

# UNCERTAINTY ABOUT QE KEEPS INVESTORS ON EDGE

## MARKET MONITOR

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**Recap:** Markets in Thailand and Asia fell last Thursday in line with Wall Street after minutes of the most recent Federal Reserve meeting showed some policymakers wanted the Fed to slow or stop its bond-buying programme sooner than expected. The Fed's quantitative easing (QE) has created hundreds of billions of baht of liquidity, a lot of which has poured into emerging markets over the past year.

The SET Index traded in a range of 1,519.86 and 1,547.33 points and rallied on Friday to close at 1,540.13, up 1.2% from the previous week, with daily average turnover of 62.28 billion baht.

Foreign investors were big net sellers of 5.97 billion baht and are now net sellers for the year. Retail investors were net buyers of 2.95 billion baht, brokers 645 million and local institutions 2.99 billion baht.

**Big movers:** PTT closed at 349 baht, down 2.2% from the previous week. CPALL fell 1.5% to 47.75 baht, and SCB closed down 14.4% at 178 baht. Bangkok Land (BLAND) ranked first in value and volume, closing last week at 2.06 baht, down 0.96%. Thaicom (THCOM) gained 15.2% to 28 baht.

**Newsmakers:** Markets were rattled on Wednesday when minutes of the January Fed meeting indicated members were concerned about "the potential costs and risks arising further from asset purchases". This sparked concerns that the Fed might wind down QE this year, although some Fed members said it would remain in place for a "long time". Analysts suggested fears of an early end to QE are overblown.

◆ US weekly initial jobless claims rose by 20,000 to 362,000, showing a slowing recovery in the labour market.

◆ The US dollar continued to strengthen on expectations the Fed

might slow QE which would curb fund flows into risky assets.

◆ The euro zone manufacturing purchasing managers' index (PMI) slipped unexpectedly to 47.8 in February from 47.9 in January, showing a slight decline in the economic recovery. The services PMI fell to 47.3 from 48.6.

◆ The SET said cash balance accounts will be required from Feb 26 to March 15 for stocks including AKR, GRAND, LL, PPP and SYNTEC.

◆ The Bank of Thailand's Monetary Policy Committee maintained the policy interest rate at 2.75% on Wednesday with a 6:1 vote, reasoning that the current rate is suitable for a growing economy and would help prevent a rally in asset prices that might lead to a bubble.

◆ The SEC has approved tightened rules on advertising and sales promotions for financial products, saying all ads must highlight features and provide details on returns, payment conditions and risk.

◆ PTTEP may buy additional shares in Mozambique's Rovuma offshore field if other shareholders want to sell. It now owns 8.5% of the project through Cove Energy, which it acquired last year for US\$1.9 billion. Videocon, which owns 10%, wants to sell all its shares, while Anadarko, with 36.5% ownership, reportedly plans to give up a 10% stake.

◆ SNC Former Plc, the SET-listed maker of air-conditioner parts, plans to spend 700 million baht for a new factory in Rayong, with 500 million to make heat exchangers and the rest going to machines for plastic parts, auto parts and electronics. Funding will come from cash flow and bank loans.

◆ True Move will launch the country's first fourth-generation (4G) commercial mobile service on the international standard 2100-Megahertz frequency in April in a bid to stay ahead of bigger rivals.

◆ Skytrain operator BTS is considering passing the cost of the minimum wage increase onto commuters by increasing fares, possibly around May.

◆ GMM Grammy Plc, the country's largest entertainment company, is

considering the acquisition of Spring News to add more content and sell programmes to others.

◆ Ratchaburi Electricity Generating Holding Plc (RATCH) has set aside 10 billion baht this year to fund ongoing and new projects, both at home and abroad.

◆ Siam Future Development Plc (SF) plans to double its domestic retail development business over the next five years, developing two or three new shopping complexes a year.

**Coming up this week:** The results of Italy's election on the weekend could set the tone for trading early in the week, especially if big-spending former premier Silvio Berlusconi returns.

◆ US Democrats and republicans continue to fight over deficit reduction, with yet another deadline looming on Friday for automatic spending cuts.

◆ The Bank of Thailand and the Fiscal Policy Office will release January economic data on Thursday.

**Stocks to watch:** Maybank Kim Eng Securities (Thailand) recommends a portfolio weighting of 45% equities and 55% cash.

Investors can speculate more whenever the SET falls to 1,530 or below during trading hours. It suggests a speculative buy in THAI, while other stocks worth adding to the portfolio include VNT, MAJOR, SPCG, BTS, IRPC, RCI, BCP, KK, PTT, MFEC and LOXLEY.

◆ Kasikorn Securities recommends short-term investment in CFRESH and SVI, and medium-term investments in MAJOR, KCE, MK, CCET, SAT and TK.

**Technical view:** Asia Plus Securities sees support at 1,515 and resistance at 1,560. Kasikorn Securities sees support at 1,518 and resistance at 1,558.