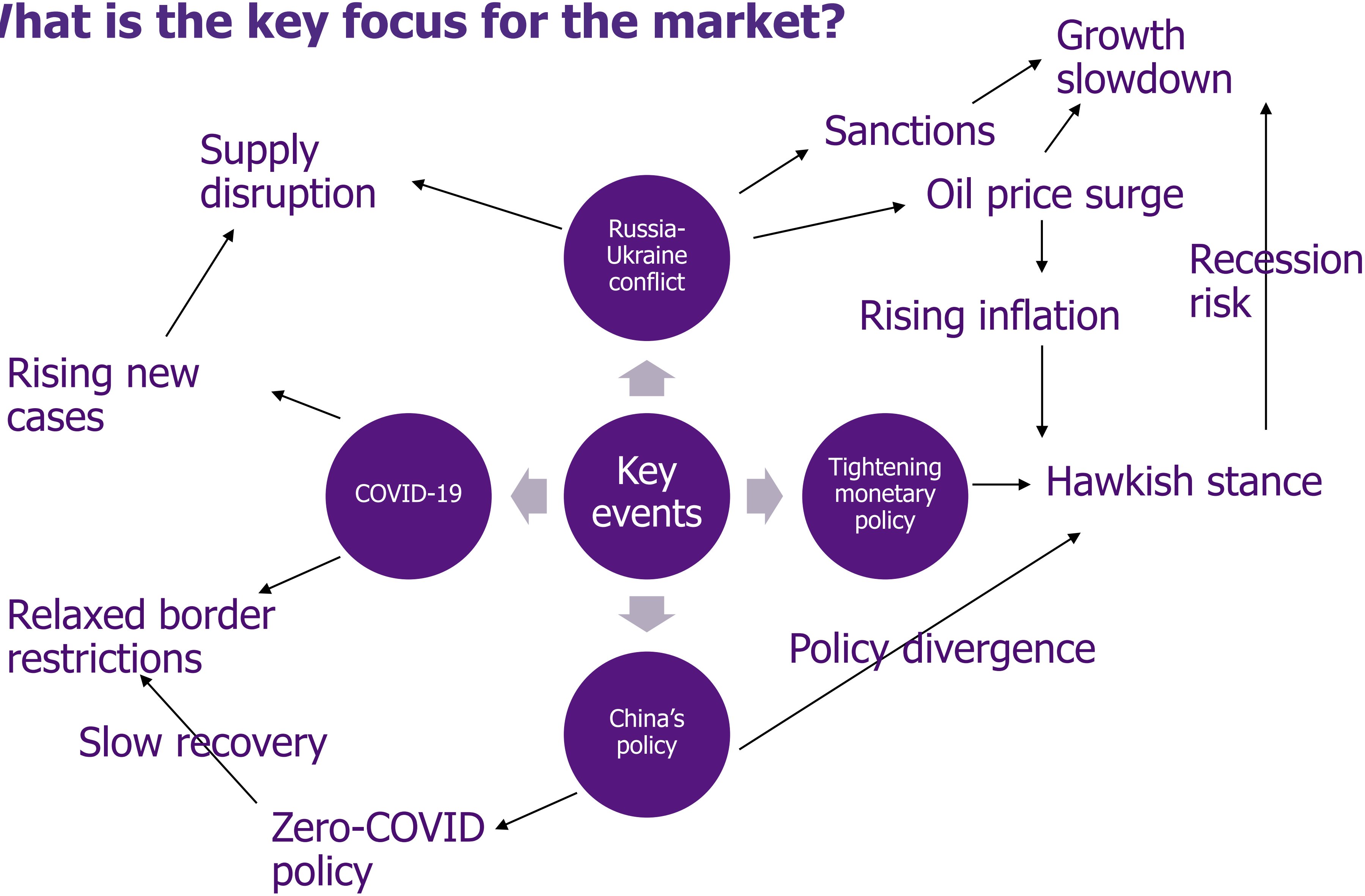
Flows into ETF-related products in 1Q22 relative to 4Q21 reflect the key themes inside the minds of long-term investors, as detailed below:

While equities saw inflows in 1Q22 that were driven by value stocks, investor de-risking intensified because of the Russia-Ukraine conflict and tightening of global monetary policy with large net outflows in growth stocks, including technology sectors that reversed from 4Q21. Cost pressure and rising finance cost led to sell-offs of high-yield credits. Inflows were limited in energy-related commodities despite skyrocketing price.

We also saw rising demand for safe assets such as precious metals and government bonds. Demand for defensives such as healthcare and consumer staples showed continuous stable inflows. This indicates that investors reduced portfolio risk via asset allocation rather than sector rotation.

Recent fixed income outflows have been comparable to other recent episodes of rising rates driven by more hawkish Fed policy expectations.

What is the key focus for the market?



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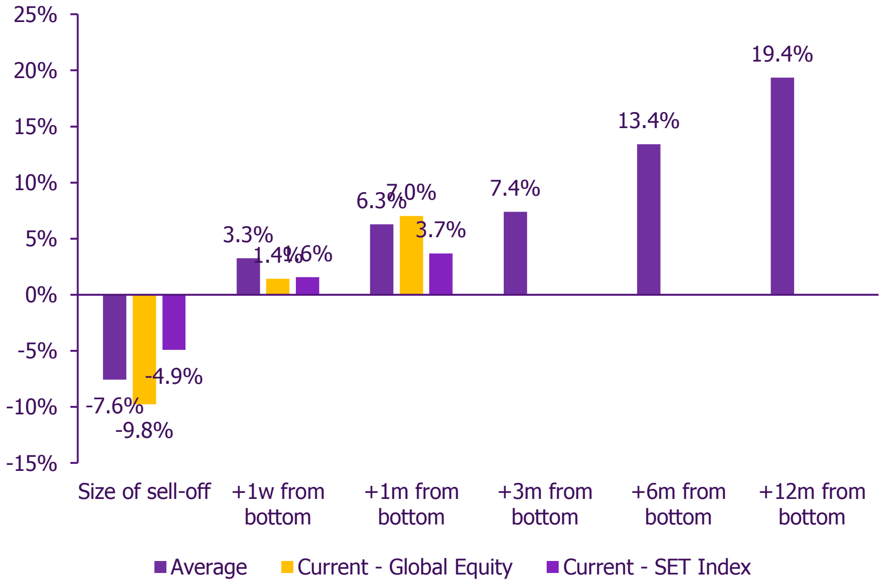
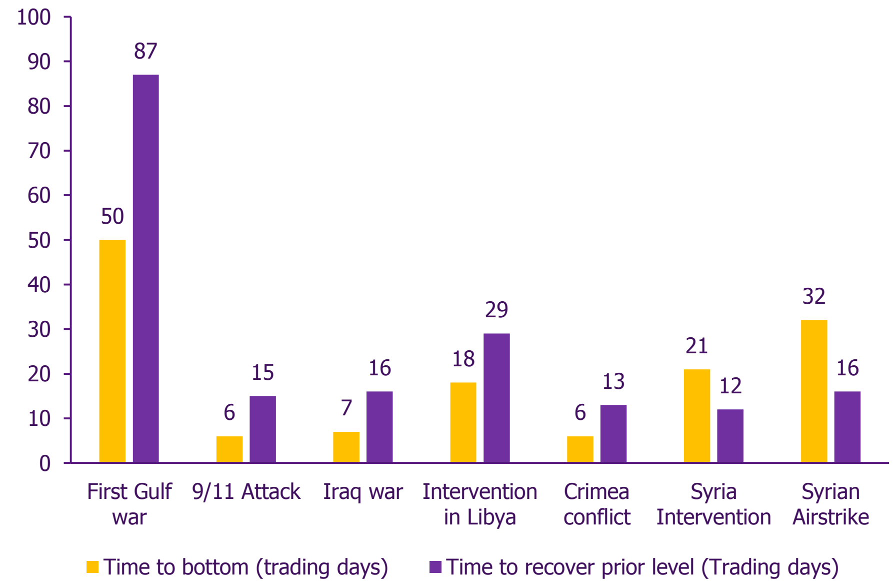
How does the market perform after geopolitical risk spikes?

Equity market sell-offs and recoveries around geopolitical events (oil events)

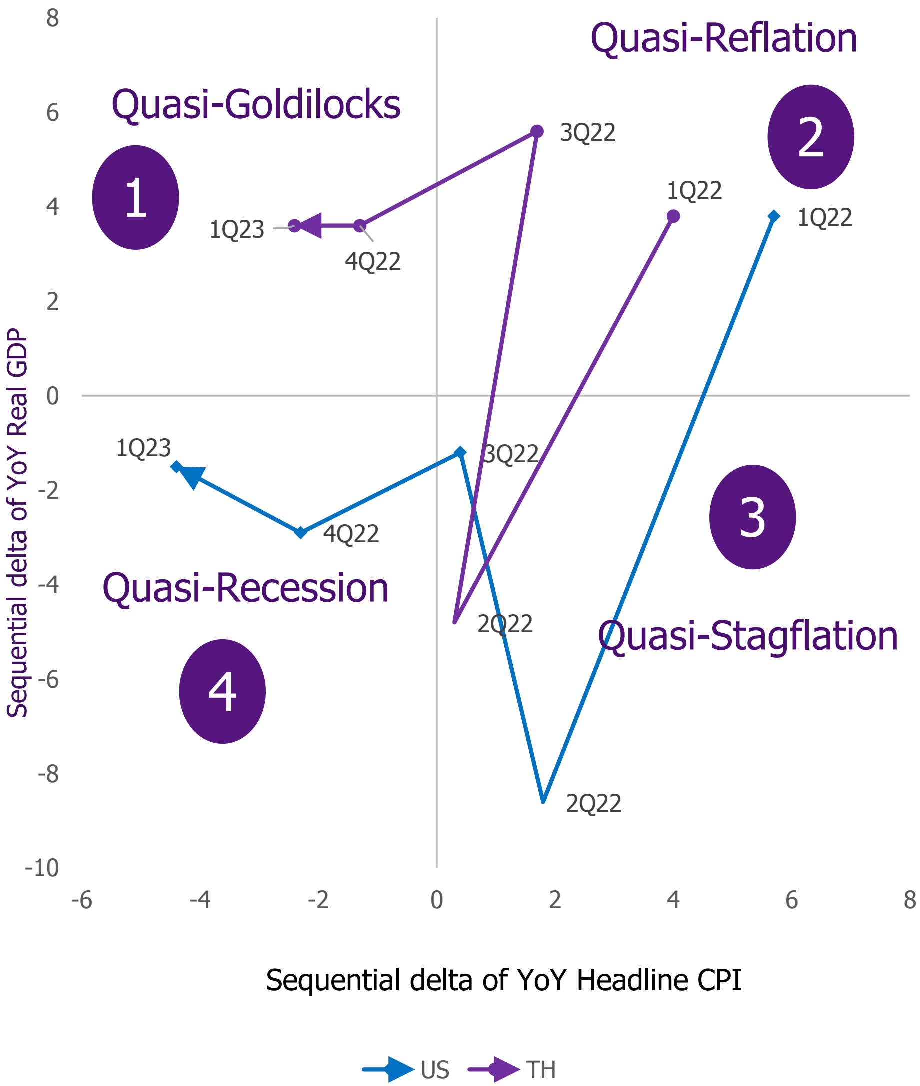


Sell-off and recovery timeframe during past geopolitical conflicts



Amid the challenges of the current widespread global equity declines, share price recovery after geopolitical risk spiked is encouraging. In general, markets and sectors tend to be flat for 1-3 months after the risk spike but then recover their losses and post gains after 6 months and even more 12 months after the geopolitical shock. The percentage of positive returns 6m and 12m post correction is 60% and 72%. Although share price recovery is still fragile, the moves in cyclicals/defensives suggest a modest downturn in growth is priced in. In addition, the recovery speed from the bottom is in line with historical average. An extended conflict and sanctions could threaten fragile economic recovery and cause higher inflation expectations that may lead to slower than average share price recovery in 6-12 months after an incident.

Stagflation risk



Source: Bloomberg, CEIC, SCBS Investment Research

There is rising concern about stagflation risk given the sizable shock from Russia's invasion of Ukraine. Higher path for inflation ahead is expected is as long as the war and sanctions continue. We expect higher global commodity prices will be a negative for most economies. Thus, all regions are shifting narrative away from reflation toward stagflation. We have a cautious view for the US and EU in 2H22, but EM is better in 2H22. US and EU may have entered quasi-recession in 4Q22-1Q23.

There are three investment implications from the growth and pricing framework

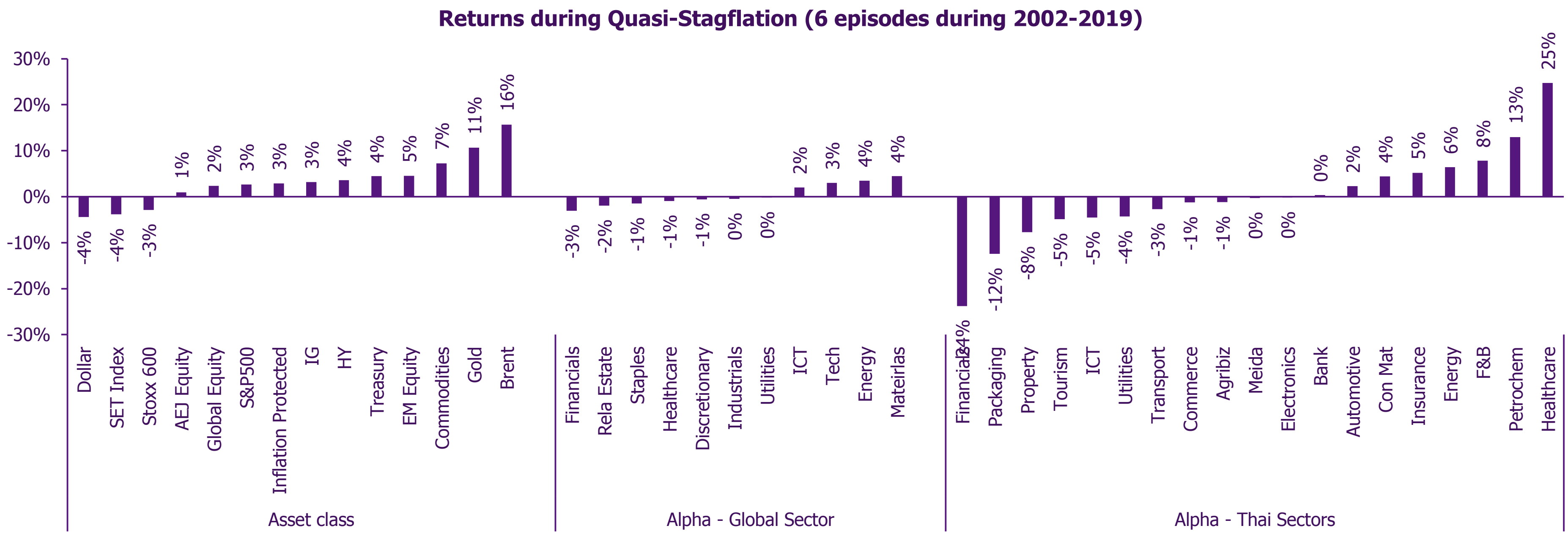
- Market returns tend to slow and defensive stocks and those with low volatility and high quality are expected to outperform.
- In 2Q22, a surge in energy prices (rising inflation) will trigger a downward revision in growth expectations and increased uncertainty over the growth path from here.
- In 2H22, EM is expected to outperform DM on the service restart, as growth is accelerating. Discretionary and financials will be the winners.
- Earnings downgrades are likely; we view risks of a US and EU recession over the next year as broadly in line with 30-50% odds currently.

Investment roadmap from macro perspective

<table>
<tr><th></th><th>2Q22</th><th>3Q22</th><th>4Q22</th><th>1Q23</th></tr>
<tr><td>US</td><td colspan="2">3 Stagflation
Bonds over stocks
Style - Secular growth, quality, low beta
Sectors - Utilities, Tech, Energy
Fixed Income - Long duration, TIPS</td><td colspan="2">4 Recession
Bonds over stocks
Style - Low beta, quality, defensive, dividend yield
Sector - Consumer Staples, Utilities, REIT, Healthcare, Telecom
Fixed Income - Long duration, IG</td></tr>
<tr><td>EU</td><td rowspan="2">3 Stagflation
Bonds over stocks
Style - Secular growth, quality, low beta
Sector - Utilities, Tech, Energy
Fixed Income - Long duration, TIPS</td><td colspan="3">4 Recession
Bonds over stocks
Style - Low beta, quality, defensive, dividend yield
Sector - Consumer Staples, Utilities, REIT, Healthcare, Telecom
Fixed Income - Long duration, IG</td></tr>
<tr><td>China</td><td colspan="3">2 Reflation
Stocks over bonds
Style - Secular growth, high beta, small cap, cyclical growth
Sector - Tech, Discretionary, Industrials, Financials
Fixed Income - HY</td></tr>
<tr><td>EM</td><td colspan="2">3 Stagflation
Bonds over stocks
Style - Secular growth, quality, low beta
Sector - Utilities, Tech, Energy
Fixed Income - Long duration, TIPS</td><td>2 Reflation
Stocks over bonds
Style - Secular growth, high beta, small cap, cyclical growth
Sector - Tech, Discretionary, Industrials, Financials
Fixed Income - HY</td><td>1 Goldilocks
Stocks over bonds
Style - Secular growth, High beta, mid-caps
Sector - Tech, Discretionary, Industrials, Telecom, Materials
Fixed Income - HY, EM debt</td></tr>
<tr><td>Thailand</td><td>3 Stagflation
Bonds over stocks
Style - Secular growth, quality, low beta
Sector - Utilities, Tech, Energy
Fixed Income - Long duration, TIPS</td><td>2 Reflation
Stocks over bonds
Style - Secular growth, high beta, small cap, cyclical growth
Sector - Tech, Discretionary, Industrials, Financials
Fixed Income - HY</td><td colspan="2">1 Goldilocks
Stocks over bonds
Style - Secular growth, high beta, mid-caps
Sector - Tech, Discretionary, Industrials, Telecom, Materials
Fixed Income - HY, EM debt</td></tr>
</table>

Source: SCBS Investment Research

Quasi-Stagflation protection



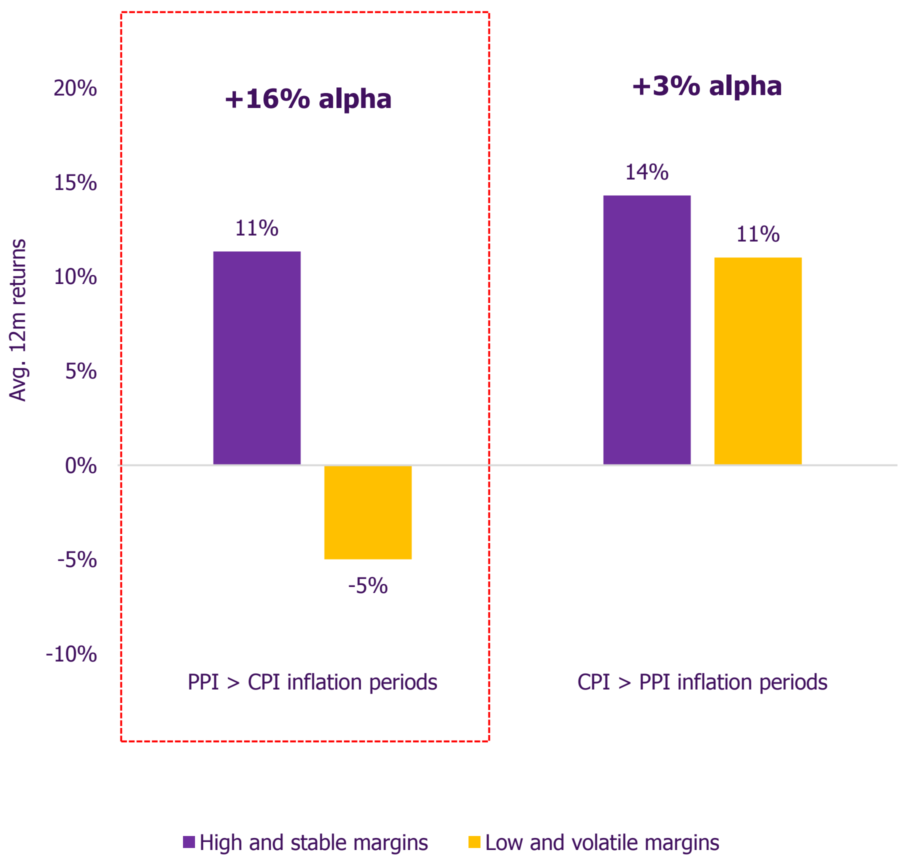
Source: Bloomberg, SCBS Investment Research

Note: Six episodes are including Aug-Nov02, Jun-Nov04, Aug07-Jul08, Sep-Dec10, Jun-Sep15, Aug-Dec19

Risks of stagflation have been few and far across the global landscape over the past two decades thanks to abundant liquidity, central bank supportive policies and technology development. However, the are six periods of quasi-stagflation, growth downgrades with inflation upgrades, that are like current risks. The historical episodes are split between mid-cycle slowdowns (2002, 2004, 2010, 2019) and appear rather harmless in terms of asset returns, and late-cycle slowdowns in 2007 and 2015 that have been more significant drawdowns. Commodity producers are outperforming the large commodity importing markets in Asia and Europe. Sector-wise, Energy, Materials and Petrochemical outperformed thanks to rising oil price. Meanwhile, financials and real estate underperformed as high energy cost has some bearing on growth outlook. For the Thai market, defensive sectors with high and stable margins outperformed along with energy-related sectors.

Focus on high pricing power and stable margin

High and stable margins outperform during input cost pressure



Source: Bloomberg, CEIC, SCBS Investment Research

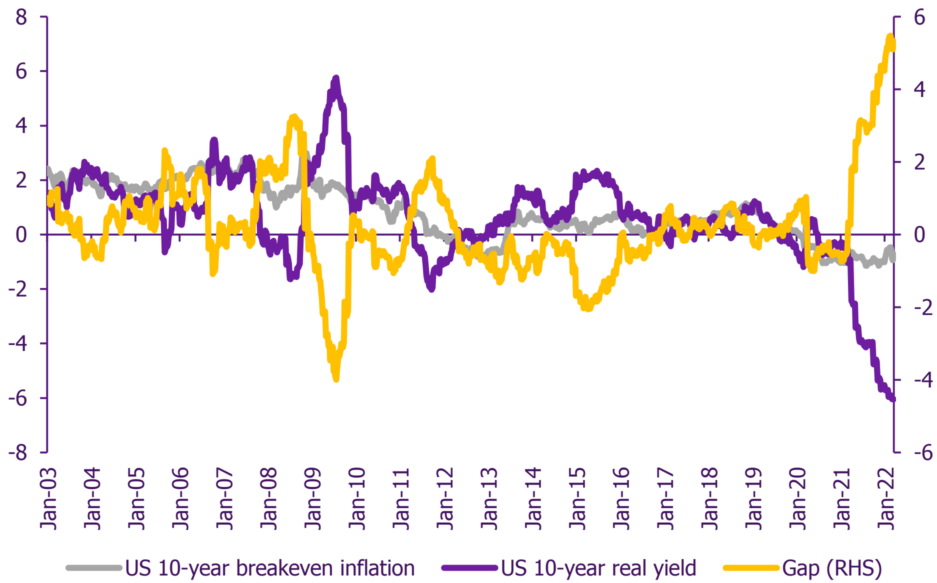
Based on our company-level analysis, stocks with higher and more stable margins relative to peers have outperformed those with low and volatile margins during input cost pressure (PPI>CPI). Interestingly, stocks offer higher returns in a period of demand-pull (CPI>PPI) than in input cost pressure. The higher inflation puts greater value on margins and lower margin volatility. Thus, the key focus is on companies with good pricing power and companies that can maintain their margins and pass the higher input costs.

Based on a study between PPI–CPI spread and margin changes, sectors with potential gross margin expansion during input cost pressure include Commerce, Healthcare, Professional Services and Industrial Machinery.

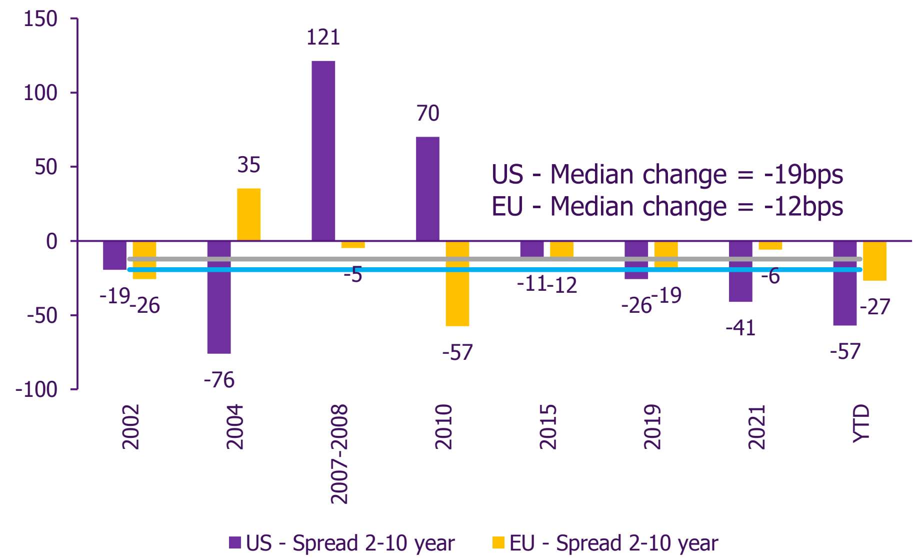
If the economy starts to slow, we believe the basket will continue to outperform because those sectors are relatively defensive and are likely to be a good hedge against an economic slowdown. These sectors have strong balance sheets and low sensitivity to economic an inflationary problems.

How could yield curve price stagflation?

Markets are pricing in higher risk of stagflation



Government bond futures curve becomes more flattened during quasi-stagflation



Despite high interest rate volatility, rates in the US and EU are above pre-conflict highs. After the Russian invasion of Ukraine, the inflation impact is likely to outweigh the growth impact. Spiking energy cost and supply chain disruption will add risk to inflation.

Extremely inverted inflation curves raises the likelihood of a nominal curve inversion as medium-term inflation expectations still remain low. Markets are pricing in the stagflation shock, with real yields closer to their lows even as nominal yields are at or near their recent highs. In addition, government bond yield spread between 2-year and 10-year bonds narrow during historical quasi-stagflation. The gap between US 10-year breakeven inflation and 10-year real yields suggests markets are pricing in a greater likelihood of stagflation.

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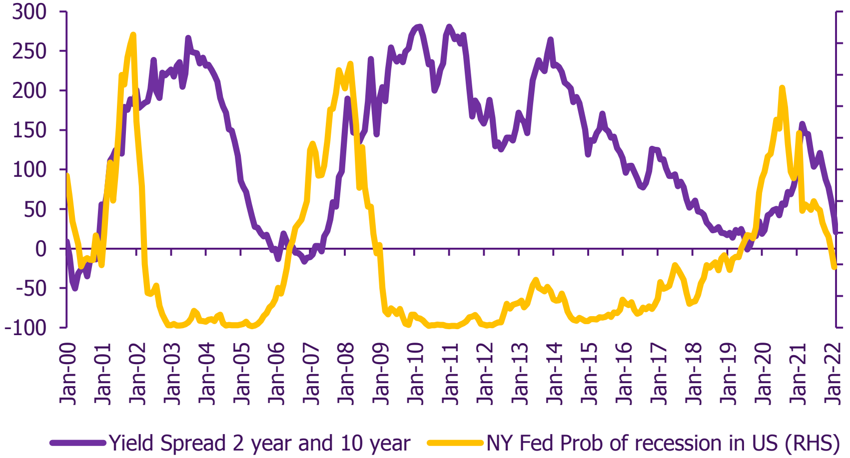
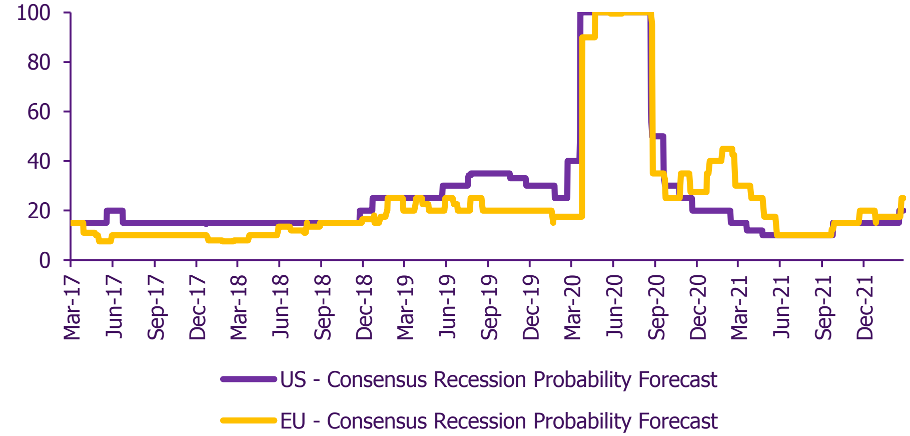
What will cause the next recession?

Inverted yield curve leads to higher probability of recession



Odds of a recession in the next 12m in US and EU are rising



Higher energy costs suggest the future direction of monetary policy will be toward more tightening, although economies with significant external balance vulnerability may have no choice but to hike aggressively in order to protect currencies and capital flow. Beyond the war and COVID-related risks, synchronized rate hikes by central banks around the world raises the question of when the global economy will fall into a recession as it moves further into the late cycle in 2023 as suggested by a flattening yield curve as well as narrowing spread between short-term and long-term.

According to Bloomberg consensus and a CNBC survey, the probability of a recession in the US is now 20-33% in the next 12 months, up from 10-15% in the Feb. 1 survey. The chance of a recession in Europe stands at 25-50%, up from 15% on Feb 1. Based on social media and Twitter, the hawkish Fed's interest rate hike is the key cause associated with the possibility of a US recession, while oil and gas price, sanctions and Russia-Ukraine conflict will be the drivers for the next EU recession. However, we expect a mild impact from a US recession as the US economy does not have any major imbalances that need to unwind, with a strong labor market.

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Transitioning from revenue growth to stable margins

	Mkt. Cap. (Btm)	Net Profit (Btm)			Growth (%)		
		21A	22F	23F	21A	22F	23F
Agribusiness	15,297	209	903	1,081	(84.5)	331.5	19.7
Automotive	39,267	4,043	4,482	5,143	120.4	10.9	14.7
Banking	1,828,609	184,405	203,562	220,084	30.2	10.4	8.1
Commerce	1,742,182	39,101	47,009	60,912	15.6	20.2	29.6
Construction Materials	563,131	54,691	53,324	58,584	34.6	(2.5)	9.9
Energy & Utilities	2,888,055	209,893	211,012	233,108	360.6	0.5	10.5
Finance & Securities	608,359	28,486	31,999	38,094	10.6	12.3	19.0
Food & Beverage	699,452	14,139	22,553	35,170	(21.2)	59.5	55.9
Health Care Services	637,195	21,214	18,133	17,651	94.0	(14.5)	(2.7)
Information & Communication Technology	974,392	28,850	30,255	36,444	(14.1)	4.9	20.5
Insurance	102,150	3,828	5,384	7,979	44.3	40.6	48.2
Media & Publishing	4,070	179	213	227	(42.6)	18.9	6.4
Packaging	253,282	8,294	9,009	10,041	28.4	8.6	11.5
Paper & Printing Materials	10,920	917	973	1,021	(9.3)	6.0	5.0
Personal Products & Pharmaceuticals	4,500	119	138	174	(29.0)	16.2	25.9
Petrochemicals & Chemicals	500,985	71,601	62,353	70,899	2,155.8	(12.9)	13.7
Property Development	429,366	25,753	27,119	29,337	17.2	5.3	8.2
Tourism & Leisure	64,763	(3,784)	(1,686)	872	(15.7)	55.4	151.7
Transportation & Logistics	1,255,980	(19,071)	(7,186)	21,787	(351.3)	62.3	403.2
Total	**12,621,956**	**672,868**	**719,550**	**848,608**	**71.7**	**6.9**	**17.9**

Source: SCBS Investment Research

Strong earnings growth for Thai corporates of 33% QoQ and 187% YoY in 4Q21 was irrelevant after dramatic changes in macro factors in 1Q22. We believe that we are transitioning from a period of focusing on top-line growth to a cycle where investors will focus increasingly on margins. In the current environment, with higher inflation, nominal GDP is higher and top-line growth is less scarce. Meanwhile, the higher inflation puts greater value on margins and lower margin volatility. In 2022, growth in service sectors will be offset by lower growth in manufacturing sectors as immunization leads to protection and the ending of lockdowns, ushering in a sequential service sector recovery from 2021. On this basis, we expect earnings for companies under SCBS coverage to grow 7% YoY in 2022 (vs cons est +11%). EPS growth in 2022 will be driven by Banking, Commerce, F&B, Insurance and Agribusiness. Tourism and Transportation are expected to report lower losses in 2022.

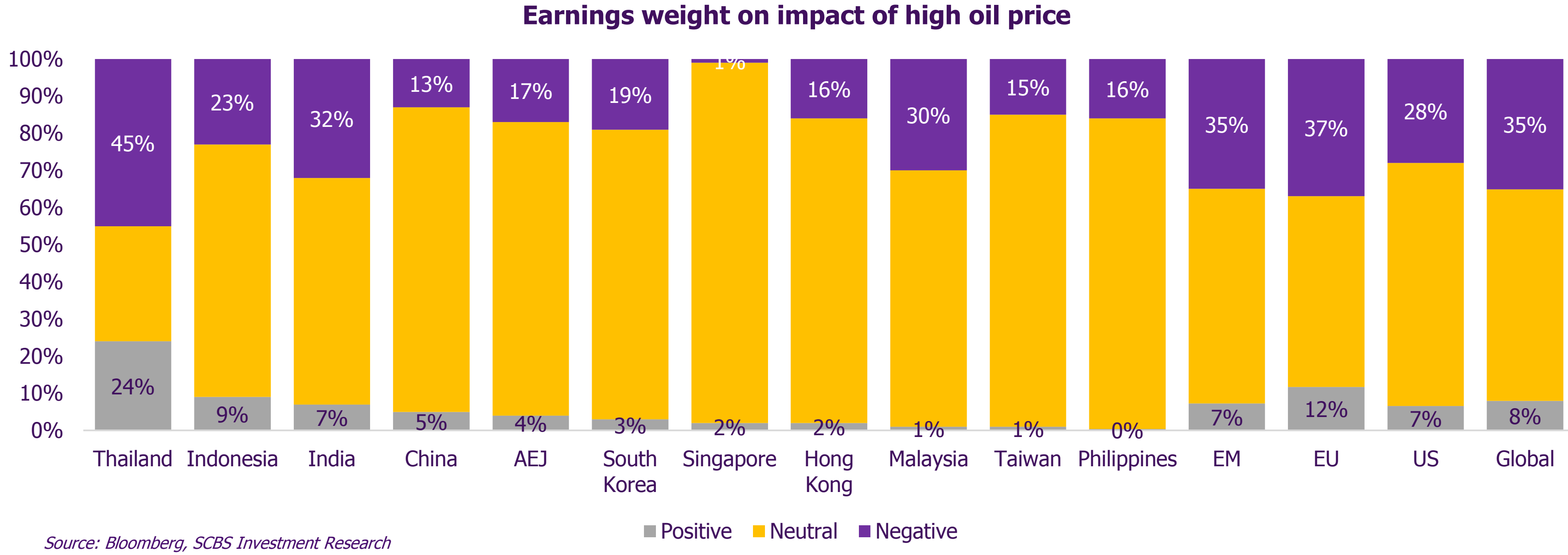
Earnings sensitivity to oil price and energy cost

	Net profit 2022F (Base case)	Net profit 2022F (Energy cost +10%, Oil US$82/bbl)	Change from Base case	Net profit 2022F (Energy cost +20%, Oil US$90/bbl)	Change from Base case	Net profit 2022F (Energy cost +30%, Oil US$100/bbl)	Change from Base case
Transportation	-4,238	-5,140	-21%	-5,735	-35%	-6,314	-49%
Con Mat	52,476	49,150	-6%	46,932	-11%	44,160	-16%
Automotive	3,770	3,613	-4%	3,508	-7%	3,376	-10%
Utilities	26,134	25,260	-3%	24,678	-6%	23,950	-8%
F&B	7,255	7,215	-1%	6,938	-4%	6,684	-8%
Packaging	9,009	8,765	-3%	8,603	-4%	8,401	-7%
Property	28,074	27,624	-2%	27,325	-3%	26,951	-4%
Hospital	15,198	15,128	0%	14,602	-4%	15,198	0%
Restaurant	91	91	0%	91	0%	91	0%
Commerce	47,008	47,008	0%	47,008	0%	47,008	0%
Hotel	-5,519	-5,523	0%	-5,525	0%	-5,529	0%
Petrochemical	64,037	67,009	5%	68,957	8%	71,823	12%
Energy	172,042	182,645	6%	199,645	16%	213,319	24%
Total	**415,337**	**422,847**	**2%**	**437,027**	**5%**	**449,116**	**8%**
Total Ex Energy	**180,942**	**174,689**	**-3%**	**169,795**	**-6%**	**165,188**	**-9%**

Source: SCBS Investment Research

Last year was a challenging year that forced most Thai corporates to adapt to new realities and prepare for normalization. However, dual crises are threatening to upend the status quo with supply chain disruption and the Russia-Ukraine conflict that is causing a surge in energy cost as oil price, coal, natural gas and industrial metals rose more than 20% YTD. Our energy analyst also raised our 2022 oil price forecast to US$82/bbl from US$70/bbl. We believe Thai corporates are able to pass the cost through to some extent, but less than the rise in cost. We are concerned about earnings downgrades for non-oil companies, if crude prices and energy cost do not decline. We run a net profit sensitivity analysis to oil price and energy price surges, estimating that each US$10/bbl or +10% increase in energy cost adds 2% to SET net profit because energy net profit contributed about 27% of total profit in 2021 and 24% in pre-COVID-19, while erasing 3.4% for non-oil companies. The most vulnerable sectors to rising energy cost are Transportation, Construction Materials, Packaging and Utilities. Meanwhile, high pricing power and defensive sectors such as Healthcare and Commerce have limited impact on net profit from energy cost volatility.

Direct effect of higher oil price on Asian earnings



Source: Bloomberg, SCBS Investment Research

We believe the impact of rising oil price can be both positive and negative depending on revenue (via higher price) or margin (via input cost). A sharp rise in oil helps near-term Energy earnings but negatively impacts various sectors with a lag. The sectors that are positively impacted by higher oil price, such as oil & gas exploration and production, should see strong earnings growth 1-2 quarters after an oil price shock. Sectors that are negatively impacted by higher oil price, such as Petrochemical, Transportation, Packaging, Automotive and Utilities are normally affected for at least 4-5 quarters before stabilizing.

Thailand has more than 25% of earnings weight directly benefiting from higher oil price (vs AEJ 5%), while 45% is adversely affected (vs AEJ 15%) and 31% will largely see limited impact from oil price moves (vs AEJ 80%).

Thus, we believe the energy-related sectors will gain momentum on rising oil price and strong earnings growth in the next 1-2 quarters. We recommend avoiding those with negative impact from oil price rises and switching instead to those with high pricing power and that have little impact from rising cost.

Scenario analysis - downside risk to earnings estimates

Assumption				
Oil price		80	90	100
Energy cost		+15%	+30%	+45%
GDP		3.6%	3.5%	3.4%
TH Consumption		4.1%	4.1%	4.0%
TH CPI		2.1%	2.6%	3.1%
Policy rate		0.8%	0.8%	1.0%
Baht		32.5	33	33.5
	FY22	Scenario A	Scenario B	Scenario C
ICT	30,255	0%	0%	0%
Land trans & Logistic	6,547	-4%	-7%	-11%
Beverage	7,255	0%	-8%	-17%
Property	28,074	0%	-4%	-9%
Energy	200,570	1%	15%	29%
Petrochemical	63,304	-7%	-2%	4%
Utilities	21,167	-1%	-7%	-10%
Tourism	-5,534	-3%	-7%	-10%
Hospital	17,654	-1%	-1%	-1%
Automotive	3,767	-11%	-22%	-33%
Restaurant	110	-1%	-2%	-4%
Airline	-4,239	-13%	-39%	-78%
Airport	-10,012	-1%	-2%	-4%
Bank	203,646	1%	1%	3%
Finance	27,386	0%	0%	-1%
Insurance	3,916	0%	0%	1%
Commerce	47,008	0%	0%	0%
Construction Materials	52,476	-5%	-11%	-16%
Food	18,736	1%	3%	4%
Packaging	9,009	-2%	-5%	-7%
Total		**0%**	**3%**	**7%**
Total (Ex Energy and Bank)		**-2%**	**-5%**	**-8%**
Negative to oil sectors		**-5%**	**-7%**	**-10%**

		Oil price / energy cost				
		70	**80**	**90**	**100**	
		flat	**+15%**	**+30%**	**+45%**	
GDP	**Consumption**					**Baht**
3.6%	**4.2%**	1,739	1,636	1,532	1,429	**32**
3.6%	**4.1%**	1,670	1,567	1,463	1,360	**32.5**
3.5%	**4.1%**	1,601	1,498	1,395	1,291	**33**
3.4%	**4.0%**	1,532	1,429	1,326	1,222	**33.5**
		1.6%	**2.1%**	**2.6%**	**3.1%**	
		Inflation rate				

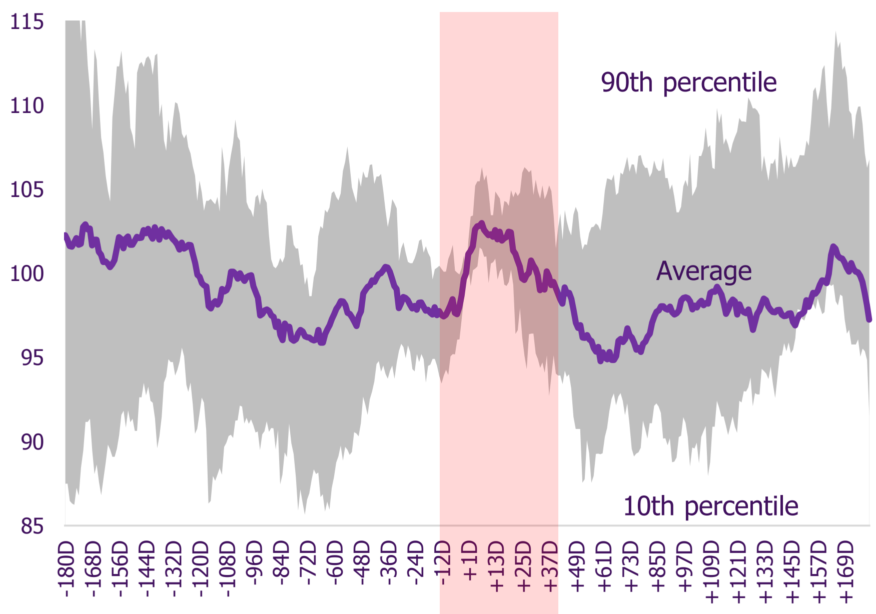
The outlook for most financial factors such as GDP growth, oil price, and interest rate, is changing after Russia invaded Ukraine, alongside hawkish monetary policy globally. We run a scenario analysis using four key indicators and this leads us to expect earnings downside of ~8% for non-oil companies if the war is prolonged and lead to stagflation. As noted, the Energy and Banking sectors contribute ~25% of market cap and 57% of SCBS forecast earnings, thus the overall earnings may not reflect the imminent impact on Thai corporates.

Based on a prediction model that takes into account earnings and valuations, we find the worst-case scenario (earnings downgrades and valuation de-rating) could drag the SET down to 1,222. However, we are not overly pessimistic, so we put the bottom band for the SET Index at 1,550-1,600.

Should we bet before an election?

	SET	Energy & Utilities	Energy	Utilities	Commerce	Bank	Transportation	ICT	Food	Property	Electronics	Financials	Healthcare	Con Mat	Petrochem	Packaging	PF & REIT	Media	Insurance	Con Service	Agribusiness	Tourism	Automotive
-3M	3.0%	3.1%	3.5%	5.2%	2.0%	2.3%	-5.4%	2.3%	4.7%	-1.1%	2.5%	3.7%	-4.3%	-0.7%	-3.1%	-2.3%	2.0%	6.6%	2.8%	2.7%	-1.1%	2.5%	1.0%
-1M	2.4%	1.3%	0.9%	-0.2%	-0.1%	2.5%	0.5%	2.3%	0.9%	0.8%	2.0%	4.2%	-0.4%	0.9%	1.2%	-1.7%	0.4%	2.3%	-1.2%	0.2%	-2.3%	2.7%	2.1%
+1D	0.7%	-0.1%	0.2%	0.0%	-0.4%	0.2%	0.1%	0.0%	0.2%	0.7%	-0.6%	-0.9%	-0.3%	0.2%	0.2%	-0.3%	0.3%	1.5%	-0.1%	2.3%	0.0%	-0.3%	-0.7%
+1M	-0.6%	1.5%	2.3%	3.1%	3.5%	-3.0%	-1.1%	-0.5%	2.9%	0.1%	-0.1%	-3.0%	2.2%	-1.3%	-2.2%	0.2%	2.3%	3.0%	2.3%	6.5%	1.8%	4.4%	-0.8%

SET Index performance before and after election date since 1992



Source: SCBS Investment Research

There are many news sources speculating that the prime minister may be planning to dissolve parliament and call an election after the APEC summit.

We have no view on domestic political issues and a possible upcoming general election. We do find some interesting market reactions before and after elections since 1992, however. Historically, 60% of SET-listed stocks react positively three months before an election with average returns of 3%. On the other hand, average return one month after an election is -0.7%. Sectors that outperformed before and after elections are Commerce, F&B, Media, and Construction Services. While this trend may be interesting, investors should not use it as an excuse to try to time markets. Elections have made essentially no difference when it comes to long-term investment returns.

Who has the upper hand in a coming election?

	Results 2019			Results 2019 (2014 method)			
	FPTP	PR	Total	FPTP	PR	Total	Diff
Pheu Thai	136	0	136	136	34	170	34
Palang Pracharath	97	19	116	97	36	133	17
Move Forward	31	50	81	31	27	58	-23
Democrat	33	20	53	33	17	50	-3
Bhumjaithai	39	12	51	39	16	55	4
Thai Liberal	0	10	10	0	4	4	-6
Chartthaipattana	6	4	10	6	4	10	0
Prachachart	6	1	7	6	3	9	2
New Economics	0	6	6	0	3	3	-3
Puea Chat	0	5	5	0	2	2	-3
Action Coalition for Thailand	1	4	5	1	2	3	-2
Chart Pattana	1	2	3	1	2	3	0
Small Parties	0	17	17	0	0	0	-17
Total	**350**	**150**	**500**	**350**	**150**	**500**	

Source: Election Commission of Thailand, SCBS Investment Research

Election

House dissolution (after APEC summit in Nov2022)

House dissolution should happen **45 to 60** days before the election date

When a general election is conducted due to a dissolution, the period of **90 days shall be reduced to 30 days**

Complete term (Mar 2023)

An election should happen **within 45 days** after the PM term is completed

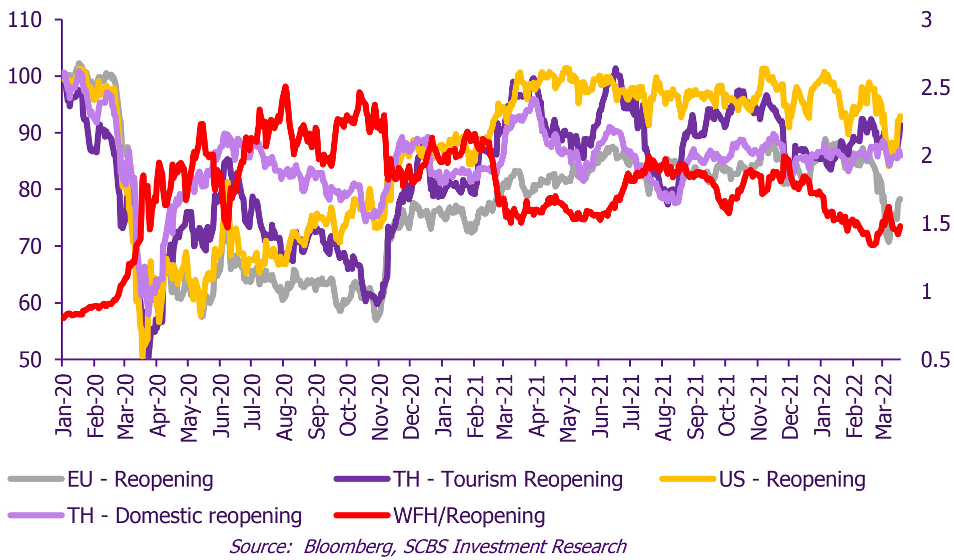
Must be a member of one political party for a consecutive period of **not less than 90 days up to an election date**

We think the two-ballot system benefits bigger parties over small and medium ones, as it will erode the chances of winning constituency and party-list seats. Based on our calculation, the top three parties in first-past-the-post (FPTP) will gain about 20% if using a two-ballot system rather than a mixed-member apportionment. A party will require at least 300,000 votes to win a party-list MP seat (vs 40,000 votes in 2019) Thus, big parties have the upper hand in new election rules.

There is a rumor that the Thai parliament will be dissolved after the APEC summit in Nov 2022. There are signs of growing discord in the Palang Pracharath Party and many groups are planning to leave. We think Palang Pracharth will choose to complete its term rather than dissolve Parliament because it can better control the movement of candidates as they must be a member of the party not less than 90 days and the new election must be held within 45 days.

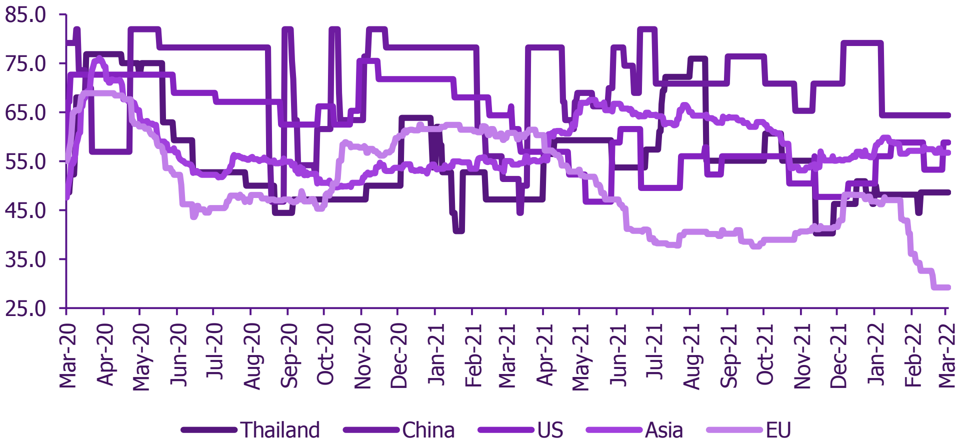
Hope for reopening – old stories, new development

Reopening theme price performance



Source: Bloomberg, SCBS Investment Research

Stringency Index is falling, reopening activities are rising



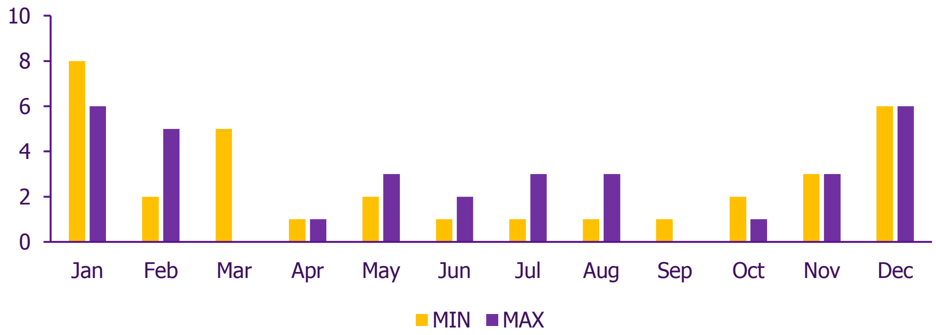
Although COVID-19 cases rose significantly in Europe and Asia in 1Q22, most (except China) are planning to formally move toward an endemic approach to COVID-19. Most of the strategies are focusing on a swift response to outbreaks and prevention of business disruption. The stringency index of major countries shows they are either stable or declining rather than increasing as in 2H21 thanks to accelerated vaccination. Countries where more than 60-70% have been boosted have more reopening activities despite record high daily new cases. In addition, death rate has fallen to less than 0.2% in 1Q22 from 0.8% in 2H21 and 1.1% in 2021, indicating that we are approaching endemic phase.

Thailand plans to declare COVID-19 an endemic by Jul 2022. We have high hopes for reopening in 2H22, but our key concern is China's zero-COVID policy that could hinder a strong recovery as visitors from China comprised 20-30% of the total in 2019. However, we expect the tourism industry to show a rapid recovery in 2H22. Reopening stocks are still below pre-COVID level or 10% from current level for tourism reopening and 15% for domestic reopening.

Sell in May? Go away?

	Nov-Dec	1Q	Apr	May	Jun	3Q	4Q
1988	-5%	36%	6%	3%	7%	-2%	-13%
1991	-6%	41%	1%	-8%	-5%	-12%	6%
1992	11%	16%	-8%	-9%	9%	13%	5%
1998	-17%	23%	-10%	-21%	-18%	-5%	40%
2001	-1%	8%	3%	3%	4%	-14%	10%
2002	10%	23%	-1%	10%	-5%	-15%	7%
2010	7%	7%	-3%	-2%	6%	22%	6%
2012	5%	17%	3%	-7%	3%	11%	7%
2013	7%	12%	2%	-2%	-7%	-5%	-6%
2016	-8%	9%	0%	1%	1%	3%	4%
2017	3%	2%	-1%	0%	1%	6%	5%
2018	2%	1%	0%	-3%	-8%	10%	-11%
2019	-6%	5%	2%	-3%	7%	-5%	-4%
2021	2%	10%	0%	1%	0%	1%	3%
	Median		**0%**	**-2%**	**1%**	**0%**	**5%**
	Average		**0%**	**-3%**	**0%**	**1%**	**4%**
	Hit rate		**50%**	**64%**	**43%**	**50%**	**29%**

Month in which the SET hits its annual price extreme



The market is worried about a global economic slowdown and faster inflation growth than expected continuing into 2Q22. Moreover, rising yield could pressure long-duration asset valuations. In 2H22, the reopening theme could erase stagflation risks.

According to historical data, there is a high probability the market will pull back in May and 3Q after strong positive returns in Nov-Mar. Over the last couple of decades, Mar has been an important month for market reflection points such as the Internet bubble (peak in Mar 01), the global financial crisis (bottom in Mar 09) and COVID-19 pandemic (bottom in Mar 20). Based on our analysis, the SET hits its annual peak and trough in 2Q about 17% of time. Although returns during Nov 2021-Mar 2022 are positive (+4.4%), suggesting a high chance of "sell in May", we feel the Thai economy does not have a major imbalance and will benefit from reopening, and thus we will likely see a mild correction risk in 2Q22. We think the pullback provides a good opportunity to build position as the Thai economy looks like quasi-reflation in 2H22.

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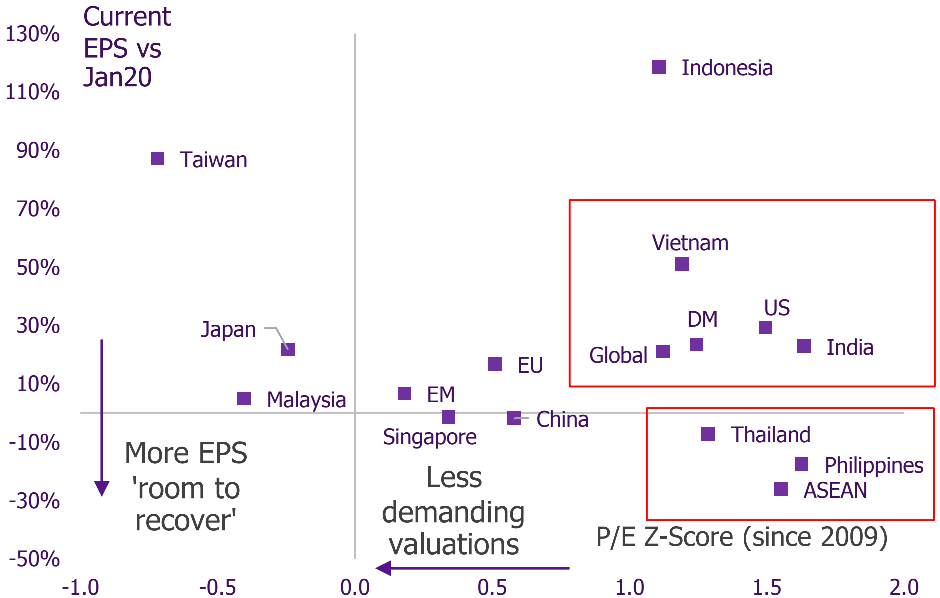
Sector outlook for the remainder of 2022

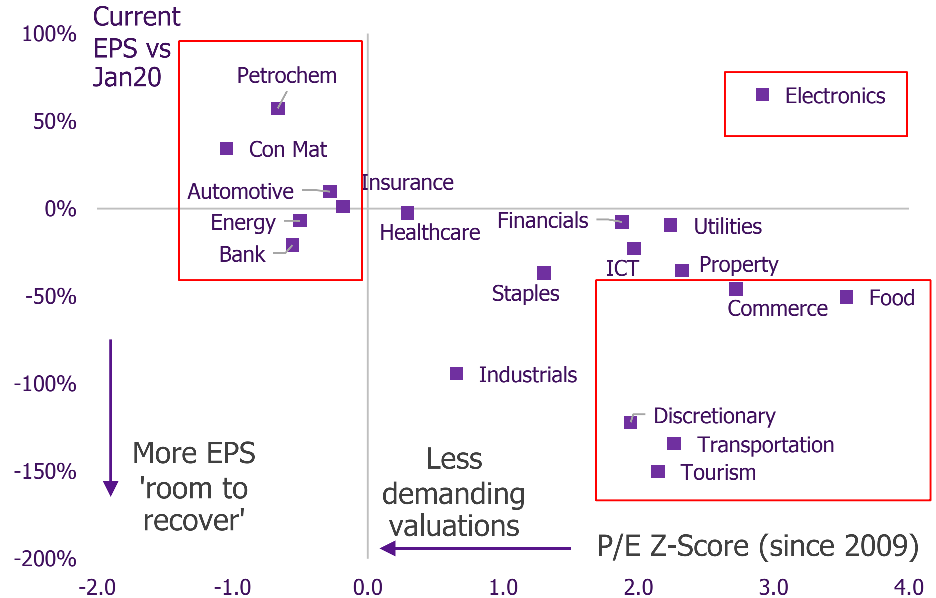
Air Trans	Auto	Bank	Commerce	Construction Materials
Airline operators are in the process of restructuring. We are positive on the progress toward Thailand's reopening but have a cautious view on surging oil price and airline capability to fully pass through higher costs.	Earnings drivers are growing auto production and new orders. Chip shortage problems are still there but expected to ease.	We expect the sector's earnings to rise 12% (18% excluding BAY's 2021 gain on TIDLOR) in 2022, underpinned by a 21 bps cut in credit cost (after two years of proactive provisioning for a potential rise in NPLs following the end of the relief programs in 2022), a cautious 5% loan growth, a 5 bps slip in NIM (from comprehensive debt restructuring), a 5% reduction in non-NII (smaller one-off gains) and a slight reduction in cost to income ratio.	Sector earnings to turn to grow YoY in 2022F, backed by revived SSS growth off last year's low base from the lockdown, less impact from COVID-19 as vaccinations rise, less stimulus in which modern trade retailers cannot participate, robust farm income and more tourists, accelerated store expansion and margin improvement.	Expect sector earnings to be under pressure in the near term from a fast rise in energy costs. More price adjustment to cover costs, amid slightly better demand, will be a factor to monitor.
Electronics	**Energy**	**Finance**	**Food**	**Healthcare**
Growth remains strong from technology transformation, while we are concerned about supply growth from disruption and new supply in 2H22. In addition, fading work-from-home and online learning could pressure short-term growth alongside rising raw material costs.	Higher oil price should benefit E&P and integrated oil and gas companies while oil refiners will be adversely affected by wider crude premium. In the power business, IPPs remain protected from higher energy cost while SPPs will continue to bear higher gas and coal costs for electricity sold to industrial users despite some adjustment of tariff via Ft hike.	Expect a moderate earnings recovery from accelerating loan growth and a slight ease in credit cost (excepting SAWAD) to a robust level but dragged down by a slip in NIM from rising cost of funds.	Expect sector earnings growth YoY, boosted by wider margin YoY from livestock players (a faster rise in local livestock prices than in feed costs YTD). The risk is a further rise in feed costs, if the war is prolonged. Better demand and supply will allow some level of product price adjustment.	BCH and CHG: Expect earnings to drop in 2022 off the exceptionally high base in 2021 from COVID-19-related services. BDMS and BH: Expect earnings to grow as more Thai and international patients come for treatment.
Hotel	**ICT**	**Land Transportation**	**Petrochemicals**	**Property**
We have a more positive view on the progress toward Thailand's reopening on widespread vaccination rollout and a major coordinated lifting of travel restrictions will help restore consumer confidence. Key to watch: economic impact from Russia-Ukraine conflict and outbound tourism from China.	We should see a mild recovery in mobile revenue following economic recovery. Revenue from the enterprise segment and fixed broadband should continue to grow. In addition, the amalgamation of DTAC and TRUE will cool the competition in the sector. Infrastructure funds are another growth story for the sector in 2H22.	Strong earnings recovery driven by improving traffic and ridership will continue in 2022 off the low base in 2021 and we believe all variables will approach normal gradually. However, rising oil prices may lower expressway traffic growth momentum if prices stay high very long.	Naphtha-based producers will be hit by higher feedstock cost while passing this on through product prices is more difficult amidst market and oil price uncertainties. Gas-based producers will be hurt by higher gas feedstock cost and gas supply shortfall during the transition of operatorship of the new PSC in the Gulf of Thailand.	Property is heating up in 2022 with new launch growth of 124% YoY, the highest in eight years, and a presales growth target of 26%, the highest in five years. We expect to see 1) higher competition in low-rise, with the greatest amount of new supply, 2) fluctuation in gross margin in 2H22 from rising cost of raw materials and 3) higher LTV supporting sales and transfers in 2H22.

Growth at reasonable price is still in play

Growth at reasonable price framework



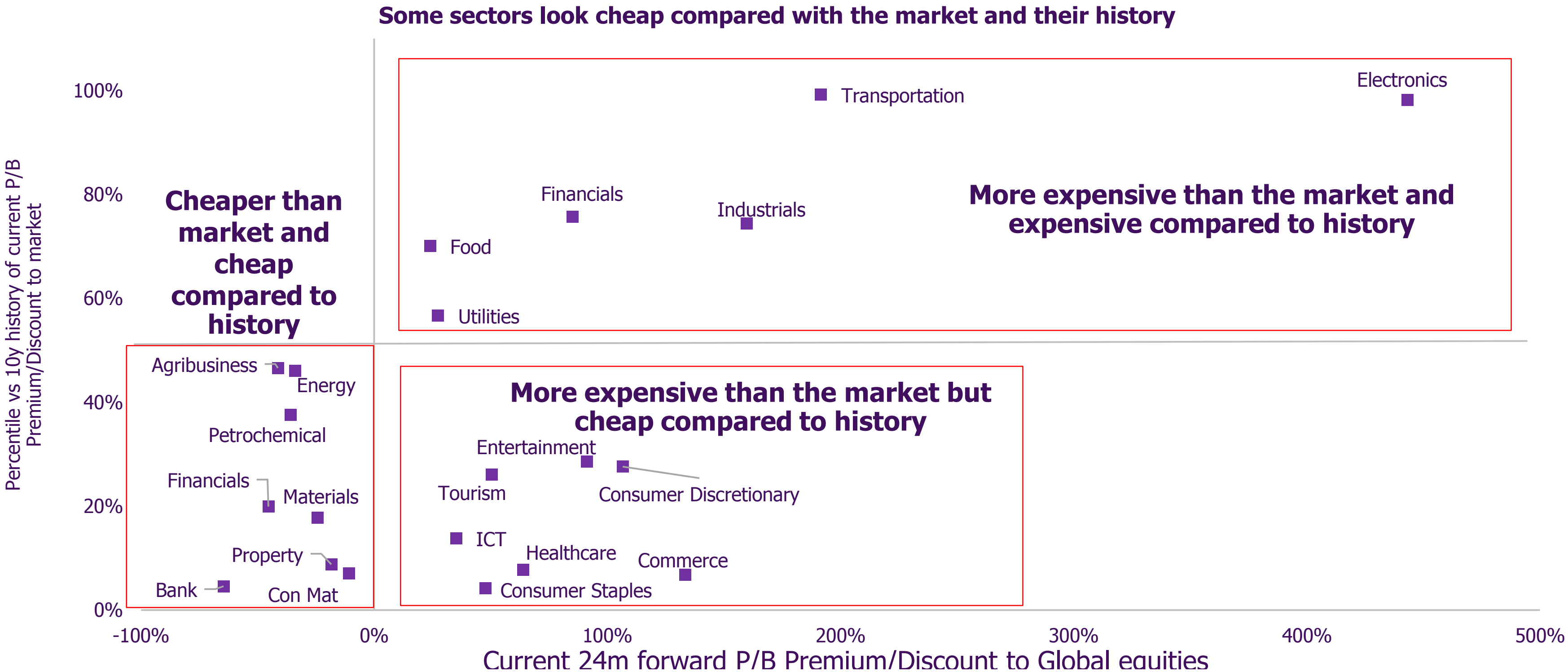
Growth at reasonable price framework – Sector framework



Source: SCBS Investment Research

We find wide dispersion across valuation and earnings metrics at the individual market level. From the valuation perspective, DM, Vietnam and India tend to trade at above-average valuations, whereas defensive EM such as North Asia appear cheap vs historical averages. Although Thailand and ASEAN countries have room to recover on the return of tourism and domestic consumption that could offer upside, valuation seems stretched as it waits for earnings recovery. Sector-wise, Consumer Discretionary, Transportation and Tourism and domestic cyclical (Property, Commerce and F&B) appear to have room to run compared with a sector-wide assessment, as Energy and Petrochemical, Construction Materials, and Automotive EPSs have fully recovered.

The premium on defensives has faded materially



On a sector valuation basis by comparing current relative valuation based on 24 months forward consensus expectations and the percentile of relative valuation in the past 10 years, cyclical stocks look cheap relative to the market and history with volatile earnings visibility. On the other hand, some quality stocks in defensive sectors such as Consumer Staples, Commerce and Healthcare are starting to offer value because the premium to the market faded in 2020-2021. They offer the benefit of diversification when bond yields rise and as volatility protection against macro backdrops.

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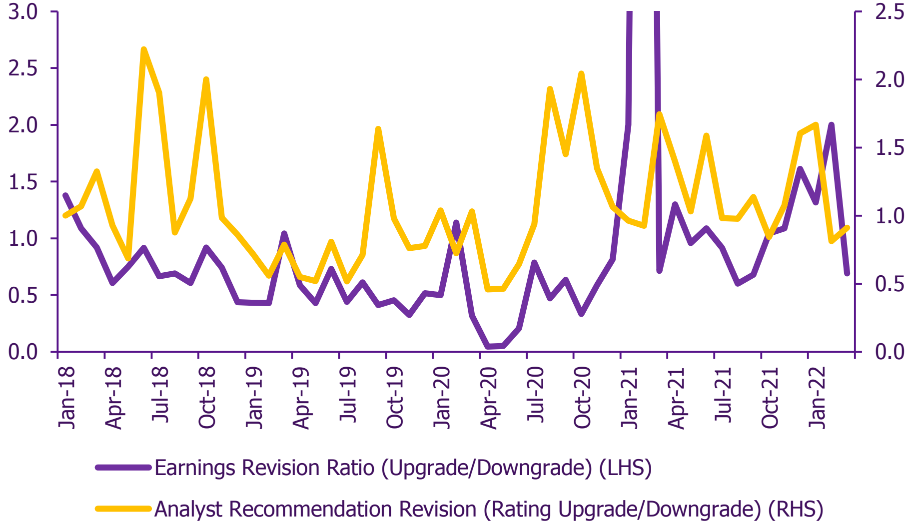
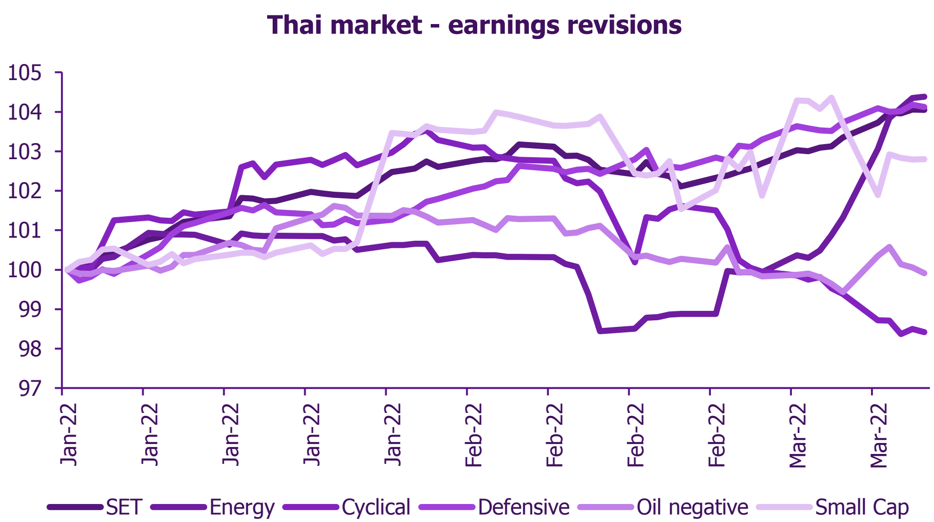
Starting to see earnings downgrades, but analysts still optimistic…





Consensus 2022 EPS estimates have been upgraded 4% after a strong recovery in 4Q21 and high contribution from earnings upward revisions in energy sectors on the back of rapid rising oil price (+39% YTD). As more than of 45% of earnings by weight are hurt by higher oil price, there could be a period of earnings downgrades in both cost pressure and growth picture, if oil price and energy cost are not tamed. Analysts are starting to downgrade earnings outlook to reflect higher energy cost, but have not yet seen a revenue growth slowdown. Thus, we expect to see an earnings downgrade in the oil negative impact basket given a small downgrade at 1%.

Most analysts are optimistic about outlook during a share price correction given the divergence of earnings revision ratio and recommendation revision. This indicates that consensus thinks rising oil price is a short-term factor that will be offset by reopening hopes. The defensive sector (31% of earnings weight) with a high and stable margin shows a resilient growth outlook.

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Market outlook and investment strategy

- The energy crisis puts the global and Thai economy at risk of stagflation in the next 3-6 months. Tighter global monetary policy is a policy risk that could result in a recession in the next 12 months. The Thai economy is likely to expand at a lower rate than previously expected at 3.63%, while the risk of stagflation is increasing.
- A sharp run-up in oil prices often corresponds to recessions, and not only in oil-importing economies.
- Amid slower global growth, prolonged high global inflation is a headwind, and broad monetary/fiscal policy is expected to shift toward tightening, which will affect liquidity and valuations. Thus, overall market returns are likely to be much more muted. We believe the gradual recovery in domestic consumption and tourism reopening will be key supportive factors.
- Markets may struggle to stabilize more meaningfully until tail risks are relaxed as the task of transferring risk and reorienting portfolios may take some time and hedging tail risks is now extremely expensive.
- Aggressive sanctions are likely to contribute to de-dollarization over the longer-term. Non-sovereign alternative money mediums like gold and bitcoin may also gain from de-dollarization efforts.
- There has been some pressure across broader EM assets, but it has been limited because Russia is not seen as a major part of wider EM problems.
- However, Thai equity valuation is higher than in some other parts of ASEAN. While we believe EM will gain momentum from fund inflow, we are concerned that higher energy cost could derail growth and put easing monetary policy under pressure and reverse fund flows.
- We believe the gradual recovery in domestic consumption and tourism reopening will be key supportive factors for ASEAN and EM countries who focus on service and tourism-related activities.
- Issues like inflation, fiscal overreach, political instability and global geopolitical risks are not an environment where Thai markets and assets are likely to shine.
- Clean energy, green investment and EV supply chain remain a key theme in 2022 in order to reduce dependency on oil.
- Based on our growth and pricing framework, the SET is expected to correct in 2Q to absorb an inflation spike and growth slowdown. 2H22 will gain momentum from reopening and post-pandemic recovery.
- Excess returns will come from defensive rotation and stock selection rather than sentiment.
- We believe the core portfolio should focus on defensive growth and conviction ideas from the post-pandemic recovery theme such as air traffic recovery and a green economy.
- Among factors, we expect the market environment to favor growth, but not to the extent seen in the years up to 2020. By sector, we anticipate a rotation from the cyclical sectors that have recently driven the market to certain defensive sectors with sound fundamentals to protect against stagflation risks in 2Q22.
- Measures of volatility and skew have soared, already at recession level. This means that if growth holds up better than expected, or the prospects of some resolution in Ukraine increase, other factors are in place to support a market rally.
- We have a positive view on Commerce and Healthcare, which will be driven by a high and stable margin. We also have a positive view on tourism on the endemic story. Underweighted sectors include Construction Materials, Air Transportation, Agribusiness and traditional media.
- As more than of 45% of earnings weight are negatively impacted by higher oil price, there could be a period of earnings downgrades factoring in cost pressure and lower growth, if oil price and energy cost are not tamed.
- We highlight four ideas for stocks in 2022: 1) those with high pricing power, 2) who benefit from reopening theme, 3) can show growth at reasonable price and 4) are quality stocks.
- Our picks in 2Q22 are AOT, BDMS, CRC, GULF and PTTEP with a focus on defensives, reopening beneficiaries, pricing power, growth at a reasonable price and quality growth.

Bottom-up P/B approach - SET Index target is 1,660

		Target PB		Market Cap	
	Book value (2022)	SD band	Justified PB	SD band	Justified PB
Energy	2,694,858	1.2	1.2	3,322,271	3,233,830
Utilities	176,590	2.3	2.2	410,298	388,499
Bank	2,666,074	0.8	0.8	2,001,607	2,001,607
Trans	347,155	3.6	3.3	1,256,089	1,145,612
ICT	632,323	4.0	3.4	2,535,984	2,149,897
Food	581,549	2.4	2.2	1,389,842	1,279,408
Commerce	708,296	4.5	4.8	3,187,332	3,399,821
Petro	567,331	1.3	1.2	709,529	680,797
Healthcare	198,114	5.5	5.4	1,089,625	1,069,813
Electronics	100,539	5.6	2.6	562,496	261,401
Property	744,201	1.5	1.3	1,081,868	967,462
Tourism	53,240	3.2	2.2	172,753	114,960
Media	79,853	3.4	2.6	271,131	207,619
Con Mat	545,688	1.7	1.2	931,763	654,825
Finance	289,124	3.1	2.9	892,305	838,461
Cons	103,457	1.3	0.8	138,189	80,273
Others	1,031,494	1	1	1,031,494	1,031,494
Implied target				1,790	1,664

Source: Bloomberg, SCBS Investment Research

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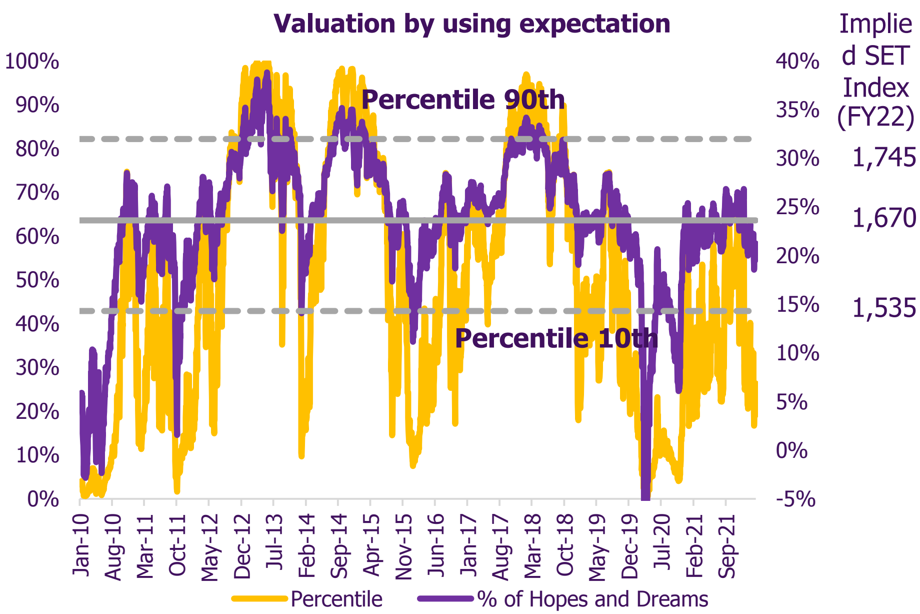
Key levels for entry and taking profit

Approach	Current level	Target valuation (Based case)	Implied SET Index	Potential Upside / Downside	Bull case	Implied SET Index	Potential Upside / Downside	Bear case	Implied SET Index	Potential Upside / Downside
P/E	17.8	17.4	1,643	-2%	18.8	1,775	6%	16.5	1,558	-7%
P/B and ROE	1.7	1.7	1,659	-1%	1.9	1,813	8%	1.6	1,551	-8%
Equity Risk Premium	ERP 7% / Rf 0.5%	ERP 7% / Rf 0.5%	1,628	-3%	ERP 6% / Rf 1%	1,717	2%	ERP 7.5% / Rf 0.25%	1,574	-6%
Earnings Yield Gap	330	320	1,632	-3%	245	1,851	10%	381	1,480	-12%
Hopes and Dreams	22%	24%	1,670	-1%	32% (Percentile 90%)	1,745	4%	20% (Percentile 20%)	1,535	-9%
		Average	**1,646**	**-2%**		**1,780**	**6%**		**1,539**	**-8%**
		Median	**1,643**	**-2%**		**1,775**	**6%**		**1,551**	**-8%**

Source: SCBS Investment Research



Source: SCBS Investment Research

Combining various approaches points to limited valuation upside even in the bull case scenario. We quantify potential bull and bear case scenarios which point to median 6% valuation upside and 8% valuation downside from current levels. Compared against our SET fundamental target of 1,660 and the current economic environment, we use bear case valuations as a key entry point with a 5% margin of safety from current level or below 1,600. We recommend taking profit at an index level of above 1,780. The Thai market is expected to be a trading market in 2022 in the range of 1,550 to 1,780.

Summary of sector weightings and valuation in 2Q22

Sector	Recommended sector weighting	Current SET weight	2021 returns	YTD returns	Growth 22F	Growth 23F	Net profit CAGR 21-23	P/E 22F	P/E 23F	P/B 22F	P/B 23F	Dividend yield 22F	Dividend yield 23F
Healthcare	Overweight	5%	22%	13%	-15%	-3%	-9%	35.36	36.32	4.82	4.67	2.22%	1.99%
Commerce	Overweight	11%	10%	8%	20%	30%	25%	36.74	28.35	2.08	1.99	1.42%	1.80%
Hotel	Overweight	1%	23%	9%	-55%	-152%	n.m.	(40.44)	78.17	2.99	2.93	0.00%	0.52%
Energy	Overweight	22%	8%	1%	1%	10%	5%	13.65	12.35	1.11	1.04	3.87%	4.20%
Electronics	Neutral	3%	7%	-19%	38%	24%	27%	35.14	28.99	4.72	4.22	2.73%	3.01%
Utilities	Neutral	5%	24%	-1%	38%	25%	31%	35.05	27.98	3.45	3.21	1.55%	2.08%
Food & beverage	Neutral	6%	12%	-1%	59%	56%	58%	30.91	19.78	1.48	1.44	1.14%	1.50%
Land Transportation	Neutral	1%	-27%	2%	83%	12%	43%	35.98	32.24	2.21	2.18	2.92%	3.02%
Petrochemical	Neutral	3%	10%	-4%	-13%	14%	0%	8.01	7.05	0.93	0.86	4.94%	5.38%
Automotive	Neutral	0%	24%	-4%	11%	15%	13%	8.73	7.61	0.91	0.86	5.59%	6.32%
Residential/IE	Neutral	6%	16%	2%	5%	9%	7%	16.00	14.71	1.28	1.23	3.72%	3.88%
REITs / PF / IF	Neutral	2%	-2%	-4%	87%	348%	4%	12.42	11.43	0.84	0.84	7.47%	10.68%
Bank	Neutral	9%	23%	3%	10%	8%	9%	8.93	8.26	0.70	0.66	3.36%	3.72%
Telecoms	Neutral	10%	42%	6%	5%	20%	12%	31.98	26.55	5.31	5.10	2.85%	3.23%
Agribusiness	Underweight	1%	23%	-5%	331%	20%	127%	16.66	13.92	0.97	0.92	1.67%	1.67%
Building Materials	Underweight	4%	7%	-3%	-2%	10%	3%	10.46	9.52	1.10	1.04	4.94%	4.96%
Air Transportation	Underweight	5%	-16%	1%	38%	196%	n.m.	n.m.	70.21	8.03	7.21	0.00%	0.37%
Entertainment / Media	Underweight	1%	30%	0%	19%	6%	12%	18.94	17.80	1.38	1.32	2.11%	2.25%

Source: SCBS Investment Research, Bloomberg Finance L.P.

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Summary of 2Q22 sector outlook

	Analyst score			Catalyst risks
	4Q21	1Q22	2Q22	
Energy	6	7	8	Upside for oil price from supply crunch due to sanctions on Russian oil which will be offset by higher production of OPEC+, higher GRM given wider economic re-opening and an increase in jet fuel demand as vaccination rate increases. Key risks are wider crude premium and weaker than expected demand growth due to high oil price.
Commerce	7	8	8	Positive same-store sales growth (+7% YoY in 1Q22TD, off low base and product price adjustment led by fresh food) to continue in 2022F, with revived economic activities with limited impact from COVID-19 amid mass vaccination rate, last year's low base from lockdown measures, easing stimulus in which modern trade retailers could not participate, robust farm income and more tourists.
Healthcare	7	7	7	Fading revenue from COVID-19 services as wider vaccinations relieve the severity. Key drivers are growing non-COVID-19 services and improving international patient services from progress in Thailand's reopening. However, high base in 2021 could pressure growth for BCH and CHG.
Tourism	6	6	7	A catalyst is Thailand's progress toward lifting travel restrictions. Key to monitors are demand to travel that may be impacted by economic concerns over Russia-Ukraine conflict and a slow recovery in the China market.
Bank	6	6	6	Inexpensive valuation with a decent earnings recovery, underpinned by easing credit cost, stable loan growth, NIM, non-NII and cost to income ratio.
Insurance	7	6	6	Expect a gradual recovery in premium growth (driven by more favorable bond yield and rising demand from health insurance), an improvement in combined ratio in 2022-2023 (from a shift to high-margin product mix and easing COVID claim reserve) and a benefit from rising bond yield on ROI.
Property	6	7	6	For 2Q22, earnings are expected to be flat YoY and QoQ while presales should improve both YoY and QoQ from aggressive new launches. Concerns are higher costs for major raw materials which may increase selling price at 3-5% per unit. LTV will be a key catalyst for sector recovery in 2022.
ICT	7	7	6	Despite improving earnings momentum and eased competition in the sector after the TRUE-DTAC deal, the sector has already outperformed the SET YTD, so we see little near-term upside.
Food	4	6	6	In 1Q22TD, impact on local livestock margin has been limited by a faster rise in local livestock prices than in feed costs. The risk is a further rise in feed costs, if the war is prolonged. Better demand and supply will allow some level of product price adjustment.
Beverage	6	6	5	New product launch in hemp, cannabis and kratom and raising selling price will support for domestic sales growth. Overseas markets remain volatile from another breakthrough of COVID-19 especially in China. Rising raw material costs such as aluminum, transportation, natural gas and sugar are concerns.
Land Transport	7	6	5	Rising oil price will curtail expressway traffic recovery while BTS and MRT ridership are expected to see slower recovery in March as people start to go back to work-from-home amid the rising COVID-19 cases. Overall, we see the sector as lacking a positive catalyst
Chemical	6	6	5	Capacity additions, mainly from China, will increase pressure on supply while high oil price will adversely affect trade flow and demand. It is more difficult to pass on higher feedstock cost to buyers, hence margin will be squeezed.
Automotive	3	5	5	Demand to be boosted by an improving economy and better market sentiment on EV adoption. Chip shortage problems are still there but should ease.
Finance	5	5	5	Expect accelerating loan growth, manageable asset quality but weaker NIM from rising price competition.
Con Mat	3	5	4	Higher fuel costs (coal and natural gas), amid moderate rise in demand.

Source: SCBS Investment Research

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Four alpha themes to protect against downside risks

We highlight four ideas for 2Q22 around the macro and micro themes of 1) high pricing power, 2)high quality stocks, 3) growth at a reasonable price and 4) reopening stocks.

#1 High pricing power – In an inflationary environment, higher input cost to sales price will erode earnings. We believe companies with stable and high profit margins can be deemed to have high pricing power and high level of price pass-through. Based on our scanning criteria, companies that we expect to see show solid margin expansion include M, ADVANC, SISB, CPALL.

#2 Growth at a reasonable price – Growth stocks tend to perform in a slowing growth environment. We prefer to stay invested in growth stocks without overpaying for growth that could be a cushion for downside risks. Based on our scanning criteria, companies expected to have a strong growth with reasonable valuation include BBL, BLA, ACE, KBANK, HANA, PTTEP.

#3 Quality stocks with high growth – Macroeconomic volatility and political risks warrant continued caution. We think mid-cap and large-cap quality stocks with a high growth trend will perform well in this environment. Based on our scanning criteria, quality stocks with high growth include COM7, BCP, GULF, ASK, DELTA

#4 Reopening stocks - Thailand's COVID-19 situation is transitioning from end-of-pandemic to an endemic stage. The COVID-19 pandemic designation in the country will end at the end of June. Despite the surge, many countries have announced plans to relax entrance requirements. More than 60% of the world's population is now vaccinated. We like reopening stocks such as AOT, ERW, MINT, AU, ZEN

Our picks in 2Q22 are AOT, BDMS, CRC, GULF and PTTEP with a focus on quality growth, high pricing power, and reopening benefit

1) We expect the market environment to favor quality growth.
2) We continue to recommend value stocks with favorable fundamentals and inexpensive growth.
3) We recommend rotating from small caps that outperformed upon earnings recovery and lean into mid-cap and large-cap with high pricing power and strong balance sheets.
4) We anticipate a rotation from cyclical sectors that have recently driven the market to certain defensive sectors with sound fundamentals.
5) We believe reopening stocks could gain momentum from COVID's transition into an endemic in 2H22

We look at stocks that: 1) have limited impact from macro headwinds, 2) gain momentum from the reopening theme, especially international traffic, 3) are looking at continuous earnings growth or recovery, 4) have limited financial risk or strong balance sheets and 5) have reasonable valuations. Our top picks in 2Q22 are AOT (reopening, recovery), BDMS (defensive, high pricing power), CRC (recovery, quality growth), GULF (quality growth, defensive, high pricing power) and PTTEP (growth at reasonable price).

Top picks valuation table

	Rating	Price	Target	ETR	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
		(Bt/Sh)	(Bt/Sh)	(%)	21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F	21A	22F	23F
AOT	Outperform	65.00	75.0	16.1	n.m.	n.m.	67.1	n.m.	34.6	n.m.	8.3	9.1	8.1	(12)	(9)	13	0.0	0.0	0.7	n.m.	n.m.	32.0
BDMS	Outperform	25.50	28.0	11.8	52.4	43.4	37.7	26.9	20.8	15.0	4.8	4.8	4.6	9	11	12	1.8	2.0	2.0	23.3	21.0	18.8
CRC	Outperform	39.00	45.0	16.6	n.m.	46.7	32.8	n.m.	2,552.2	42.4	4.0	3.8	3.5	0	8	11	0.8	0.9	1.2	17.8	12.9	11.0
GULF	Outperform	49.50	57.0	16.3	66.4	46.1	35.9	85.0	44.0	28.4	6.0	5.6	5.1	11	13	15	0.9	1.0	1.1	42.7	40.0	33.5
PTTEP	Outperform	145.00	182.0	30.3	13.4	9.3	9.7	106.6	44.1	(3.6)	1.4	1.3	1.2	11	14	13	3.4	4.1	4.8	3.7	3.3	3.4
Average					**44.1**	**36.4**	**36.6**	**72.8**	**539.1**	**20.5**	**5.8**	**5.8**	**5.3**	**2**	**6**	**13**	**0.9**	**0.9**	**1.3**	**28.0**	**24.6**	**23.8**

Source: SCBS Investment Research

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Corporate Governance Report

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To recognize well performers, the list of companies attaining “Good”, “Very Good” and “Excellent” levels of recognition

(Not including listed companies qualified in the "no announcement of the results" clause from 1 January 2020 to 26 October 2021) is publicized.

1 TIP was voluntarily delisted from the Stock Exchange of Thailand effectively on July 24, 2021

2 RCI was voluntarily delisted from the Stock Exchange of Thailand, effectively on July 16, 2021

* บริษัทหรือกรรมการหรือผู้บริหารของบริษัททมี่ีข่าวด้านการกากับดูแลกิจการ เช่น การกระทาผิดเกี่ยวกับหลักทรัพย์ การทุจริต คอร์รัปชัน เป็นต้น ซึ่งการใช้ข้อมูล CGR ควรตระหนักถึงข่าวดังกล่าวประกอบด้วย

Anti-corruption Progress Indicator

Certified (ได้รับการรับรอง)

2S, ADVANC, AF, AI, AIE, AIRA, AKP, ALPHAX, AMA, AMANAH, AMATA, AMATAV, AP, APCS, AQUA, ARROW, ASIAN, ASK, ASP, AWC, AYUD, B, BAFS, BAM, BANPU, BAY, BBL, BCH, BCP, BCPG, BEYOND, BGC, BGRIM, BJCHI, BKI, BLA, BPP, BROOK, BRR, BSBM, BTS, BWG, CEN, CENTEL, CFRESH, CGH, CHEWA, CHOTI, CHOW, CIG, CIMBT, CM, CMC, COM7, COTTO, CPALL, CPF, CPI, CPN, CSC, DCC, DELTA, DEMCO, DIMET, DRT, DTAC, DUSIT, EA, EASTW, ECL, EGCO, EP, EPG, ERW, ESTAR, ETE, FE, FNS, FPI, FPT, FSMART, FSS, FTE, GBX, GC, GCAP, GEL, GFPT, GGC, GJS, GPI, GPSC, GSTEEL, GUNKUL, HANA, HARN, HEMP, HMPRO, HTC, ICC, ICHI, IFEC, IFS, ILINK, INET, INSURE, INTUCH, IRC, IRPC, ITEL, IVL, JKN, K, KASET, KBANK, KBS, KCAR, KCE, KGI, KKP, KSL, KTB, KTC, KWC, KWI, L&E, LANNA, LH, LHFG, LHK, LPN, LRH, M, MAKRO, MALEE, MBAX, MBK, MC, MCOT, META, MFC, MFEC, MINT, MONO, MOONG, MSC, MST, MTC, MTI, NBC, NEP, NINE, NKI, NMG, NNCL, NOBLE, NOK, NSI, NWR, OCC, OGC, ORI, PAP, PATO, PB, PCSGH, PDG, PDJ, PE, PG, PHOL, PK, PL, PLANB, PLANET, PLAT, PM, PPP, PPPM, PPS, PREB, PRG, PRINC, PRM, PROS, PSH, PSL, PSTC, PT, PTG, PTT, PTTEP, PTTGC, PYLON, Q-CON, QH, QLT, QTC, RATCH, RML, RWI, S & J, SAAM, SABINA, SAPPE, SAT, SC, SCB, SCC, SCCC, SCG, SCN, SEAOIL, SE-ED, SELIC, SENA, SGP, SINGER, SIRI, SITHAI, SKR, SMIT, SMK, SMPC, SNC, SNP, SORKON, SPACK, SPALI, SPC, SPI, SPRC, SRICHA, SSF, SSP, SSSC, SST, STA, STOWER, SUSCO, SVI, SYMC, SYNTEC, TAE, TAKUNI, TASCO, TBSP, TCAP, TCMC, TFG, TFI, TFMAMA, TGH, THANI, THCOM, THIP, THRE, THREL, TIDLOR, TIPCO, TISCO, TKS, TKT, TMD, TMILL, TMT, TNITY, TNL, TNP, TNR, TOG, TOP, TOPP, TPA, TPP, TRU, TRUE, TSC, TSTE, TSTH, TTA, TTB, TTCL, TU, TVD, TVI, TVO, TWPC, U, UBE, UBIS, UEC, UKEM, UOBKH, UPF, UV, VGI, VIH, WACOAL, WHA, WHAUP, WICE, WIIK, XO, ZEN

Declared (ประกาศเจตนารมณ์)

7UP, ABICO, AJ, ALT, APCO, AS, BEC, BKD, CHG, CPL, CPR, CPW, CRC, DDD, DHOUSE, DOHOME, ECF, EKH, ETC, EVER, GULF, III, INOX, J, JMART, JMT, JR, KEX, KUMWEL, LDC, MAJOR, MATCH, MILL, NCL, NOVA, NRF, NUSA, PIMO, PR9, RS, SAK, SCGP, SCM, SIS, SSS, STECH, STGT, SUPER, TQM, TSI, VCOM, VIBHA, WIN, YUASA, ZIGA

N/A

3K-BAT, A, A5, AAV, ABM, ACAP, ACC, ACE, ACG, ADB, ADD, AEONTS, AFC, AGE, AH, AHC, AIT, AJA, AKR, ALL, ALLA, ALUCON, AMARIN, AMC, AMR, ANAN, AOT, APEX, APP, APURE, AQ, ARIN, ARIP, ASAP, ASEFA, ASIA, ASIMAR, ASN, ASW, ATP30, AU, AUCT, B52, BA, BBGI, BBIK, BC, BCT, BDMS, BE8, BEAUTY, BEM, BFIT, BGT, BH, BIG, BIZ, BJC, BLAND, BLISS, BM, BOL, BR, BRI, BROCK, BSM, BTNC, BTW, BUI, BYD, CAZ, CBG, CCET, CCP, CGD, CHARAN, CHAYO, CHO, CI, CITY, CIVIL, CK, CKP, CMAN, CMO, CMR, CNT, COLOR, COMAN, CPANEL, CPH, CPT, CRANE, CRD, CSP, CSR, CSS, CTW, CV, CWT, D, DCON, DITTO, DMT, DOD, DPAINT, DTCI, DV8, EASON, EE, EFORL, EMC, ESSO, F&D, FANCY, FLOYD, FMT, FN, FORTH, FVC, GENCO, GIFT, GL, GLAND, GLOBAL, GLOCON, GLORY, GRAMMY, GRAND, GREEN, GSC, GTB, GYT, HENG, HFT, HL, HPT, HTECH, HUMAN, HYDRO, ICN, IHL, IIG, ILM, IMH, IND, INGRS, INSET, IP, IRCP, IT, ITD, JAK, JAS, JCK, JCKH, JCT, JP, JSP, JTS, JUBILE, JUTHA, JWD, KAMART, KC, KCM, KDH, KIAT, KISS, KK, KKC, KOOL, KTIS, KUN, KWM, KYE, LALIN, LEE, LEO, LIT, LOXLEY, LPH, LST, MACO, MANRIN, MATI, MAX, M-CHAI, MCS, MDX, MEGA, MENA, METCO, MGT, MICRO, MIDA, MITSIB, MJD, MK, ML, MODERN, MORE, MPIC, MUD, MVP, NC, NCAP, NCH, NDR, NER, NETBAY, NEW, NEWS, NEX, NFC, NPK, NSL, NTV, NV, NVD, NYT, OHTL, OISHI, ONEE, OR, OSP, OTO, PACE, PACO, PAE, PAF, PEACE, PERM, PF, PICO, PIN, PJW, PLE, PMTA, POLAR, POMPUI, PORT, POST, PPM, PRAKIT, PRAPAT, PRECHA, PRIME, PRIN, PRO, PROEN, PROUD, PSG, PTC, PTL, RAM, RBF, RCL, RICHY, RJH, ROCK, ROH, ROJNA, RP, RPC, RPH, RSP, RT, S, S11, SA, SABUY, SAFARI, SALEE, SAM, SAMART, SAMCO, SAMTEL, SANKO, SAUCE, SAWAD, SAWANG, SCI, SCP, SDC, SE, SEAFCO, SECURE, SF, SFLEX, SFP, SFT, SGF, SHANG, SHR, SIAM, SICT, SIMAT, SISB, SK, SKE, SKN, SKY, SLM, SLP, SMART, SMD, SMT, SNNP, SO, SOLAR, SONIC, SPA, SPCG, SPG, SPVI, SQ, SR, SSC, STANLY, STARK, STC, STEC, STHAI, STI, STPI, SUC, SUN, SUTHA, SVH, SVOA, SVT, SWC, SYNEX, TACC, TAPAC, TC, TCC, TCCC, TCJ, TCOAT, TEAM, TEAMG, TFM, TGPRO, TH, THAI, THANA, THE, THG, THL, THMUI, TIGER, TIPH, TITLE, TK, TKC, TKN, TM, TMC, TMI, TMW, TNDT, TNH, TNPC, TOA, TPAC, TPBI, TPCH, TPCS, TPIPL, TPIPP, TPLAS, TPOLY, TPS, TQR, TR, TRC, TRITN, TRT, TRUBB, TRV, TSE, TSF, TSR, TTI, TTT, TTW, TVT, TWP, TWZ, TYCN, UAC, UMI, UMS, UNIQ, UP, UPA, UPOIC, UREKA, UTP, UVAN, VARO, VL, VNG, VPO, VRANDA, W, WAVE, WFX, WGE, WINMED, WINNER, WORK, WORLD, WP, WPH, XPG, YGG

Explanations

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 24, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.