

Energy stocks in spotlight amid crude oil strength

THE NATION 18

ENERGY stocks are expected to help sustain the momentum in the Thai share market as the United States ramps up the pressure on oil-producing Iran, brokerages say.

Wilasinee Boonmasungsong, research director at Globlex Securities, said that Thai stock market has gained from the higher oil prices that followed the US' imposition of sanctions against Iran in the wake of Washington's exit from a multi-party nuclear deal with Tehran.

US supplies have touched a three-and-a-half year low, further supporting prices and spurring a buying spree in energy stocks, she said.

Wilasinee she also cited an improvement in Thailand's overall consumer confidence index as another positive, along with expectations of increased spending on consumer products in the coming two months.

This year's Thailand's economic outlook is forecast to be better than that expected early this year, driven by expansion in exports and tourism, she said.

However, pressure on investment remains as a result of an escalating global trade conflict as a number of countries retaliate against the United States' decision to enforce tariffs on steel and aluminium, Wilasinee and Asia Plus Securities noted.

Thai banks will soon announce their first-half earnings, Wilasinee said, and their take from the ' second quarter from the previous quarter on the back of fee waivers for online fund transfer through mobile applications and the Internet.

Asia Plus Securities forecasts commercial banking groups' earnings will contract 11 per cent quarter on quarter in the second quarter of this year.

US inflation should be kept on a watch as it could rise as a result of the global trade war, aside from the impact of global crude prices that stand above US\$70 per barrel and full employment in the US.

These factors are expected to support expectations of two more increases in the US Federal Reserve's benchmark rate this year. The federal fund rate is expected to stay at 2.5 per cent at the end of this year.

Foreign investors selling

Market fluctuations have kicked in as a result of capital movements. In the past month, foreign investors made net sales of Thai stocks worth about Bt10 billion, Wilasinee said.

According to research from Asia Plus Securities, the Thai market will likely move with volatility, even though the Stock Exchange of Thailand Index (SET Index) stands above 1,600 points.

Yesterday, the SET Index closed at 1,643.60, up 20.64 points from Monday, with a trade value of Bt53.42 billion. Foreign investors made net sales of Bt1.39 billion.

The brokerage has revised down its target for the SET Index to 1,662 at the end of this year and the market price to earnings ratio of 15 times, from an earlier estimate of 16 times, reflecting risks of the global trade war and capital outflows. Given the persistently high global crude prices, Bangchak Corporation (BCP) has again turned its eye to upstream business in the oil sector.

Chaiwat Kovavisarach, president and chief executive officer of BCP, said that the company has recently acquired a 45 per cent stake in Okea AS (Okea), a large Norwegian petroleum producer, on expectations to complete the acquisition in November.