

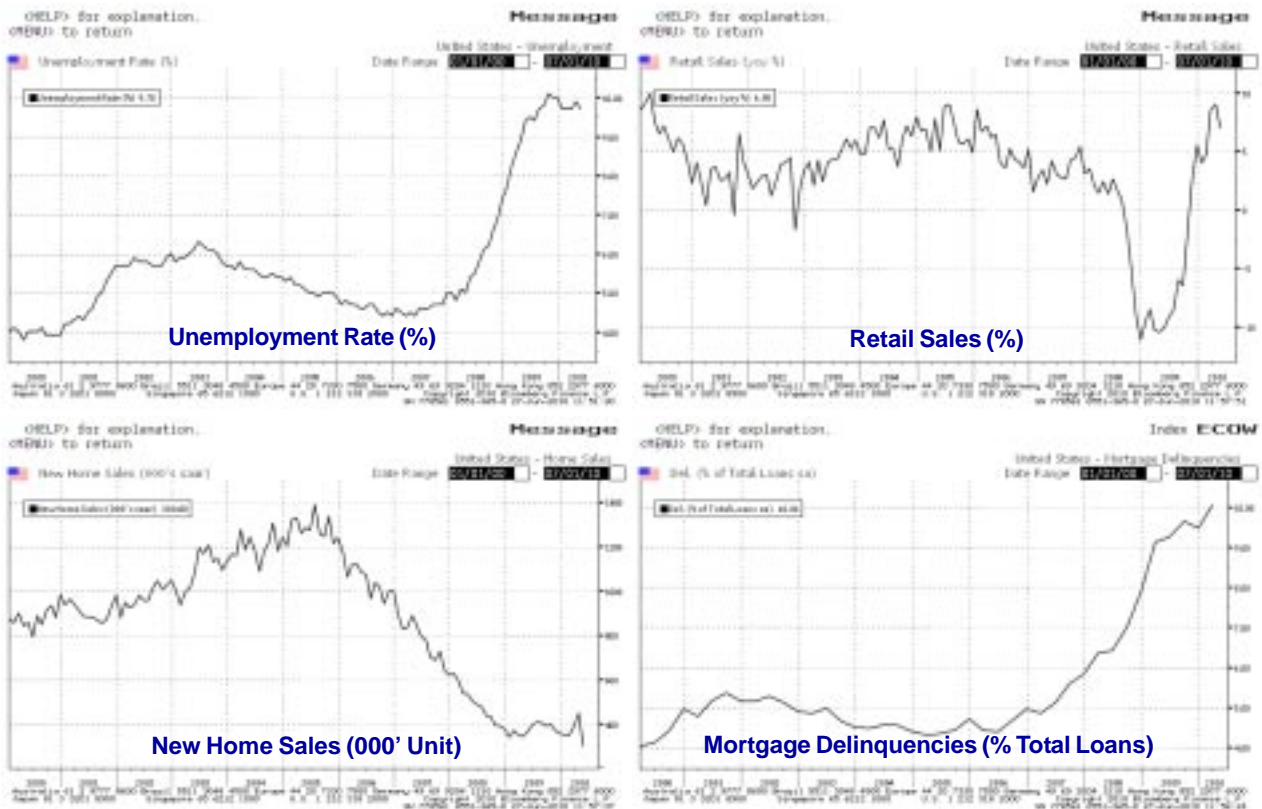
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Thai stock market outlook for 3Q10: Choppy in a trading range of 780-820 (850)

Global economic recovery key to dictating market direction

- **US economy: The previous view of a gradual US economic recovery seems to be weakened by poor housing and labor market conditions.**

Some US economic data showed signs of losing steam in late 2Q10 after a recent gradual pickup, dampening hopes of a gradual recovery in the US economy. This was in line with the Federal Reserve's latest view after a two-day policy meeting on Jun 22-23, which remained cautious about high employment levels, which could crimp consumer spending and the weakening housing market.

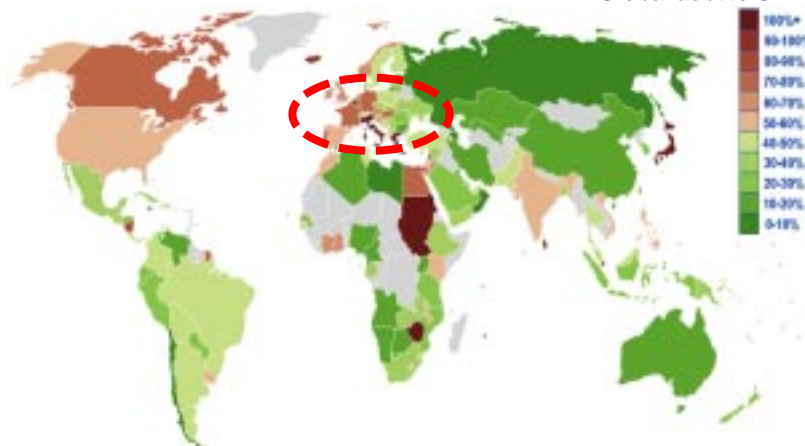


Source: Bloomberg

- **Europe's debt woes**

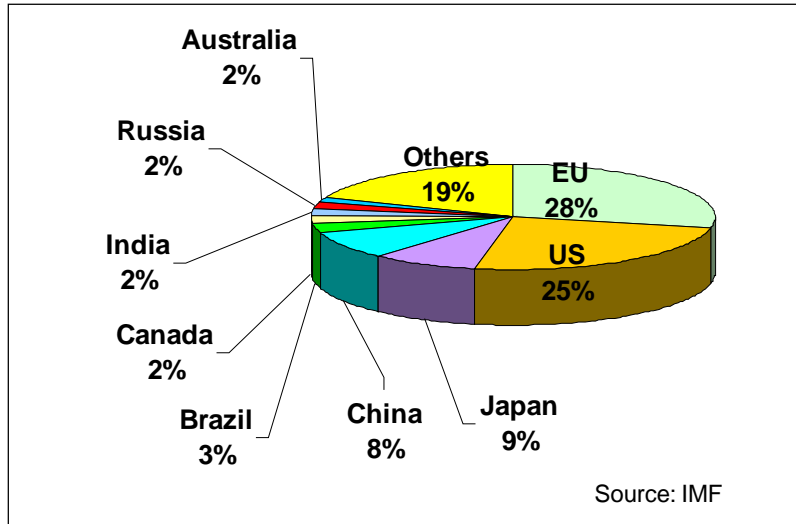
The debt to GDP ratio in most developed economies like the US, Europe and Japan is generally higher than emerging economies.

Global debt to GDP



Source: <http://en.wikipedia.org>, CIA 2009 estimates

High levels of debt to GDP problems in Europe seem to be the most worrisome, fueling concerns over a global economic recovery as the euro-zone is the world's biggest economy making up about 28% of world GDP, followed by the US at 25%, Japan at 8.7% and China at 8.5%. On this basis, any possible debt crisis at these countries would inevitably have a significant impact on the world economy, especially when global economic conditions remain fragile after recently emerging from the US financial crisis. Fears of a double-dip recession are therefore returning to haunt global investors.



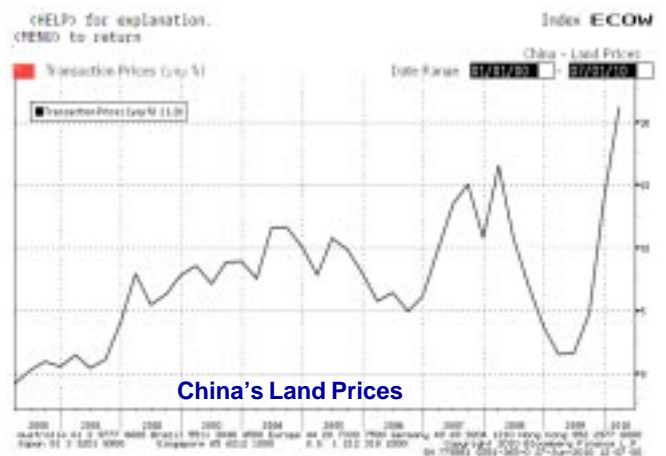
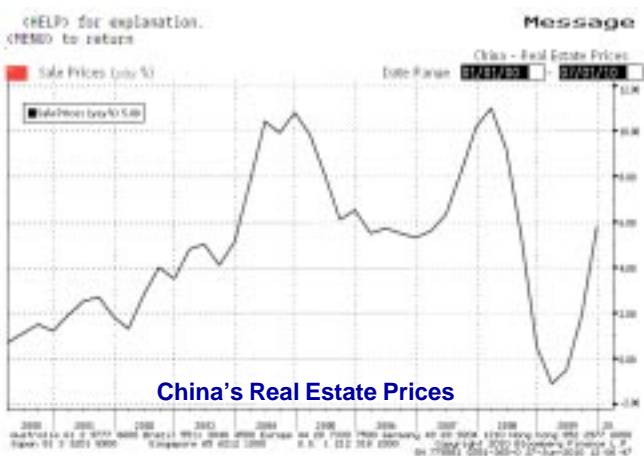
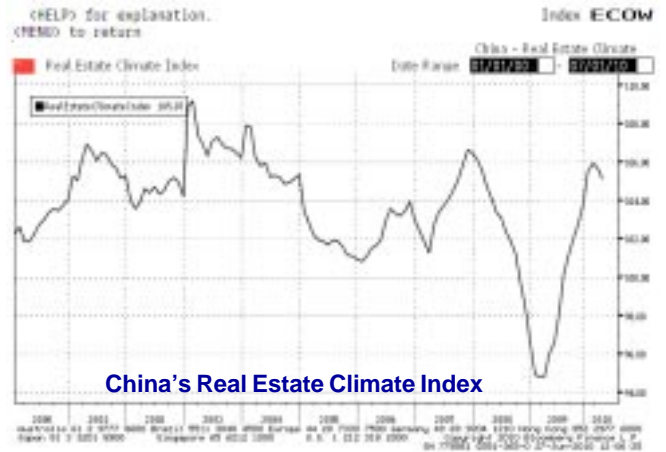
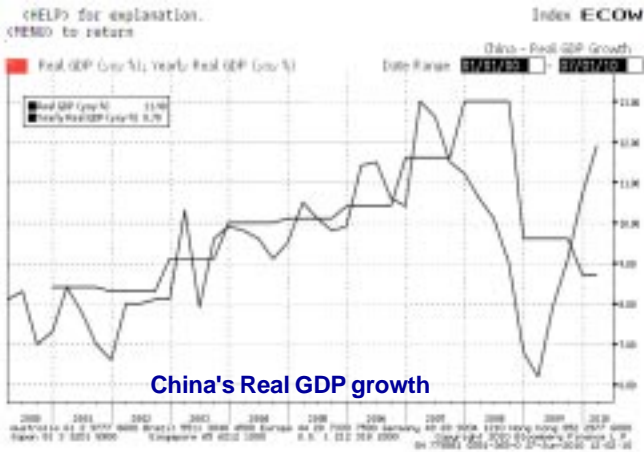
Several banks in euro-zone countries are due to repay huge debts in 3Q10, starting early Jul 2010. If Europe's banking and financial system signals signs of liquidity squeeze, potentially causing several banks to go belly up as witnessed in the past several economic crises like the Asian financial crisis a decade ago, or the US subprime crisis a few years ago emanating from the bursting of the property bubble and escalating into a financial crisis, the global economy could probably slip back into a double-dip recession and the impact may be more severe than the recent US credit crisis as (1) most benchmark interest rates at several central banks are currently at rock-bottom levels, leaving little room for further rate cuts, and (2) the US economy remains fragile and the Chinese economy grows at a moderating pace, meaning little drivers for the world economy from other regions.

Distinctions between US and Europe's crises

	US sub-prime crisis	Europe's debt woes
Benchmark interest rates	High with more room for rate cuts	Rock-bottom with little room for rate cuts
Global economic conditions	Slipping into recession with more downside in store	Signs of recovery in sight with a possibility of a double dip
Global powers	Chinese economy still healthy with solid growth	US economy showing signs of recovering but still fragile and Chinese economy likely to grow at a moderating pace

● **Chinese economy:**

China's economy has continued to grow at a strong 8-10% annual clip and remains the world's biggest exporter. Last year, the Chinese economy rose at a sizzling pace of 9.1%. Chinese authorities have forecast that the mainland economy will grow more than 8% this year but the property bubble however turns out to be a major cause of concern among investors amid a surge in China's Real Estate Climate Index and property prices.

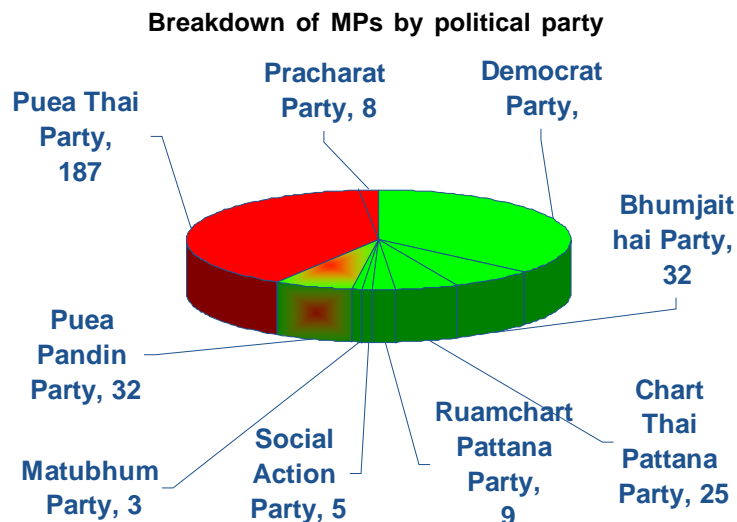


Source: Bloomberg

The highly flexible Chinese government's measures to nip housing bubble in the bud through tax measures, an increase in down payments and a hike in commercial banks' reserve requirement ratio should likely soften the blow from the housing bubble burst to some extent. On balance, it seems to us that China's property bubble is not worrisome as much as Europe's debt crisis or uncertainty about the health of the US economic recovery.

Local politics seen as minor headwind but needs to be closely watched

- Weak government



Source: Compiled by PST

The government has a majority vote of 279 in parliament, which are only 45 seats above half of total 234 seats in parliament, while the opposition has 195 seats in the parliament. Some Puea Pandin Party MPs have been more clearly split from the government coalition after voting against the coalition line in a no-confidence motion in early Jun 2010, a major wildcard that could potentially change the government's majority vote in the parliament.

- **Corruptions in several government projects**

Corruption problems emerge in several government projects including accusations against minters in the current administration such as the NGV bus leasing scheme, the dust-free road project, the procurement of GT200 bomb detectors and encroachments on protected forest zones. These problems would exert more pressure on the government.

- **Deepening rift in the society**

Even though PM Abhisit Vejjajiva has pushed the political reconciliation plan as a national agenda, it however seems to be difficult to heal the deepening rift in the society in a short period of time. The political noise and movements of the red-shirts, yellow-shirts or multicolored-shirts would continue although a new government from the election is in place.

Thai stock market outlook for 3Q10: Choppy in a trading range of 730-820 (850)

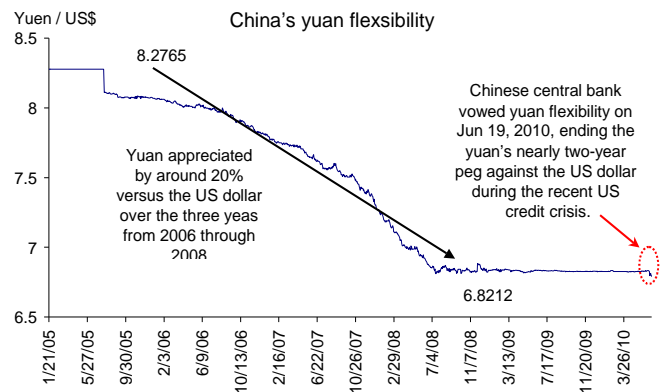
The risk is on the downside in early 3Q10 amid economic uncertainties but recovery is expected in late 3Q10 if global economic situation is not worse than expected.

- **Foreign fund flows into Asia seen as key market driver**

Foreign funds flowing into Asia have been driven by the following two factors: (1) Europe's debt woes and a fragile recovery of the US economy make Asia more attractive in terms of economic growth and (2) the likely strength of Asian currencies after China's move to gradually make yuan's foreign exchange rate more flexible would be another factor supporting foreign capital inflows to Asia.



Source: Bloomberg



Source: Bloomberg

We believe it is unlikely to see foreign investment funds flowing into Asia in a big way this time on the following grounds:

- (1) Uncertainty over the extent of Europe's debt crisis and the sustainability of the US economic recovery would make investors super-sensitive to news flow about economic numbers. In this sense, it may not surprise us if there will be sporadic bouts of short-term profit taking to follow after the release of weak economic data, which will put a lid on the upside in stock markets, while economic worries may probably trigger a capital flight back to safe-haven assets like bullions and currency markets, thereby dragging down prices of commodities including oil, which could affect energy stocks. Note that the energy sector represents up to 30% of the Thai market capitalization.



Spot gold was on an up-trend but there was a warning signal from a bearish divergence with the RSI (14) on both weekly and daily charts. Under this circumstance, spot gold (RTXGL) is therefore expected to move in a volatile sideways to sideways up range in 2H10 with resistance pegged at US\$1,338-US\$1,500 and support at US\$1,150-US\$1,050.



NYMEX light sweet crude moved sideways down in the medium term after setting a new low below the previous low of US\$69/barrel though oil prices managed to bounce back but failed to break above the downtrend channel. NYMEX light sweet crude (CL_CON) is therefore expected to remain sideways down in a high and low trading range of US\$22/barrel in 2H10. Resistance is expected at US\$80-US\$85/barrel and support at US\$60-US\$55/barrel.

Technic : Surasak Kacharoen Ext.485

- (2) China's flexible yuan policy this time, scrapping its two-year peg to the US dollar is different from the past three years of yuan flexibility during 2005-08, which caused the yuan to appreciate by nearly 20% and pulled Thai stocks up by as much as 40%. The big distinction is that the past yuan's revaluation occurred when the Chinese economy was approaching its peak and ahead of the 2008 Olympics Games when there were lots of investment activities in China and a stronger yuan seemed to benefit China in terms of imports. In the current yuan's revaluation, the Chinese economy is still in a recovery mode and in a fragile state. By this reason, it is widely expected that Chinese authorities that remain concerned over the overall economic picture will unlikely let the yuan rise sharply. The Reuters consensus expects the yuan to rise by 2.4% by the end of this year.

● **Strong corporate earnings growth provides more support to the market**

	Earning Growth (%)		P/E (x)		Dividend Yield (%)	
	2009	2010 E	2009	2010 E	2009	2010 E
Agribusiness & Food	97.06	18.10	13.38	11.33	3.55	4.13
Banking	9.26	15.82	14.06	12.14	2.60	2.88
Finance & Securities	8.59	9.54	10.83	9.89	7.16	6.76
Petrochemicals	-29.51	42.13	16.00	11.26	2.42	3.47
Construction Materials	85.30	-1.54	12.61	12.81	3.35	4.22
Property Development	38.30	0.49	12.98	12.91	3.95	4.00
Energy & Utilities	62.57	13.96	11.78	10.34	3.47	3.78
Commerce	18.73	16.76	21.06	18.03	3.12	3.55
Media & Publishing	-4.39	15.21	17.92	15.56	5.05	5.60
Transport & Logistics	1,301.73	16.85	13.14	11.24	2.06	4.62
Electronic Components	-11.24	27.04	11.80	9.29	6.96	5.56
ICT	-0.71	14.05	16.58	14.54	9.77	6.10
PST Universe	38.50	14.68	13.54	11.80	3.70	3.84

- **Thai stock market's low P/E and P/BV ratios relative to its regional peers**



Source: Bloomberg



Source: Bisnews



Source: Bisnews

The Thai stock market is still trading at a mere 11.5x estimated 2010 P/E, a discount to the regional average of 13.7x. Historical trading data showed that the P/E and P/BV ratios of the composite SET index averaged 12.9x and 1.78x respectively. At current trading levels, the Thai stock market remains cheap relative to its regional peers.

- **Several major bourses hitting new lows for the year but Thai stock market still strong**

Uncertainty about the strength of a global economic recovery remains a major drag on global equities. Several major bourses have already set new lows for the year but the Thai stock market seems to be more resilient than other bourses after it had been previously discounted during the recent worst political riots in the modern Thai history but things however remain uncertain. If economic situation turns out to be worse than the market currently expects, the possible collapse of European or US banks or a marked slowdown in Chinese economic growth may inevitably put the Thai stock market at risk of a sharp downward correction.



Source: Bisnews

- **Investment themes**

- (1) **Map Ta Phut theme:**

Expectations are that the list of industries harmful to environment, subject to EIA and HIA, approved by the four-party panel, seeking solutions to the Map Ta Phut environmental issues and the government will enable industrial projects in the Map Ta Phut complex to resume operations.

Our top picks include BBL, PTT and PTTCH.

- (2) **3G license theme amid steady progress on the long-awaited 3G mobile license auction in 3Q10.**

The following is a tentative timetable for 3G license auction proposed by the National Telecommunications Commission (NTC):

Jul 2010: Final Information Memorandum (IM) to be published in the Royal Gazette
 Mid-Sep 2010: 3G license auction to begin with 45 days for bidders to comply with initial licensing conditions
 Mid-Nov 2010: 3G mobile licenses to be awarded

Our top picks include ADVANC and DTAC.

- (3) **Beneficiaries of government's budget disbursements before end of FY2010 in Sep:**

The pace of budget disbursements is expected to accelerate before the end of FY2010 to finance bidding for government projects, especially for large-scale construction projects like the red-line mass transit project, which would be put up for bidding during the rest of the year.

Our top picks include BBL, ILINK, SCB, SCCC and STEC.

- (4) **Tourism stimulus theme:**

Even though the state of emergency still in force would cut into foreign tourist numbers this year, we believe much of the bad news is already priced into tourism-related stocks and the downside would be limited, while there is more upside in store once the emergency rule in some areas is lifted and as the government's tourism stimulus measures, like hotel tax breaks, as part of a plan to revive tourism would help boost the number of Thai tourists.

Our top pick includes MINT.

- (5) **Bottom-up:**

Our top picks include AS, BANPU, GFPT, KCE, MAJOR, MCOT, PICO, QH, RS, TRT and TSC.

- (6) **Interim dividend plays**

Stock	Closing Price (Jun 30, 2010)	Fai Value (Bt)	DPS Forecast 1H10	Div Yield (Unannualized)
ASP	1.70	2.30	0.08	4.71%
AIT	29.00	32.75	1.25	4.31%
TTW	4.46	5.85	0.18	4.04%
MODERN	39.00	46.50	1.50	3.85%
ADVANC	84.25	100.00	3.00	3.56%
BSBM	1.43	1.58	0.05	3.50%
PHATRA	18.00	20.80	0.60	3.33%
KK	27.50	32.40	0.75	2.73%

(7) Top picks and model portfolio

Sector	Investment Weighting		Top Picks
AGRI/FOOD	NT	6%	GFPT
BANK	NT	18%	SCB BBL
SECURITIES	NT	1%	ASP
AUTO	NT	3%	TKT
PETRO	OW	8%	PTTCH
CONMAT	NT	7%	SCCC
PROP	NT	8%	STEC
Contractor	NT	5%	QH
Residential	NT	3%	---
Industrial Estate	NT	0%	---
ENERG	NT	27%	BANPU
Coal	NT	9%	PTT
Oil	NT	9%	---
Refinery	NT	0%	TTW
Utility	NT	9%	---
COMM	NT	0%	---
HEALTH	NT	0.0%	---
MEDIA	NT	9.0%	AS MAJOR MCOT
		4.0%	
		4.0%	
		1.0%	
TOURISM	OW	3%	MINT
TRANS	NT	0%	---
Shipping	NT	0%	---
Others	NT	0%	---
ETRON	NT	2%	KCE
ICT	OW	8%	ADVANC
Total		100%	

*** Our picks in the model portfolio performed worse than the broad market in 2Q10, down 1% against the overall market's gain of 1.2%. The biggest losers in the portfolio included BAY, BBL and SCCC, while CPF and STEC were among the biggest gainers.

ADVANC:

- Even though voice revenue is expected to see little or virtually no growth as it is reaching a near saturation point, non-voice revenue and mobile Internet service should likely continue to grow at a strong pace of 20% YoY this year. Last year, non-voice revenue rose 23.9% YoY but voice revenue dropped 4.9%.
- ADVANC is Thailand's top mobile phone operator by subscribers with a market share of up to 44.80%. Financial position is solid with estimated annual EBITDA of Bt46b. ADVANC is also viewed as a high yield play with an estimated dividend yield of as high as 7-7.5%. Our price target Bt100.00.

AS:

- Online game firm AS delivered significant profit growth of 121.65% YoY in 1Q10 on effective cost controls and return to profits at its subsidiaries. The positive earnings momentum is likely to continue into 2Q10 with profits expected to grow in both YoY and QoQ terms.
- Overseas investment plan now becomes clearer. AS plans to make investments in Vietnam and Indonesia in 2H10 and the Philippines in 2011. The foray into computer security program services like anti-virus software and sharing of game servers and others would help boost revenues.
- This year, AS plans to launch eight, four and two new games in Thailand, Singapore and Malaysia. Growth is likely to improve in 2H10. Earnings upgrade is likely. Our price target is unchanged at Bt9.50/share for the time being.

ASP:

- Even though core brokerage revenue would be hit by sliding scale commissions and the holiday effect, the impact would be somewhat offset by a rise in average daily market turnover. Daily turnover on the SET and MAI averaged Bt23.5b in 2Q10, up 20% QoQ.
- We believe the impact on the broker's earnings would be limited thanks to more diversified revenue streams. Brokerage fees account for about 60% of total revenue. Its diversified client base should also help limit the decline in effective commission rates and ASP is also among one of the top three brokers in Thailand in terms of market share. The broker had an average market share of 5.18% for YTD. We forecast average daily trades on the Thai bourse to stay high at Bt22b in 3Q10.
- Our 2010 price target of Bt2.30/share is equivalent to a P/BV multiple of 1.3x.

BANPU:

- Thai coalminer BANPU has already locked in 94% of its 2010 coal production volume target of 23 million tons on forward contracts. For the whole 2010, we estimate BANPU's coal selling prices to average US\$70/ton. Looking ahead into 2011, we expect BANPU to deliver stellar profit growth on the back of higher sales volume and better selling prices.
- The takeover of Australia's Centennial Coal is expected to bode well for BANPU in the long run as coal business has good growth potential.
- We set a 2011 price target of Bt741/share for BANPU.

BBL:

- BBL's net loan growth for QTD in Apr-May 2010 was stellar at 3.0% against the industry's average of 1.7%, taking the bank's net lending growth in 5M10 to 2.9%.
- The bank is expected to post a 2Q10 profit of Bt6.66b, up 37.2% YoY and 10.5% QoQ. Loan growth, exceptional gain from the sale of its 19.3% stake in smaller lender ACL to the ICBC and tight expense control would be the key drivers of growth for the bank, in our view.
- In our view, the bank's loan growth target of 5-6% for the full year 2010 is still highly likely to be met. The removal of overhang concerns over the Map Ta Phut environment issues will give a boost to the bank's core corporate lending. Our price target Bt157.00

DTAC:

- DTAC, Thailand's second largest mobile phone operator by subscribers is expected to deliver strong earnings growth of up to 24.42% to Bt8,246m this year. Non-voice revenue would be the main growth driver given the popularity of smart phones as witnessed by sales of BlackBerry and iPhone and growing demand for mobile Internet along with rising sales of net SIMs. Effective cost controls should also help improve margins.
- The increase in dividend payout ratio to 50% from 30% would mean bigger dividend checks for shareholders. Dividend yield is estimated at 4-4.5%.
- The new 3G mobile licenses would help boost demand for data services, a factor that could help drive revenues and costs are set to fall thanks to lower revenue share payments. Our price target Bt41.00

GFPT:

- Meat prices have risen but production costs appear to have been little changed. We expect GFPT's 2Q10 operating performance to remain positive in both YoY and QoQ terms.
- Substantial earnings growth is expected for 2011 after the new chicken processing plant at GFPT Nichirei Thailand (GFN), a joint venture with Japan's Nichirei Foods would run at full capacity.
- The market has paid attention to GFPT's earnings growth outlook next year following consolidation of GFN. We rate GFPT shares a 'Long-Term BUY' with 2011 price target of Bt11.20/share.

ILINK:

- Earnings are expected to have already bottomed out in 1Q10 and the operating performance is likely to improve on an order backlog of about Bt350m.
- ILINK has tendered for new contracts worth Bt550m currently pending bid results and it plans to bid for more new contracts worth up to Bt7b especially for the submarine composite cable project as ILINK is one of the two bidders with expertise in this field. Our price target Bt8.05.

KCE:

- We expect KCE to deliver strongest earnings growth in the electronics sector this year on the back of an order recovery and an internal efficiency improvement, in our view.
- KCE has continued to focus on sales in the auto sector against the backdrop of low price competition compared to other industries. KEC is also one of the few auto-parts electronics suppliers in the global markets that meet high production standards.
- High D/E ratio of up to 2.5x may limit further expansion.
Current P/E valuation is the lowest compared to its peers. We value KCE at Bt9.55/share.

MAJOR:

- First-quarter 2010 profit swelled 1,049.98% YoY due chiefly to revenue recovery against the backdrop of improving economic conditions, a better movie line-up and the low base effect from 1Q09.
- Stellar profit growth is expected in 2Q10 though movie theater operator MAJOR appears to have felt the pinch of the recent political unrest as movies released during the quarter seem to have made more money than those in the same year-ago period. No loss contribution from fitness operator California WOW Xperience (CAWOW) and the low base effect from 2Q10 would be another contributors to earnings growth.
- In our view, a lineup of more moneymaking movies to be released, no loss contribution from CAWOW and an expected gain from sale of Suzuki Avenue, formerly known as Major Avenue@Ratchayothin into the Major Cineplex Lifestyle Property Fund (MJLF) would get MAJOR back on strong earnings growth track. We set a price target of Bt11.70/share on MAJOR.

MCOT:

- Total ad spending in Thailand is forecast to rise by 12-15% this year from a year ago to Bt90.2b.
- Spending on TV ads in 5M10 rose 14.33% YoY against the overall industry growth of 11.62 YoY. MCOT-operated Modernine TV ranked second in terms of TV ad spending growth behind only the unlisted operator of top-rated Channel 7.
- In our view, MCOT's profits should continue to grow at a healthy pace as higher tax expenses following the end of tax benefits from listing would be offset by an exceptional income of Bt405m from BEC, the operator of free-to-air Channel 3 for lump-sum compensation in exchange for a 10-year concession extension. Our price target for MCOT is Bt30.50/share.

MINT:

- Diversified sources of earnings from several businesses help limit the impact from falling tourist numbers. Thai hotelier and food franchise firm MINT is expected to deliver net profit growth of 12% to Bt1,567m in 2010.
- Much of the negative impact from anti-government protests and falling tourist numbers seems to have already been priced into the stock. At the latest closing price of Bt10.10x, the stock sports a P/E of 21.1x, a big discount to its trailing five-year P/E average of 25.90x and its net replacement value after liabilities (excluding the value of intellectual property including hotel management and food franchise) of Bt12.90/share.
- The tourism sector is expected to recover in 4Q10 and MINT's profits will likely return to strong growth on assumption that there will be no more political unrest to take place in the next six to nine months. Our price target Bt13.80.

PICO:

- PICO swung to a net profit of Bt14.81m in 1H10 from a year-ago loss of Bt2.76 on recovering revenues, reflecting a double whammy of economic and political effects a year earlier.
- Backlog at end-2Q10 stood at Bt1,031m, of which 37% would be realized as revenue this year. Though PICO has felt the brunt of the recent domestic riots in 3Q10, its backlog should help temper the impact, enabling its earnings to perform better than a year ago.
- In Oct 2010, PICO has joined its Pico Group to organize the Commonwealth Games, which have not yet been included in the backlog. We expect PICO to return to profit this year from a year-ago loss of Bt29.88m and pay dividends. We set a price target of Bt3.50/share for PICO.

PTT:

- Gas separation plants (GSP) are not expected to be included in the list of 18 industries harmful to the environment that will require EIA and HIA in compliance with Article 67 (2) of the Constitution, raising hopes that PTT's sixth GSP could resume its operation. Sixth GSP is expected to start commercial production in early 4Q10.
- Second-quarter profit is expected to be lower than the first quarter as a result of shrinking profits at its refinery affiliates.
- PTT has unveiled its five-year investment plan of Bt243.5b with the biggest slice of the budget at up to 46% going towards the natural gas business.
- Financial health is sound with net D/E ratio of 0.5x at end-1Q10. Our price target Bt320.

PTTCH:

- Olefins product spreads fell nearly across the board, except ethylene and propylene, which improved on a YoY comparison.
- We expect PTTCH's 2Q10 earnings to be up YoY but flat QoQ.
- The new one-million-ton ethane cracker, which would start commercial production, would be a positive catalyst for PTTCH in 2H10.
- Our 2010 price target of Bt122/share is based on a P/BV multiple of 1.70x.

QH:

- We expect presales to return to normal in 2H10. The new condo launch would enable earnings to get back on track in 2H10. We forecast QH to deliver pre-exceptional profit growth of 20% this year.
- The launch of new low-end projects under the brand 'The Trust' would help ensure a continuity of revenue in 2011. We forecast QH's pre-exceptional profit to grow further by 8% in 2011.
- We view QH as a laggard. Current P/E valuation of 8x compared to historical average offers attractive upside potential to our price target of Bt2.60/share based on historical P/E average.

RS:

- RS, Thailand's second largest entertainment group swung to a net profit of Bt52.13m in 1Q10 from a loss of Bt46.90 in 1Q09 helped by business recovery and growth in digital music downloads.
- In our opinion, 2Q10 is expected to be the best quarter of the year for RS, benefiting from the broadcasting rights of the 2010 FIFA World Cup in South Africa where sponsorship deals have met its revenue target. Strong momentum is likely to continue well into 3Q10 driven by the broadcasting rights of the 2010 FIFA World Cup and revenues from other World Cup-related activities.
- We forecast RS to return to strong profit growth of 198.04% in 2010 from a year earlier, paving the way for it to resume paying dividends but a slowdown is expected in 2011 due to the absence of World Cup revenues. Our 2010 price target for RS is Bt3.22/share.

SCB:

- We expect SCB, Thailand's third-largest lender by assets to post a 2Q10 net profit of Bt5.78b, down 9.3% QoQ but up 10.4% YoY.
- In our view, the bank's loan growth target of 7-10% for 2010 is challenging. However, we take a view that the bank will pursue a more aggressive expansion. We therefore leave our targets for the bank unchanged for the meantime.
- We set a 2010 price target of Bt102/share for SCB shares.

SCCC:

- SCCC, a pure cement play is moving into a growth cycle in terms of sales volume and selling prices have been raised against the backdrop of a better sales environment than in 2008-09. Domestic sales account for 65-70% of total sales. Total revenue is projected to rise 3% this year. The forecast assumes a 5% growth in sales volume and a 3% rise in selling prices. This year's profit is forecast to grow by 12%. The positive momentum is likely to continue into 2011 driven by a steady flow of construction projects well into next year. Profit is also forecast to rise further by 6% in 2011.
- Growth seems to be modest but stable. Financial risk is low with D/E ratio of a mere 0.4-0.5x. Current P/E ratio is also still below nine-year P/E average of 18x in the previous cycle. Our price target Bt260.

STEC:

- Current backlog including a contract of the blue-line project, in which STEC has offered the lowest bid pending contract signing, jumped 76% to as high as Bt30b from early 2009. To meet this year's target, STEC needs to secure another Bt7b-Bt8b worth of new contracts and this target seems to be within reach. Contracting revenues and profits are forecast to grow by 24% in 2011. Even though this year's contracting revenue is expected to fall by 10%, we believe the margin pickup following the end of low-margin projects last year should enable profits to grow by as much as 61%.
- We like STEC, based on its upbeat profit outlook, strong business expansion potential and low financial risk with D/E ratio of 1.85x. We value STEC at Bt7.20/share.

TKT:

- Domestic vehicle production in Thailand surged as much as 97% in 5M10 from a year earlier to 0.62m units. The Federation of Thai Industries (FTI) has set its 2010 domestic auto production target at 1.4m units, up 40% YoY.
- With over 60% of sales coming from the auto industry with Toyota, which has the biggest 40% share in domestic auto market, being one of its key clients, we believe a strong pickup in auto production would help TKT's 3Q10 earnings to rise from a YoY perspective.
- Our price target of Bt2.16/share is based on a P/E multiple of 10x. In our view, TKT remains a laggard relative its auto peers.

TSC:

- Net profit rose more than seven-fold to Bt76.34m in 1Q10 from Bt10.31m over the same year-ago period on the back of the auto market recovery. Domestic vehicle production rose as much as 92% YoY to 0.38m units. Sales surged up to 71% in 1Q10 from a year earlier to Bt615.05m.
- Second-quarter earnings are likely to be better than 2Q09 on the back of sales especially for control cables and higher auto production due to the low base effect from last year. TSC has more than 90% and 75% market share in motorcycle and auto control cables respectively.
- We set a 2010 price target of Bt9.40/share on TSC, based on a P/E multiple of 10x.

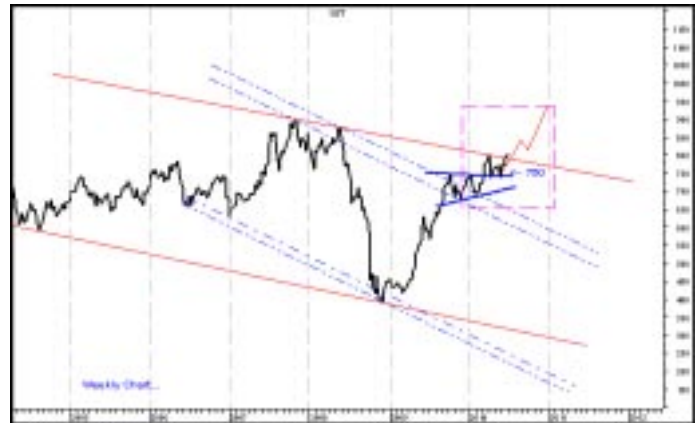
TTW:

- Water demand kept growing. In 1H10, sales volume of treated water rose 12.59% YoY.
- Tap water supplier TTW is forecast to achieve 2Q10 net profit growth of 31.60% YoY to Bt523.91m. First-half 2010 net profit is expected to grow 47.84% YoY. Interim dividend is estimated at Bt0.12/share for 1H10.
- Tap water sales volume has been on a steady rise. New capacity is expected to come on stream in Aug 2010. We will put our full-year estimates for TTW under review after announcement of 2Q10 results. For the time being, our price target is unchanged at Bt5.85/share.

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Technical View

SET Index: Up-trend still in place



Monthly charts signaled a reversal to an up-trend as a break of the long-term downtrend line at 780 turned the long-term trend into an up-trend. In the medium term, weekly charts also confirmed an up-trend as the composite SET index (SETI) broke up through the downtrend channel at 790 after it pulled back to test support around 750 two times but managed to bounce back. Under this circumstance, the SETI is expected to continue its up-trend in 3Q10. Key resistance on the main index is expected at 850-860 and support at 730-700.

SET50: Up-trend but a break of 570 still unlikely

S50_CON: Sideways up



The SET50 broke up through the long-term downtrend line at 530 before pulling back to test this level and bouncing back. The up-trend remained in place in both medium and long terms. The previous rally in the SET50 remained fragile, as the SET50 was unable to break out above the previous high of 570. The current rally in both medium and long terms is still at risk that the SET50 will be unable to break out above this resistance level in 3Q10. We peg resistance for the SET50 at 570-600 and support at 520-490 in 3Q10.

The S50_CON remained on an upward trend in an up-trend channel in both medium and long terms. Key resistance lies at the previous highs of 560-575. The S50_CON is likely to move up to test this resistance level in 3Q10 but we believe it is unlikely to break through this resistance level and it is later expected to pull back to retest the bottom of 500-490. Resistance is expected at 565-575, 600 and support at 520-490 in 3Q10.

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70 - 79	
80 - 89	
90 - 100	

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