

Thailand Strategy

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News Update

US-China trade de-escalation

- **The US temporarily cuts import tariff on China to 30%**
- **Despite still a lot of uncertainties, this is good news**
- **Major implications to Thailand if this is permanent**
- **We list some stocks to play on this news**

The US and China agreed during the weekend to de-escalate the trade war with a temporary (90-day) reduction of reciprocal tariffs. During this 90-day break, the US will impose a 30% reciprocal tariff (from 145%) on imports from China and China will impose a 10% tariff (from 125%) on imports from the US.

The degrees of the tariff cuts were larger than the market had expected and it was good news. Despite there're still a lot of uncertainties with the cuts being temporary, we expect the market to draw some positive implications from it.

- *First*, the US seems to have softened its stance significantly and this 30% rate, if becoming permanent, on the US's main targeted country can imply a far lower rate to other countries. This can reduce degree of a global slowdown.
- *Second*, if assuming that China+1, including Thailand, is imposed a tariff rate of 15% or half of the rate on China, risk of FDI and trade flow change from China+1 countries to other production bases in the world is minimized significantly. Assuming that other countries and regions are imposed with the current 10% tariff, the 5% tariff premium on imports from China+1 shouldn't be significant enough to make FDI and export flows change. At the same time, China itself is still imposed with a higher tariff than most countries which means it still needs to diversify production base away to other countries.
- *Third*, on our rough estimate, a 10-15% import tariff on Thailand could push up Thai GDP growth back to 2.0-2.2% p.a. from our current forecasts of 1.5/1.4% in 2025-26F. Also on a rough estimation, our SET target would have an upside to 1,360 from the current target of 1,220. This assumes market earnings growth of 2% against the current forecast of 3% contraction and assumes a re-rating of PE from the current 15x to 16x, which was the lower bound of the past 10-year range of 16-20x. Note that the key barrier to optimism on the domestic economy remains the tight lending market and the lack of help from the wealth effect.
- *Lastly*, most of the global markets played on the trade de-escalation news yesterday and we expect the SET to play a catch-up today. The energy sector is likely to go up given it is considered commodities and China linked. However, our view remains that the sector's fundamentals are weak even without the trade war. To be on the safe side, we prefer to play this good news via our current top picks list of AMATA, COM7, CPALL, CPAXT, CPN, MOSHI, MTC, TRUE and ADVANC. Big banks can be played on expectation of slower fall in policy rate. On top of that, a good leverage to this news is on WHA, ROJNA, and MINT. The electronics sector is expected to go up too but note that the sector has already been significantly re-rated recently after DELTA's strong 1Q25 results and the news on the US-UK deal and potential US-China talks. We expect KCE's and HANA's 1Q25F results to remain weak.

Top Picks

	-EPS growth-		— PE —		Yield
	25F (%)	26F (%)	25F (x)	26F (x)	25F (%)
3BBIF	9.0	1.7	7.4	7.2	10.8
ADVANC	7.9	11.9	23.4	20.9	3.8
AMATA	(17.9)	(3.7)	8.9	9.3	3.4
COM7	16.9	15.5	13.1	11.3	4.8
CPALL	15.0	19.7	16.3	13.6	3.1
CPAXT	23.1	27.3	19.3	15.2	3.6
CPN	(5.2)	15.0	14.7	12.8	4.1
MOSHI	23.1	25.2	22.5	18.0	2.3
MTC	13.7	16.3	13.8	11.9	0.7
TRUE	51.8	48.4	29.2	19.7	0.3

Source: Thanachart estimates

Based on 9 May 2025 closing prices

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