Don’t expect “Santa Trump is coming”

- Domestic drivers timely offset external risks under Trump 2.0
- Rising data center FDIs bode well for long-term industrial transition
- SET target at 1,480 in Dec-24; top picks NER, STGT, SPRC, BBGI, PTG, CPALL

Domestic boons to offset external banes

In 1Q25 and 2025 we think SET index is likely to move upward towards 1,500 in 1Q25 and likely to end at 1,580 by Dec-25E. The limited upside on SET in 2025E is chiefly due to the rising risks of external forces, including Trump 2.0 policies that could boost US economy in short term on lower tax rates, housing price, and energy cost but will post a major risk on import tariff hikes, mas immigrant deportations, and Iran’s energy sanctions. However, we think domestic catalysts from Thai government’s stimulus packages, accelerating government’s spending, rising FDIs, strong tourism revenue, and lower BoT’s interest rate by 0.5% pts in 2025E, should help offset external risks.

Trump 2.0 is not a “Santa Claus is coming to town”

During his campaign for the second-term US president election, Trump had detailed four key points – tariff hikes, Iran’s energy sanctions, mass immigrant deportations, tax reductions, and energy and housing industry deregulations. However, we think only three policies of tariff hikes, Iran’s energy sanctions, and mass immigrant deportations that could jeopardize global economy, including Thailand.

Mass immigrant deportations and import tariff hikes as key risks in Trump 2.0

We think Trump 2.0 policy of mass immigrant deportation poses significant risks to US and global economies given 1) labor shock that could occur when the labor forces are deported immediately, causing labor shortages, plunging employment rate for both farm and non-farm payrolls, jumping unemployment rate that could lead to higher costs to the economy; 2) disruptions in economic growth. If two policies of tariff hikes and mass immigrant deportations are implemented simultaneously, the impact will be far-reaching not only to erode US economic growth but also global economy as the US recession, high inflation and interest rate could return to hurt financial markets.

Rising data center FDIs are ripe for Thailand

Thailand has begun to receive many FDIs for data center from several hyperscalers that could generate revenue of THB2.35b in 2024 and is projected to grow 5% CAGR in 2025E-29E to reach USD3.0b in 2029E, based on BOI. Data center capacity is projected to grow from 91.5MW (tier 3 71.5MW + tier 4 20MW) in 2023 to 270MW (tier 3 200MW + tier 4 70MW) in 2026E, which we estimate total investment could reach USD2.7b in 2025E-27E, based on investment of USD7m-12m per MW. Data center is projected to create THB140b income (0.9% of GDP) in 2025E-29E, per BOI’s forecast.

SET index at 1,480; top picks NER, STGT, SPRC, BBGI, PTG, CPALL

In December 2024 we think commodity plays with structural changes favoring high commodity prices (NER, STGT), lower costs (SPRC, BBGI), and improving margins (PTG, CPALL) with be winners. Trump 2.0 policies likely pose catalysts near term (tax reductions, deregulations of housing and energy sectors, and Ukraine war end) but we think the risks remain high from policies of import tariff hikes, mass immigrant deportations, and Iran’s energy sanctions. Hence, we forecast a limited upside for SET index with a SET index target of 1,480 in December 2024.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

Assistant Analyst

Peerayu Sirivorawong

Don't expect "Santa Trump is coming"

Internal drives vs external drenches

In 1Q25 and 2025 we think SET index is likely to move upward towards 1,500 in 1Q25 and likely to end at 1,580 by Dec-25E. The limited upside on SET in 2025E is chiefly due to the rising risks of external forces, including

(-) Trump 2.0 policies that could boost US economy in short term on lower tax rates, housing price, and energy cost but will post a major risk to Thailand's and global economies on the rising tariffs against US' trading partners, particularly China, Canada, and Mexico.

(-) Intensifying risk of wars between US and China, embracing trade, tech, energy, capital, currency, and military that could result in supply chain disruptions, high volatility of exchange rate, and rising competitions for a number of industries that will shift their production bases away from China and north Asia to avoid the negative impacts of the trade and tech wars

(+) Thai government's stimulus packages and accelerating government's spending should provide a cushion on external risks as the capital injections into low-income and aging people as well as the cash spending on government's projects will provide economic stimulus

(+) Rising FDIs for electronics, EVs and data center, have been the surprising boon to Thai economy

(+) Over THB13tr revenue from tourism further support Thai GDP

(+) lower interest rate by 0.5% pts in 2025E following Fed's 1.0% pts cut in 2025E after the US inflation is now under control

We continue to believe that SET index will increasingly be influenced by a set of large-cap stocks, which we dubbed as Thai "angel stocks" - DELTA, GULF-INTUCH, ADVANC, AOT, KBANK, CPALL-CPAXT, CRC-CPN.

SET index has long been driven by a few highly selective stocks, mainly on the bottom-up fundamental basis rather than on top-down macro basis. Hence, while SET index have been moving on sideways with certain rare periods of significant uptrend (mid-Aug to mid-Oct 2024) or downtrends (Feb-Jun 2023, Aug-Oct 2023). Hence, we see macro factors to take effects on SET directions once in a few quarters while on a weekly and monthly basis when SET index is on sideway, the bottom-up "selective buy" strategy is the best way for the investment in SET market.

In December 2024 we think commodity plays with structural changes favoring high commodity prices (NER, STGT), lower costs (SPRC, BBGI), and improving margins (PTG, CPALL) with be winners. Trump 2.0 policies likely pose catalysts near term (tax reductions, deregulations of housing and energy sectors, and Ukraine war end) but we think the risks remain high from policies of import tariff hikes, mass immigrant deportations, and Iran's energy sanctions. Hence, we forecast a limited upside for SET index with a SET index target of 1,480 in December 2024.

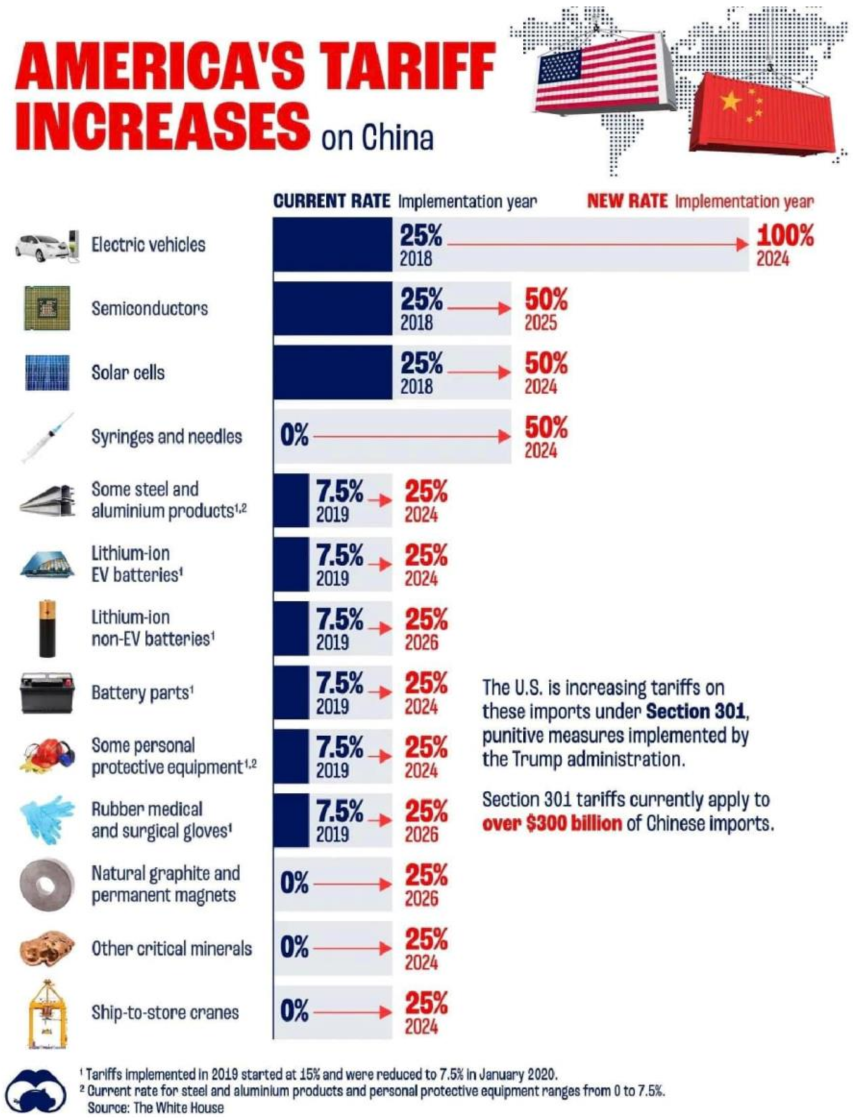
Trump 2.0 policies – friend or foe to Thai economy?

During his campaign for the second-term US president election, Trump had detailed four key points – tariff hikes, Iran's energy sanctions, mass immigrant deportations, tax reductions, and energy and housing industry deregulations. However, we think only three policies of tariff hikes, Iran's energy sanctions, and mass immigrant deportations that could jeopardize global economy, including Thailand.

Trump 2.0 risk#1: Import tariff hikes. Intensifying risk of wars between US and China, embracing trade, tech, energy, capital, currency, and military that could result in supply chain disruptions, high volatility of exchange rate, and rising competitions for a number of industries that will shift their production bases away from China and north Asia to avoid the negative impacts of the trade and tech wars

Yet we think the most intimidating policy under Trump 2.0 will be tariff hikes for imported goods to US. Why? First, the tariff hikes on any goods to any countries will mean higher living expenses on higher prices of almost every necessary product from potato chips to semiconductor chips.

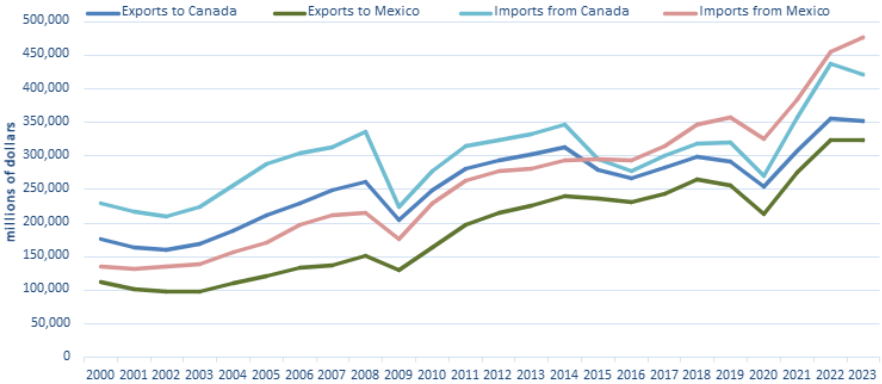
Exhibit 1: US tariffs on imported goods from China



Sources: The White House

Second, the higher imported goods prices will directly go to the higher raw material costs for manufacturers in US. Third, the higher living expense will erode the purchasing power of US consumers. Last and worst will be the ensuing higher inflation that could lead to Fed to re-ignite its policy interest uptrend, thereby could lead to the risk to global economy and capital market worldwide.

Exhibit 2: Value of US exports and imports from Canada and Mexico by transportation mode



Sources: Bureau of Transportation Statistics

Trump's tariff hikes on China, Canada, and Mexico

On 26 November 2024, Trump has announced his intention to up the ante on tariffs, vowing massive taxes on goods from Mexico, Canada, and China on his first day as a 2nd-term president to sign "executive orders" to

1) raise 25% tariffs on all products imported from Canada and Mexico to US unless both countries successfully curb the problems on drugs (Fentanyl) and immigrants
2) hike additional 10% tariff on products imported from China to US citing similar reason of drugs (Fentanyl) being smuggled into US from China.

In 2023, over USD1.3tr (34.5% of total imports) worth of goods imported from China (USD427b, 11.1%), Canada (USD418b, 10.9%), and Mexico (USD475b, 12.4%) to US, according to US Consensus Bureau.

Exhibit 3: US imports from three largest trading partners – Mexico, Canada, and China in 2023

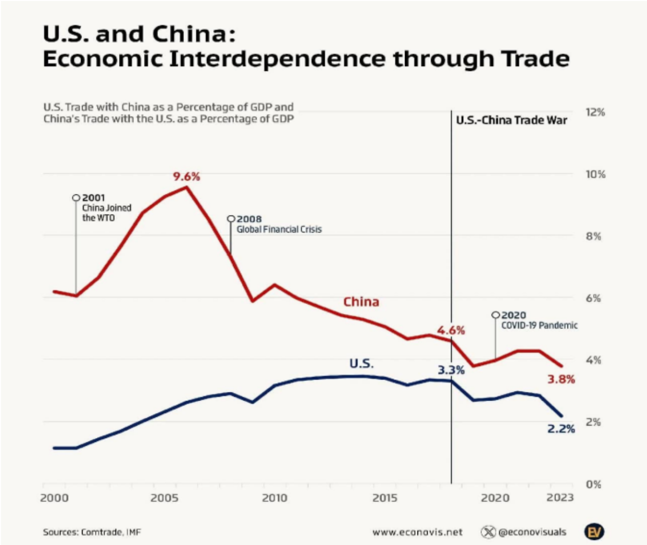
FY2023	Import (USD b)	Export (USD b)	Trade balance (USD b)	% Import (%)	% Export (%)	Key products
Mexico	475	323	(152)	12.4	10.5	80% manufactured goods; USD20b agricultural, forestry and livestock products Cars and car parts, computers and electrical equipment, beverages, medical instruments and household appliances
Canada	418	354	(64)	10.9	11.5	Crude oil and petroleum gas, vehicle and car parts, machinery such as turbine, engines and construction equipment parts Plastics, Pharmaceuticals, metals such as aluminum, iron, wood and paper, agricultural products
China	427	148	(279)	11.1	4.8	Electronics, mobiles, machinery, computer, toys, games, and sporting equipment, furniture, plastics Medical equipment, clothes, shoes, chemicals, and pharmaceuticals
Subtotal	**1,320**	**825**	**(495)**	**34.5**	**26.9**	
Total	**3,830**	**3,070**		**100.0**	**100.0**	

Sources: Bureau of Economic Analysis

For China, this threat may seem unappalling given Trump's previous 60%+ tariff hikes on imported goods from China. However, for Canada and Mexico, two north-south neighborhood countries to US, this news sent negative surprises.

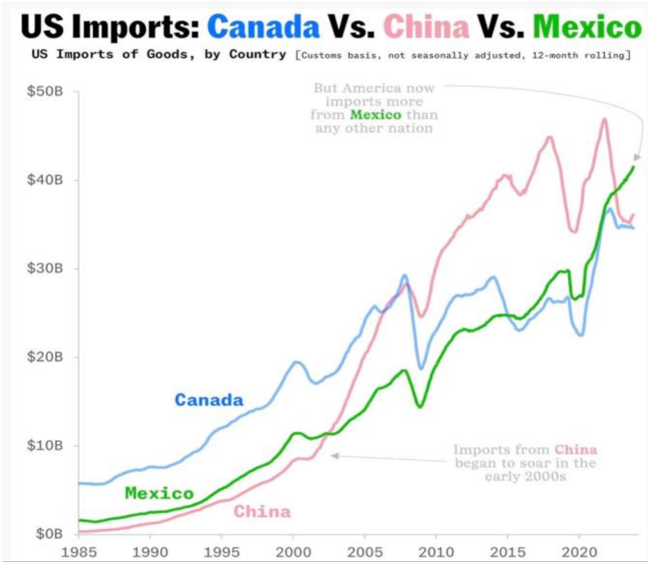
Canada and Mexico likely end with negotiations. We think this time may not be different than last time when in 2019 US raised 25% tariff on imported steel and 10% on imported aluminum. Eventually, both countries successfully negotiated with Trump 1.0 government to waive these tariff hikes in exchange for favorable conditions to US under US-Mexico-Canada Agreement (UMCA).

Exhibit 4: US and China economic dependence through trade



Sources: IMF, Comtrade

Exhibit 5: US imports from Canada, Mexico, and China



Sources: IMF, Comtrade

China still relies more on US than US on China. Long before the trade war was triggered by Trump 1.0 government in 2018-20, China and US have reciprocally reduced trade dependences on each other. US succeeds in curbing its economic dependence on China from 3.2% in 2018 down to 2.2% in 2023. China, while reduces the economic dependence on US significantly from its peak at 9.6% in 2005 down to 3.8% in 2023, China still relies more on US than vice versa (3.8% vs 2.2%), indicating that China still has a lot to do in order to reduce its economic risk from US.

Exhibit 6: World's largest exporters in 2023

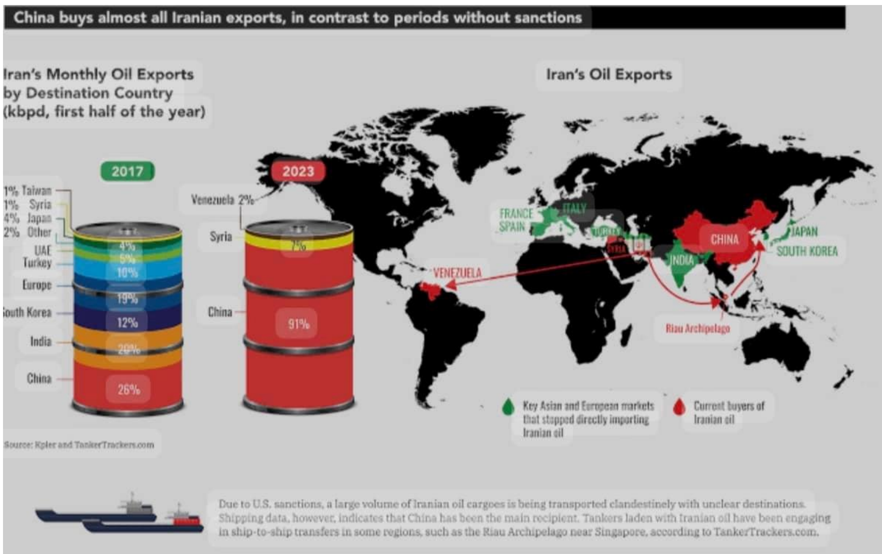
Sources: World Trade Organization

Exhibit 7: World's largest importers in 2023

Sources: World Trade Organization

Trump 2.0 risk#2: Could Trump be trumping Iran? One of Trump's manifest intentions in his campaign is to put heavy sanctions on Iran's economy and energy coffins, planning to exert maximum sanctions and policies to pressure Iran's oil and gas industry in order to force Iran to comply with US' requirements of halting financial assistances to many armies currently in fighting with Israel and ending Iran's nuclear development program.

Exhibit 8: China buys 91% of Iran's oil export in 2023



Sources: TankerTracker.com

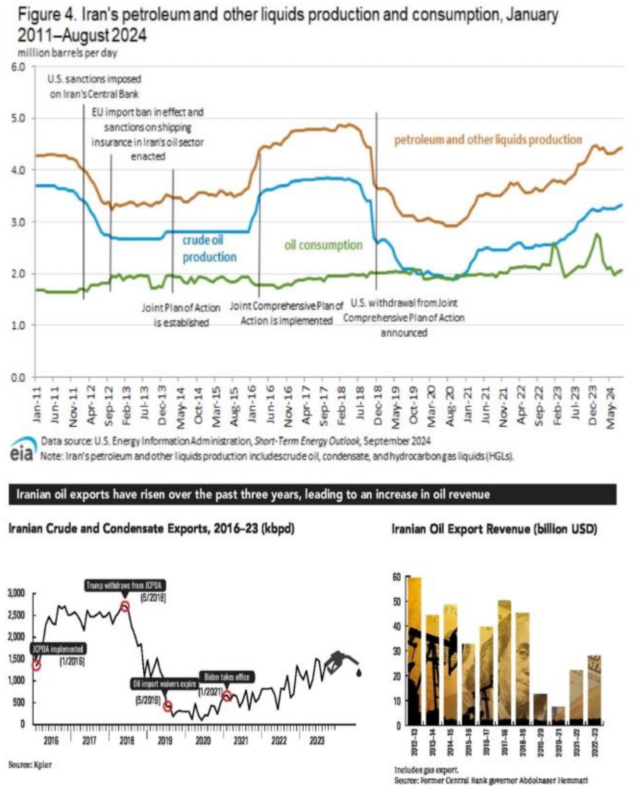
A final straw on US energy powerhouse strategy

We believe Trump's policy aimed to destroy Iran's energy industry is one of US' strategies to further strengthen its "global energy powerhouse" as a weapon to fight against Middle East countries and China. As the world's largest producer of crude oil (13.4mbpd) and gas and the world's top 5 oil exporter at 3.4mbpd and the world's largest exporter of LNG, US is doubtless now has the power to manipulate global oil and gas (LNG) prices.

We believe US' sanctions on Iran's oil and gas exports will kill two birds with one stone given Iran exports only 1.3mbpd and produces 3.2mbpd of crude oil, lower than US' crude oil export of 3.4mbpd in 2023. Hence the impact of "complete stop" production of crude oil from Iran will be limited to global energy supply.

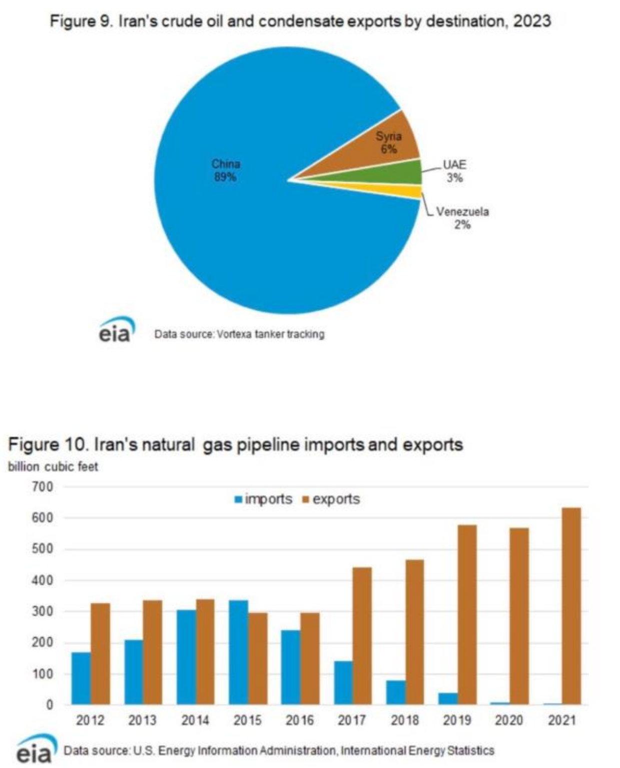
In contrast, Iran exported oil worth USD405b, accounting for 2023 GDP. Hence, the successful US sanction on Iran's energy could result in disastrous implications to Iran's economy. Despite a large oil reserve of 209b bbls, second only to Saudi Arabia's 267b bbls and Venezuela's 303b bbls, Iran has long been restricted to produce and export more oil. Iran's oil export volume indeed dropped from 2.1mbpd in 2017 to 1.3mbpd in 2023-24.

Exhibit 9: Iran's petroleum and other liquids production and consumption (January 2011-August 2024)



Sources: Kpler, EIA

Exhibit 10: Iran's crude oil and condensate exports by destinations in 2023



Sources: EIA, IEA, Vortexa Tanker Tracking

China will be the pinch from Iran's oil export plunge. China is Iran's largest importer of crude oil and liquids in 2023, accounting for 89% of total exports, followed by 6% to Syria, 3% to UAE, and 2% to Venezuela. With 1.2mbpd crude oil import from Iran, China could see its crude supply drop by 15% if Iran could not export its crude oil.

Exhibit 11: Iran's petroleum fields

Sources: World Bank, National Energy Technology Laboratory Global Oil and Gas Feature Database, EIA

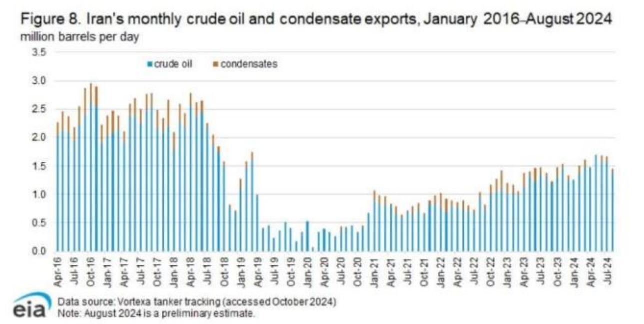
Iran is now stronger than before and may be able to resist US' sanctions. Our analysis indicates that this time may be different for Iran if US put sanctions against Iran again.

Iran's developed strengths against US sanctions. Since the Islamic revolution of 1979 when Iran's western-backed Pahlavi dynasty was turned politically from Imperial State of Iran to Islamic Republic of Iran, triggering US sanctions against Iran, turning Iran political stance upside down from friend to enemy to US. Hence, Iran has effectively developed strengths to defend the negative repercussions from US sanctions.

Eastern buyers could be white knights. Similar to Russia's energy ban US and Europe, Iran should be able to still find sufficient buyers for its oil exports even US intensifies its power on Iran's sanctions.

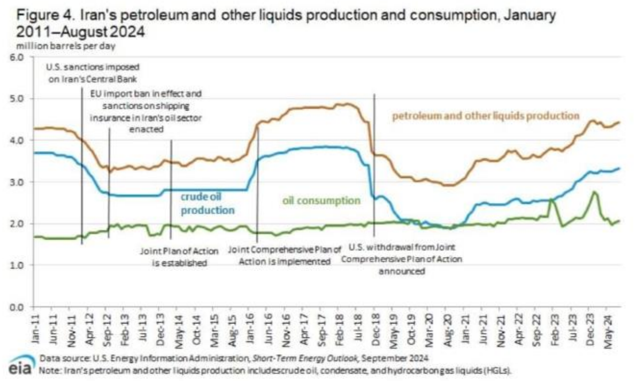
Iran's current exports are small at only 1.2mbpd (1.1% of global supply), which could be effortlessly replaced by US, Canada, and particularly Saudi Arabia whose spare capacity is growing over 4mbpd.

Exhibit 12: Iran's monthly crude oil and condensate exports January 2016-August 2024



Sources: Vortexa tanker tracking

Exhibit 13: Iran's petroleum and other liquid production and consumption, January 2011-August 2024



Sources: EIA

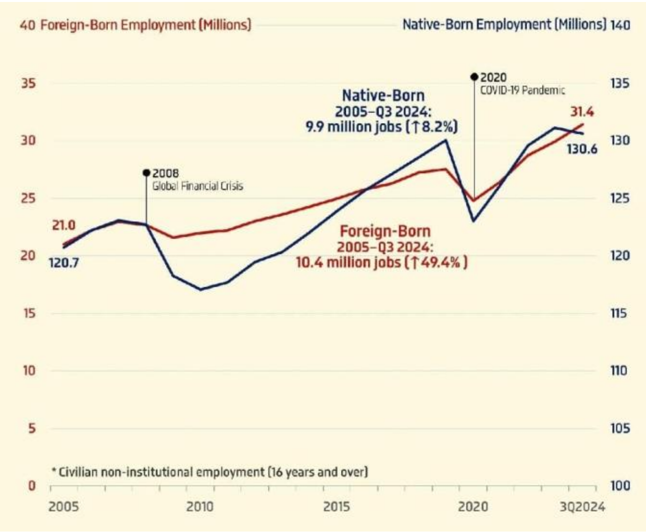
We believe US sanctions against Iran and the impact to China will be limited. For Thailand, we think the impact could be negligible, even for the import oil cost as we project crude oil price is unlikely to increase meaningfully under the circumstance that Iran's crude oil export is fully prohibited, if that is a case at all.

Trump 2.0 risk#3: Mass immigrant deportations.

Per the plans he shared throughout his campaign, Trump intends to commence mass deportations of millions of people, a project that could be marked by widespread workplace raids and the involvement of the US military, all while putting federal resources into expanding the border wall at the US-Mexico border.

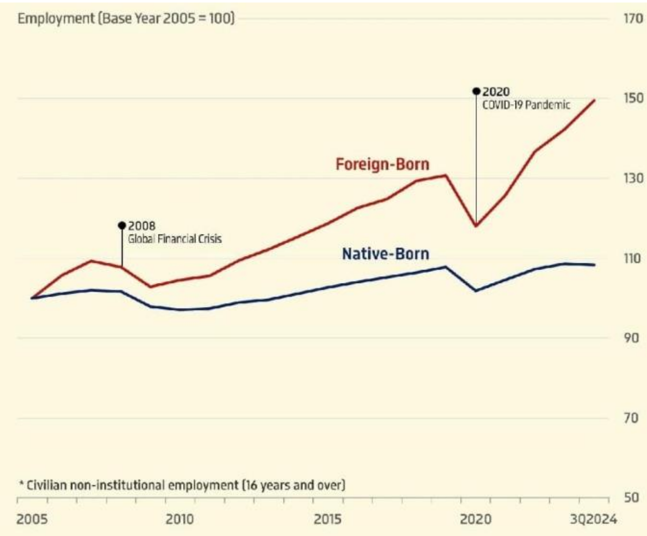
Should Trump move forward with his proposed agenda, it would represent a dramatic shift in American immigration policy, targeting millions of undocumented immigrants and redefining the nation's approach to newcomers. Trump's dark view of immigration has helped define his political career since he launched his first presidential campaign in 2015.

Exhibit 14: Foreign-born employment growth outpaces native-born in US



Sources: US Bureau of Statistics

Exhibit 15: High job growth for foreign-born vs low growth for native-born in US



Sources: US Bureau of Statistics

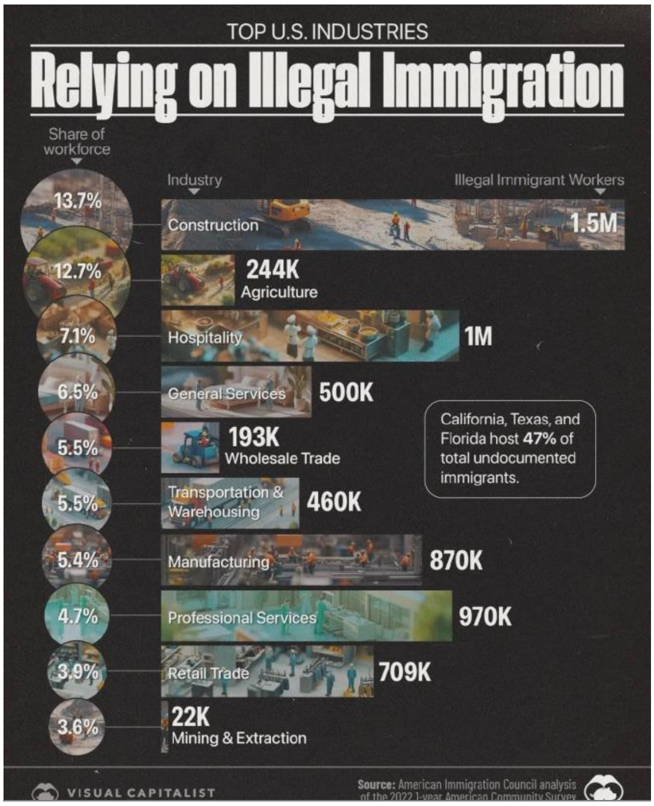
Trump's rhetoric around the issue has raised concerns that his immigration agenda is rooted in an idealized fantasy of racial purity as he mentioned that migrants coming into the US are "poisoning the blood of our country." Trump's proposals have reignited debates around legality, ethics, and the potential societal impacts of such an expansive crackdown.

But US relies on 7m illegal immigrant workers!! According to American Immigration Council, US has heavily relied on almost 7m illegal immigrant workers, with construction sector at the highest number at 1.5m, representing 13.7% of the sector total labor forces (1.5m, 13.7%).

Hospital sector employs a large number of illegal immigrants (1m, 7.1%), followed by professional services (0.97m, 4.7%), manufacturing (0.87m, 5.4%), retail trade (0.709m, 3.9%), general services (0.5m, 6.5%), transportation (0.46m, 5.5%), agriculture (0.244m, 12.7%).

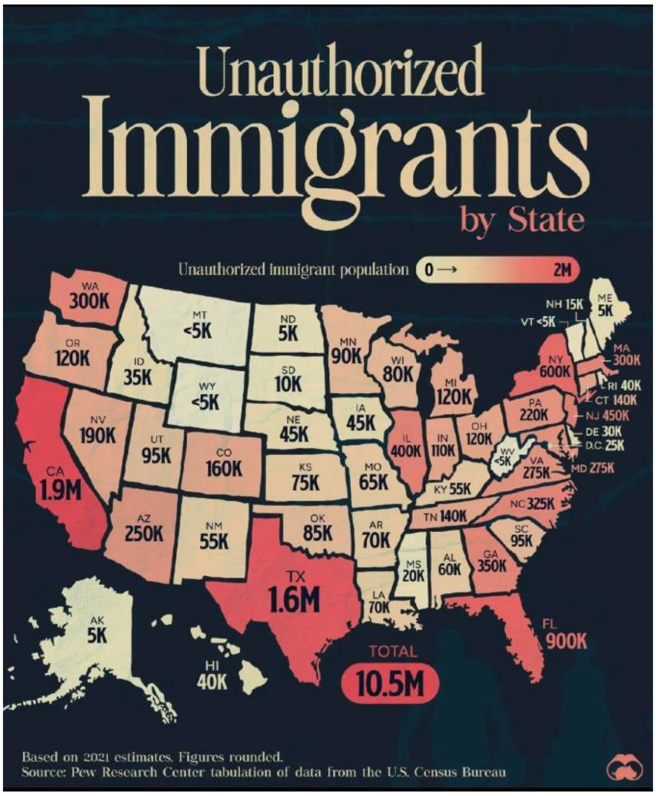
It is interesting that during 2005-3Q24, the employment job growth for foreign-born people has grown at almost 50% vs only 8.2% growth for employment of native-born people. In other words, this clearly indicates that US has significantly depended on employment of foreign-born workers to more than compensate for the low fertility rate of only 1.6.

Exhibit 16: Number of immigrant workers in US industries



Sources: American Immigration Council analysis

Exhibit 17: Unauthorised immigrants in US by state



Sources: Pew Research

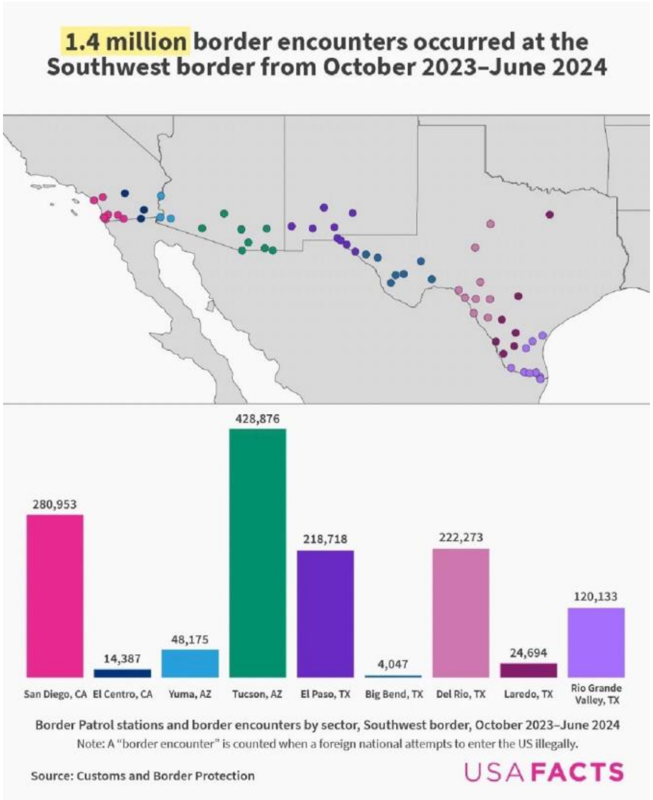
Mass deportations. Trump made plans for mass deportations of undocumented immigrants a central feature of his immigration discussions ahead of securing his second term, promising to commence a years-long effort to remove an estimated 11m people who are in the country without authorization. The Trump Administration aims to leverage expedited removal processes, which allow for rapid deportations without the usual legal hearings.

While Trump argued that mass deportations would benefit American workers by raising wages and improving job conditions, we think the abrupt removal of millions of immigrants would likely lead to economic instability, particularly in industries heavily reliant on undocumented labor, such as agriculture and hospitality.

Many of the people targeted have lived in the US for years and have children who are US citizens. The implications of such a drastic policy shift could also extend far beyond immigration, fundamentally reshaping the demographic and economic landscape of the nation.

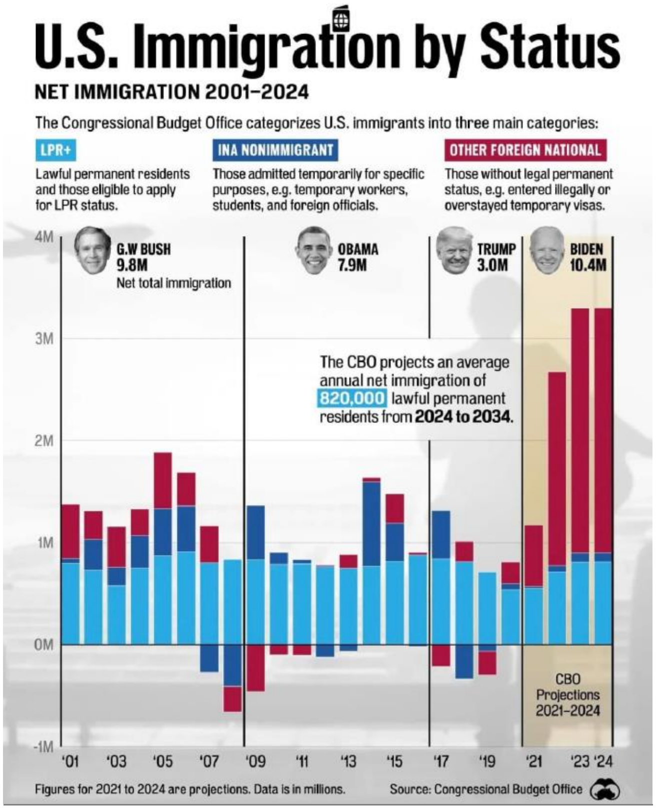
Using the military for immigration. Trump's proposal to use the military for immigration enforcement marks a significant escalation in the federal government's approach to undocumented immigrants. By invoking the Alien Enemies Act of 1798 and the Insurrection Act, he plans to deploy federal troops to assist in apprehending migrants at the southern border, a move that raises serious legal and ethical concerns regarding the role of the military in domestic law enforcement.

Exhibit 18: 1.4m border encounters during Oct-23 to Jun-24



Sources: US Customs and Borders

Exhibit 19: US immigrants by status



Sources: Congressional Budget Office

Trump will 1) move thousands of troops currently stationed overseas to US southern border; 2) deploy US Navy to impose a blockade of fentanyl and fentanyl precursor chemicals from entering the country. Trump also wants to build new detention camps to hold undocumented immigrants awaiting deportation, which the campaign says will enable faster processing and removal of immigrants. This effort will also likely include the military.

Workplace raids. Trump plans to expand workplace raids as a method of identifying and apprehending undocumented immigrants. The strategy, which he also ramped up in his first term, aims to increase the visibility and enforcement of immigration laws in everyday settings, targeting industries that frequently employ unauthorized workers.

Trump has suggested that these raids will not only deter unauthorized employment but also lead to significant labor market shifts, benefiting American workers. However, the practical implications of such raids could be far-reaching, disrupting local economies and instilling fear within immigrant communities. Critics argue that workplace raids often result in chaos, separating families and exacerbating vulnerabilities among immigrant populations. The resulting atmosphere of mistrust can leave immigrants afraid to report crimes or seek help in dangerous situations for fear of deportation.

Expanding the border wall. Expanding and reinforcing the border wall is another cornerstone of Trump's immigration agenda, a promise that resonates deeply with his base. The US-Mexico border is nearly 2,000 miles long. During Trump's first term, the US government built less than 500 miles of border wall, and much of it replaced smaller, dilapidated barriers.

Returning to the 'Remain in Mexico' policy Trump has promised to reinstate the "remain in Mexico" policy he put in place during his first term. This policy, formally called the Migrant Protection Protocols, forced migrants who entered the US over the southern border and requested asylum to return to Mexico while their cases were heard. During the Trump administration, this led to more than 65,000 migrants not from Mexico struggling to find temporary shelter in northern Mexico.

More Border Patrol agents. Trump plans to hire 10,000 new Border Patrol agents. This could be a difficult task, as the US Border Patrol has struggled to fill existing positions due to low morale and funding issues. Trump has promised to offer pay raises and bonuses to enhance recruitment and retention within the agency.

Ending birthright citizenship. On his first day back in office, Trump has promised to issue an executive order ending the long-standing Constitutional principle that children born in the US are granted citizenship. Trump said he will instruct federal agencies to require that any child born in the US have at least one parent who is a lawful permanent resident or citizen, before they can be issued a passport or Social Security number.

Black magic consequences from Trump 2.0's mass immigrant deportation
We think Trump 2.0 policy of mass immigrant deportation poses significant risks to US and global economies given 1) labor shock that could occur when the labor forces are deported immediately, causing labor shortages, plunging employment rate for both farm and non-farm payrolls, jumping unemployment rate that could lead to higher costs to the economy; 2) disruptions in economic growth.

If two policies of tariff hikes and mass immigrant deportations are implemented simultaneously, the impact will be far-reaching not only to erode US economic growth but also global economy as the US recession, high inflation and interest rate could return to haunt capital and financial markets.

Thailand net risk is positive for growth

Domestic drivers to deter 2025E growth

Amid looming risks of Trump 2.0 policies and rising risks of trade/tech wars, we think Thai economic growth remains resilient to grow at 3.2% in 2025E and 3.5% in 2026E. Three key catalysts to support our view are

Driver#1: Thai government's stimulus packages and accelerating government's spending should provide a cushion on external risks as the capital injections into low-income and aging people as well as the cash spending on government's projects will provide economic stimulus

On 25 September 2024, the first day that the government began the disbursement of THB10,000 via the welfare card program and people with disabilities. This economic stimulus program has shifted its approach from the digital wallet project, which is still not operational, to direct transfers to the bank accounts of needy groups.

First phase 14.5m (THB145b) In the first phase, 14.5m people will receive money, including 12.40m welfare card holders and 2.15m people with disabilities, who will receive THB10,000 (USD305) each. The government has already transferred money during 25-30 September, with the funds being transferred by the Comptroller General's Department through the PromptPay system, which is linked to national ID numbers.

Exhibit 20: Thailand's stimulus packages

Budget phase	Disbursement period	Recipient type	Number of people (m people)	Disbursement (THB/person)	Budget (THB b)
First phase			**14.55**	**10,000**	**145,500**
	Sep-Nov 2024	Welfare card holders	12.40	10,000	124,000
		Disabilities	2.15	10,000	21,500
Second phase	**February 2025E**	**Elderly over 60 years old**	**4.00**	**10,000**	**40,000**
Third phase	**April-June 2025E**	**General**	**13.60**	**10,000**	**136,000**
Final			**12.85**	**10,000**	**128,500**
Total			45	10,000	450,000

Sources: BoT

Second phase: 4m elderly people. Senior citizens aged 60 and above will be the next group considered for the second phase of the government's THB10,000 handout scheme. The time frame for the disbursement is scheduled to be in February 2025E.

Third and fourth phases are planned to begin in 2Q25 onwards to 13.6m and 12.85m people, bringing total recipients to 45m and total budget to THB450b. Assuming that the multiplier for the stimulus packages will be 1.8x, we estimate that Thailand could boost GDP in 2025 by 2.5% (from 3.2% forecast) and GDP in 2026E by 2.0% (from 3.5% forecast).

Thai economy is now being boosted with over THB145.55b (USD4.45b), creating a significant economic whirlwind for the first time, creating opportunities in the overall economy and providing relief to struggling small citizens. The first phase will be within THB450b (USD13.8b) budget.

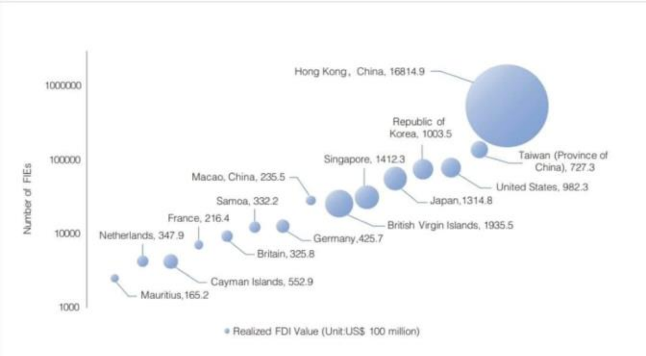
Globlex Securities Co., Ltd.

Driver#2: Rising FDIs for electronics, EVs and data center, have been the surprising

At last Thailand has received a good sum of FDIs in three major industries – electronics, EVs, and data center after the great influx of FDIs into Singapore, Indonesia, Vietnam, and Malaysia. The FDIs pouring into Thailand are triggered by many reasons – Production plants relocations from China, spillover effect from Thailand's neighboring countries, and readiness of industry infrastructures and power supply.

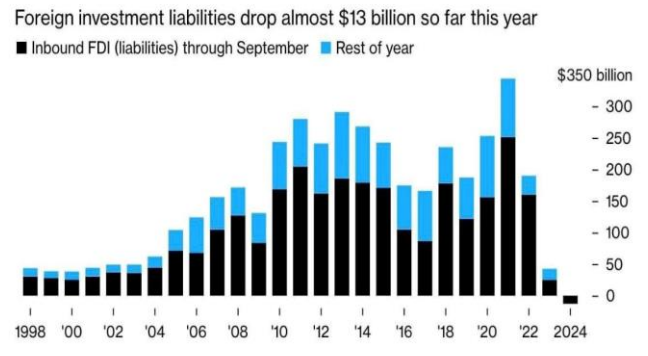
China and foreign productions to be relocated from China to other more neutral countries such as Thailand in order to shun the potential impacts of the trade war and tariff hikes. In 2024, China witness negative net FDIs for the first time since 1998, as both foreign and Chinese companies alike all leave China for other safer locations.

Exhibit 21: China continues to lose out FDIs



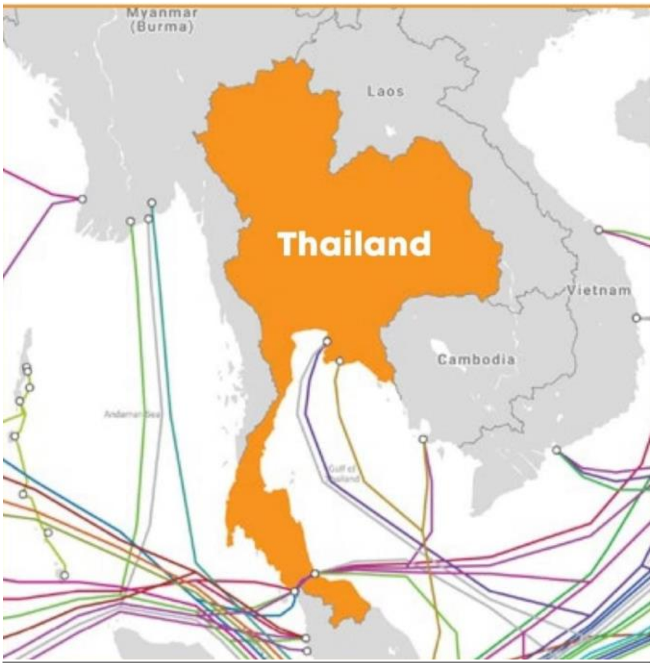
Sources: China's State Administration of Foreign Exchange

Exhibit 22: Top 15 FDI sources of China as of 2023



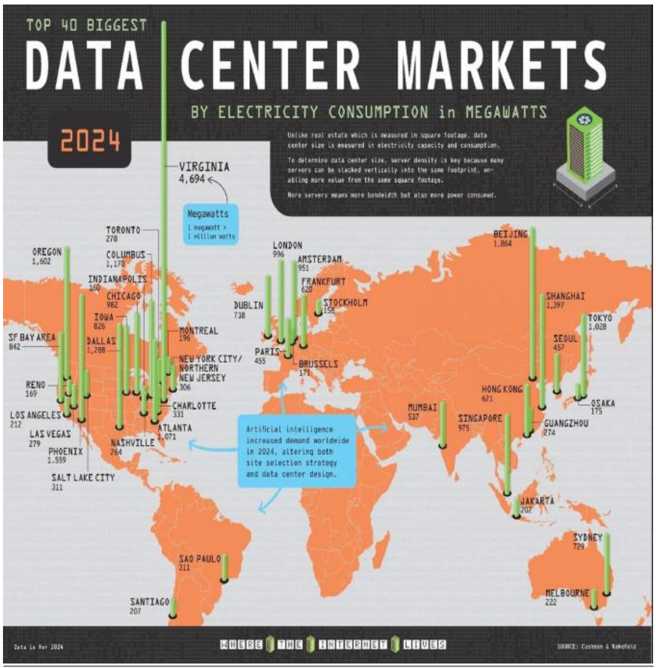
Sources: China's Ministry of Commerce FDI SSStatistics 2024

Exhibit 23: Network of submarine cables connected to Thailand



Sources: www.submarinecablemap.com

Exhibit 24: Data center worldwide

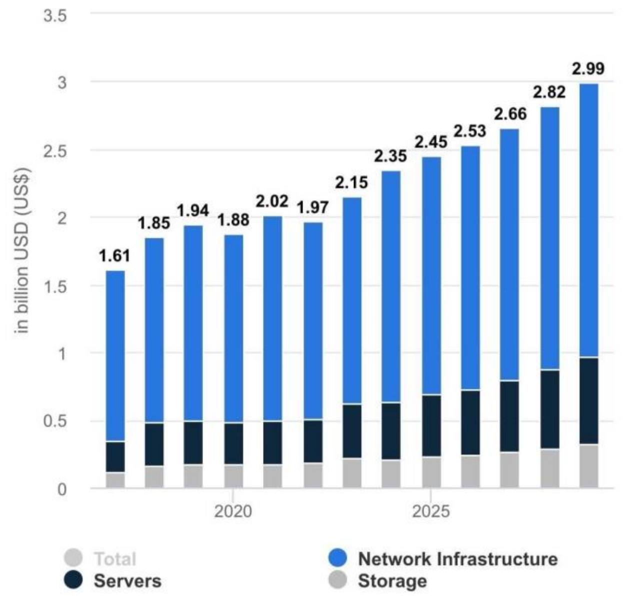


Sources: Cushman and Wakefield

In the past 9 months, Thailand has received many FDIs for data center from several hyperscalers. According to Board of Investment (BOI), Thailand generates revenue of THB2.35b in 2024 from data center, and is projected to grow 5% CAGR in 2025E-29E to reach USD3.0b in 2029E.

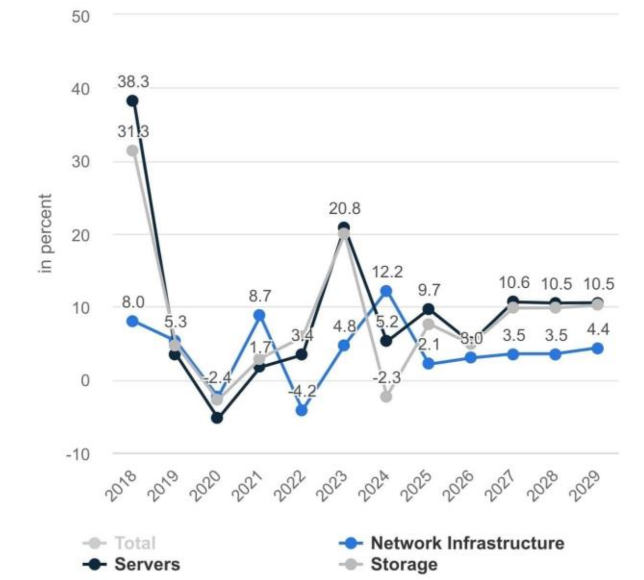
Of four types of data center, network infrastructure accounts for 2/3 of revenue, with remaining 15% from servers and 18% from storage in Thailand. In 2025E-29E, revenue growths from data center in Thailand is projected to rise 7-8% CAGR, led by growths in servers and storages while network infrastructure growth is smaller at 2-4%.

Exhibit 25: Thailand's data center revenue by type



Sources: BOI

Exhibit 26: Revenues growths from data center by type



Sources: BOI

Data center capacity is projected to grow from 91.5MW (tier 3 71.5MW + tier 4 20MW) in 2023 to 270MW (tier 3 200MW + tier 4 70MW) in 2026E. Given the investment cost of USD7m to USD12m per MW, we estimate that total investment for data center in Thailand could reach USD2.7b in the next 3 years. The data center is projected to create THB140b income or 0.9% of GDP and up to 140,000 job positions in 2025E-29E, according to BOI's estimates.

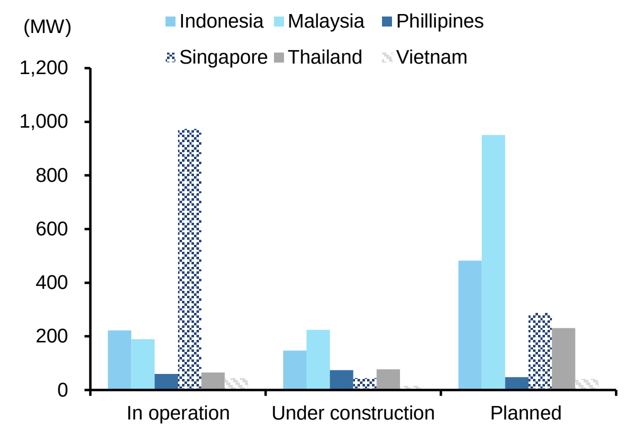
Exhibit 27: Data center projects in Thailand

Companies	Investment (THB b)	COD	Nationality
Amazon Web Service (AWS)	225.0	2025-27	US
Google	34.0	2027	US
Quartz Computing	32.3	2026	US
Microsoft	NA	NA	US
GDC	29.1	2028	China
Equinox	17.5	2029	US
NextDC	13.7	2030	Australia
Ctrls	5.0	2031	US
STT GDC	4.5	2032	Singapore
Evolution Data	4.0	2033	Singapore
EDGMEX	33.0	2034	US
Supermap (Switch)	3.0	2035	Thailand
Telehouse	2.7	2036	Japan
One Asia	2.0		China
Alibaba	4.0		China
Huawei	3.0		China
TRUE	3.2		Thailand
GSA (Gulf, AIS, Singtel)	7.0		Thailand
Total	423.0		

Sources: BOI

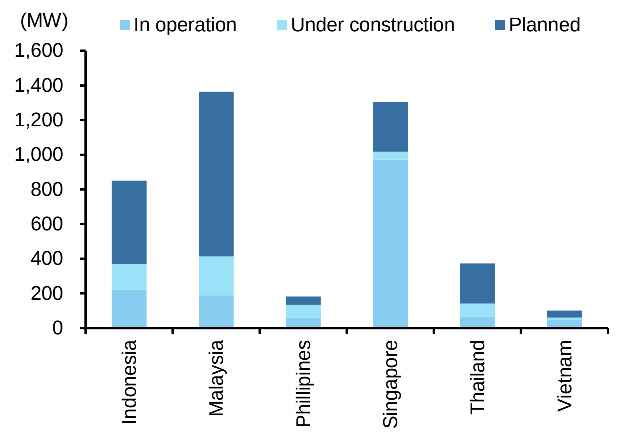
According to Cushman and Wakefield, Thailand still lags its neighboring countries in data center business, with the projected total capacity of 373MW including all under-construction and planned capacity. Malaysia is projected to lead the pack with a total 1,364MW, followed by Singapore (1,305MW), Indonesia (851MW), Thailand (373MW), Philippines (182MW) and Vietnam (101MW).

Exhibit 28: Data center capacity in key ASEAN countries



Sources: Asia Pacific Data Center 2023; Cushman & Wakefield

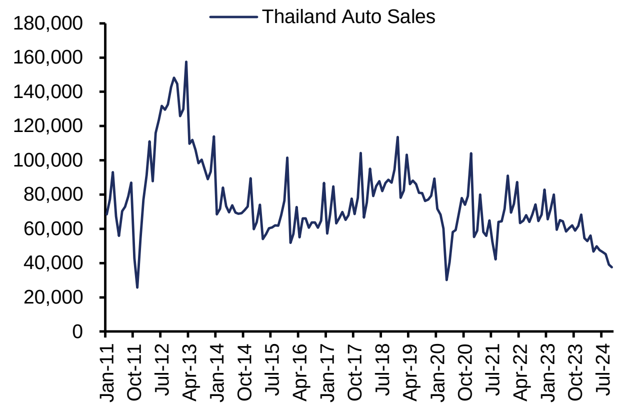
Exhibit 29: Thailand still lags ASEAN countries in data center



Sources: Asia Pacific Data Center 2023; Cushman & Wakefield

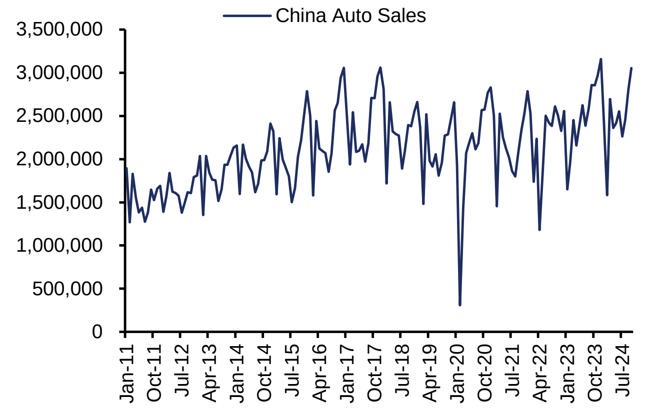
However, the car sales in Thailand have plunged markedly in 2024 due to the fierce competition from the price-cutting Chinese EVs, both from imports and domestic productions. However, we think in 2025E-26E, the car exports will gradually improve y-y as 9 Chinese EV producers will start exporting their productions in excess of domestic car sales.

Exhibit 30: Thailand car sales index



Sources: Bloomberg

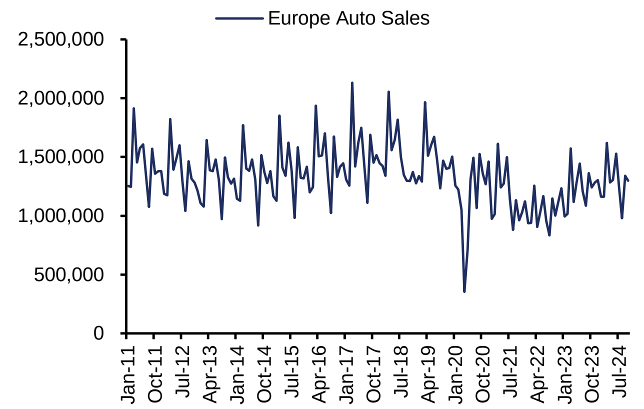
Exhibit 31: Malaysia car sales index



Sources: Bloomberg

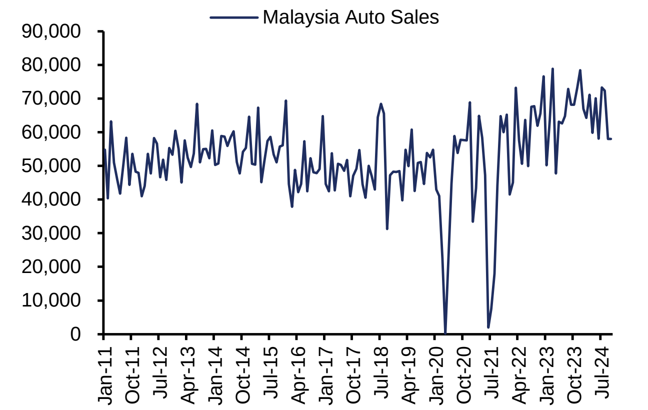
In contrast, car sales in China has continued to grow driven by the EV sales over 2/3 of sales while the ICE cars will be mostly exported. Car sales in Europe improves at a slow pace, mostly from the imported vehicle from China.

Exhibit 32: European car sales index



Sources: Bloomberg

Exhibit 33: China car sales index



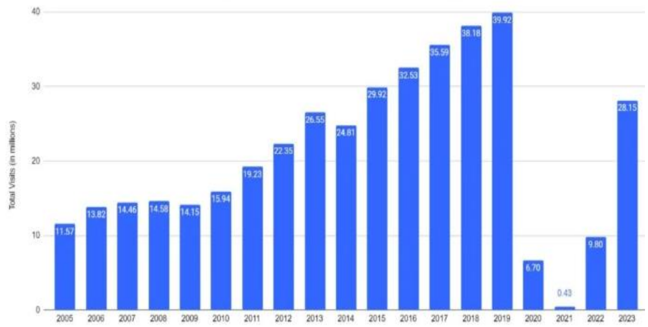
Sources: Bloomberg

Driver#3: Over THB1.8tr revenue from tourism further support Thai GDP.

YTD in 2024, Thailand welcomed 28m foreign tourists, who spent approximately THB1.33tr, on track to achieve 36m tourists and THB1.8tr (USD53b) revenue in 2024, according to Tourism and Sports. This figures still are lower than 39.92m tourists and THB2.1tr (USD59.8b) record high in 2019 before the Covid-19 hit the country and the world.

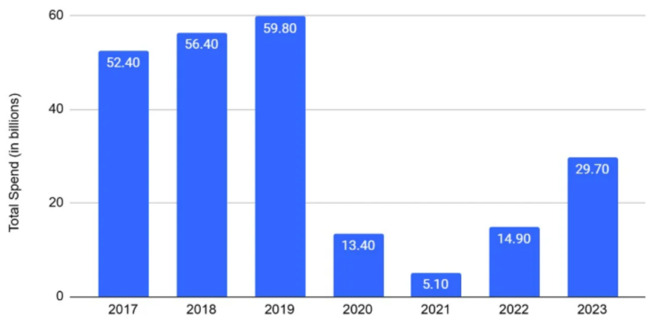
Coupled with higher government spending, stimulus packages, and stronger exports, we think the THB1.8tr revenue from tourism will support Thailand's GDP growth at 2.8% in 2024E and 3.2% in 2025E.

Exhibit 34: Number of monthly tourism arrival



Sources: Thailand Ministry of Tourism and Sports

Exhibit 35: Tourists spending in Thailand



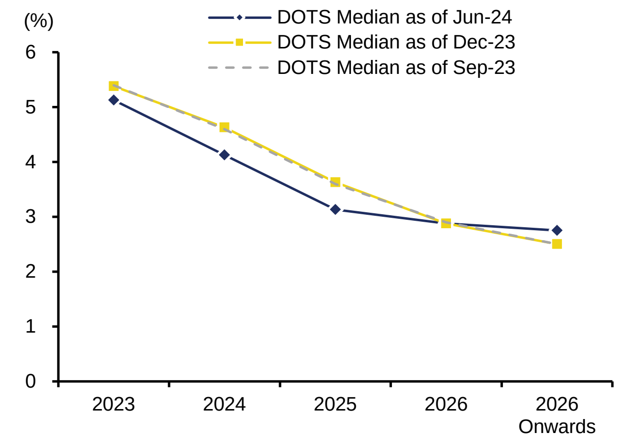
Sources: Thailand Ministry of Tourism and Sports

Driver#4: lower interest rate by 0.5% pts in 2025E.

Last but not least driver for our SET index and earnings recoveries for the corporations in Thailand will be the projected BoT's lower policy interest rate by 0.5% pts in 2025E following Fed's 1.0% pts cut in 2025E after the US inflation is now under control.

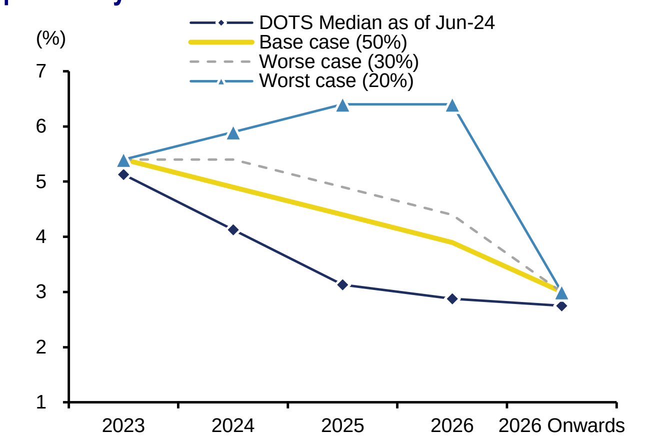
According to the latest DOTS the market now expects Fed to lower its rate from 4.75% to 4.25% by the end-2025E, to 3.0% at the end-2026E, reversing the previous bullish view that projected Fed's rate to drop to 2.5% in 2026E.

Exhibit 36: DOTS Fed's policy rate projections by times



Sources: FOMC

Exhibit 37: DOTS Fed's policy rate projections by probability

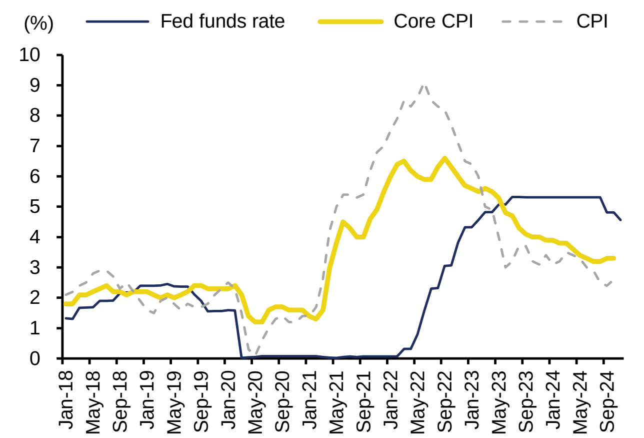


Sources: FOMC

While it is now safe to say that US is now successfully curbing the inflation, we think the risk is looming from Trump 2.0's policies of tariff hikes and mass deportation, which could reignite a high inflation outlook that in turn could lead to a new round of Fed fund rate's hike.

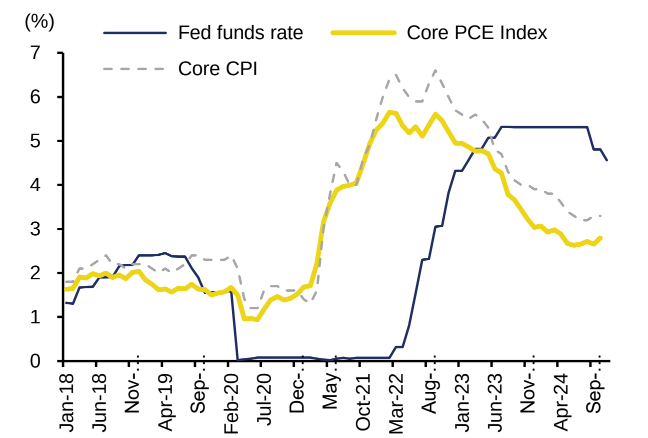
Under the circumstance that Fed will gradually reduce its policy rate towards 4.0% in 2025E and 3.0% in 2026E, we think Bank of Thailand (BoT) should decrease its policy rate by 0.5% pts to 1.75% by the end of 2025E and likely into 2026E. This rate reductions should bode well for the lower cost of fund, higher liquidity, and stronger economic growth on rising consumer spending and corporates' investments.

Exhibit 38: Fed fund rate vs US core CPI and CPI



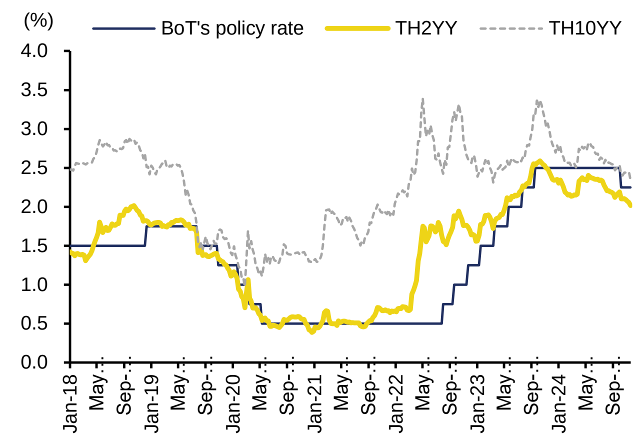
Sources: Bloomberg

Exhibit 39: Fed fund rate vs core CPI and core PCE



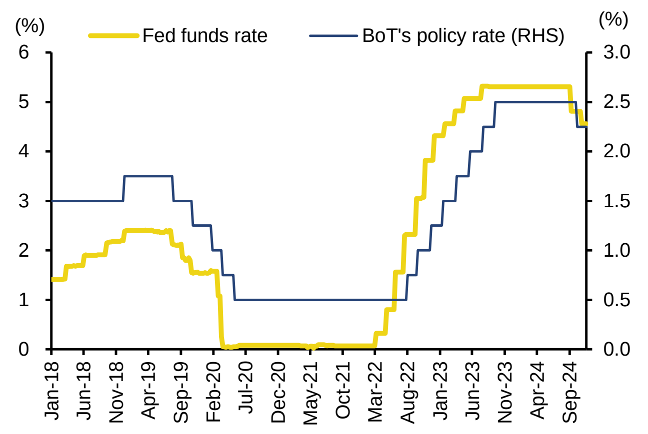
Sources: Bloomberg

Exhibit 40: BoT's policy rate vs Thai bond yields



Sources: Bloomberg

Exhibit 41: Fed fund rate vs BoT's policy rate

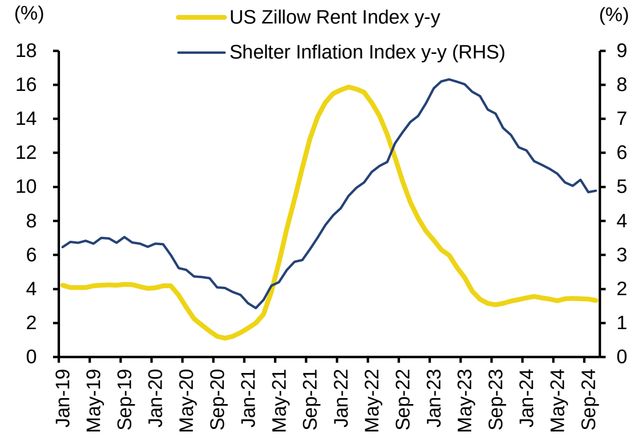


Sources: Bloomberg

Ironic implications from Trump 2.0's policy. We highlight that under multiple key policies of Trump 2.0, there could be hedging policies for the inflation. That is, the policies of deregulations for energy and housing industries aimed at reducing the house prices and propel the energy productions could offset the inflations from mass deportation and import tariff hikes.

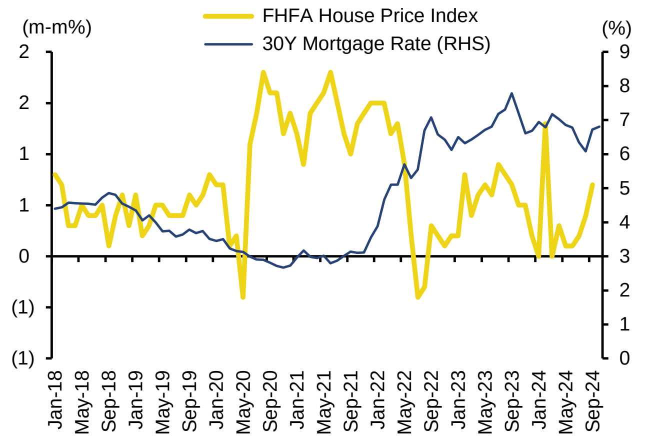
If Trump succeeds in curbing the housing prices and rental expenses, the inflations – CPI and PCE – could drop sharply given the large impact over 2/3 of CPI and PCE come from shelter index, which in turn is driven by the Owner Equivalent Rental (OER, 80% weight), rental expense (19%), and housing insurance (1%).

Exhibit 42: US rental housing indexes



Sources: Bloomberg

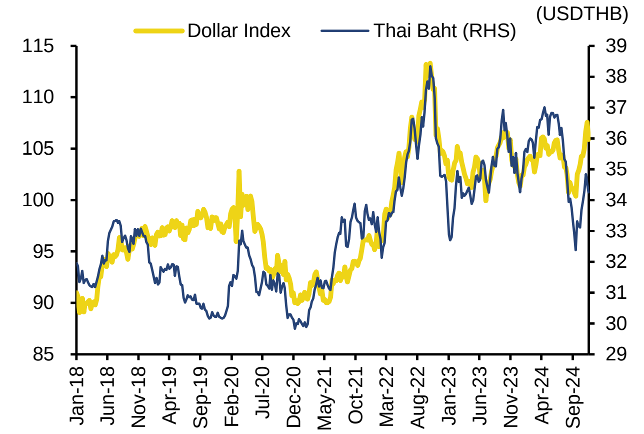
Exhibit 43: US housing price indexes



Sources: Bloomberg

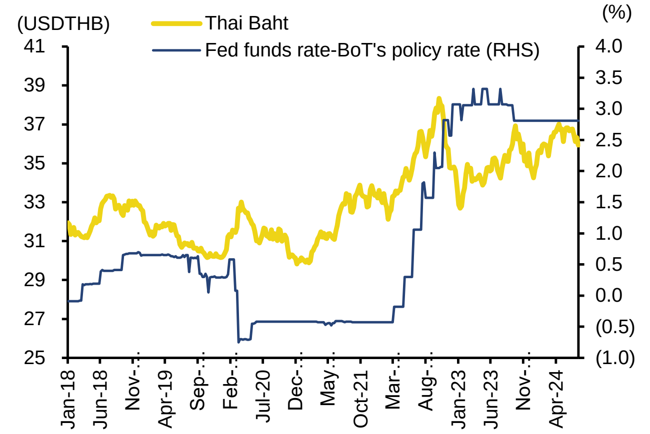
We project Thai Baht to move within THB33/USD to THB36/USD given BoT's strong balance sheet, Thailand solid current account, improving exports, declining imports mainly from the lower crude oil price, and rising revenue from tourism.

Exhibit 44: Dollar index vs Thai Baht



Sources: Bloomberg

Exhibit 45: Thai Baht vs interest rate differential



Sources: Bloomberg

Prefer bottom-up plays

Top picks are two domestic and four commodities

In December 2024 we think the global commodity plays with structural changes that favor high and sustained commodity prices (NER, STGT), lower costs (SPRC, BBGI), and improving margins (PTG, CPALL).

With less than 40 days before Trump will return to his second term for US president, there are many risks looming from his power to sign executive orders as laws. While we think in short-term, most policies under Trump 2.0 will benefit US economy and global financial market as a whole (tax reductions, deregulations of housing and energy sectors, and Ukraine war end), we think the risks remain high from his policies of import tariff hikes, mass immigrant deportations, and Iran's energy sanctions. Hence, we forecast a limited upside for SET index but selectively choose out top picks on bottom-up basis.

Exhibit 46: Top picks in December 2024

	Stocks	Rating	Target price	
1	NER	Buy	8.0	Capacity expansion, rising rubber price
2	STGT	Buy	14.0	Capacity expansion, higher margins
3	PTG*	NA	10.19*	Improving market margin and sales volume
4	SPRC	Buy	9.4	Lower cost, higher utilization rate and GRM
5	BBGI*	NA	9.40*	Lower molasse cost, SAF net profit growth
6	CPALL	Buy	75.0	Strong SSSG

*Bloomberg target price
Sources: Globlex Research

Exhibit 47: Key top pick data

Company BBG	Rec	Share Price (LCY)	Target price (LCY)	Upside (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE 24E (x)	PE 25E (x)	ROE 24E (%)	ROE 25E (%)	PBV 24E (x)	PBV 25E (x)	EV/EBITDA 24E (x)	EV/EBITDA 25E (x)
NER TB	BUY	4.82	8.00	66	264	21.1	4.7	4.2	23.9	22.9	1.0	0.9	10.5	11.5
STGT TB	BUY	10.90	14.00	28	926	124.5	36.4	18.8	2.3	4.5	0.9	0.8	43.7	23.3
PTG TB	NA	8.40	NA	NA	421	15.6	12.1	10.7	13.0	13.5	1.5	1.4	6.0	5.7
SPRC TB	BUY	7.00	9.40	34	912	286.8	16.6	8.0	4.9	9.5	0.8	0.7	9.5	5.4
BBGI TB	NA	4.12	NA	NA	179	330.9	14.4	6.3	4.3	9.3	0.6	0.6	6.6	6.8
CPALL TB	BUY	62.75	75.00	20	16,775	20.3	22.0	19.7	23.4	22.7	4.4	3.9	20.1	20.1
Thailand avg					**19,477**	**21.3**	**21.9**	**18.6**	**21.2**	**20.9**	**3.9**	**3.5**	**20.1**	**19.0**

* Price as of 9 December 2024
Sources: Bloomberg, Globlex Research

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RECOMMENDATION STRUCTURE
Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.