Fed Can't Ease Freely, But Thailand Might

- U.S. rate cuts are unlikely in the near term as tariff-driven inflation pressures return.
- Thailand is easing rates, but weak growth and political risks limit near-term upside.
- We recommend DELTA, MTC, and utilities like GPSC, GULF, and BCPG.

U.S. Inflation Not Done – Cuts Face Resistance

Markets are still clinging to the idea of a soft landing and imminent Fed rate cuts. But July's PPI spike (+0.9% m-m) throws cold water on that view. The surge—partly tariff-driven—suggests input cost inflation is reaccelerating. This comes just as CPI had shown signs of cooling, but that may prove short-lived. We believe the Fed may pause longer than expected, especially as longer-term yields (10–30yr) rise on inflation fears. Trump's push for rate cuts may prop up short-term market sentiment, but structural inflation remains unresolved.

U.S. Markets: Rallies on Shaky Ground

GDP looks strong, but under the hood the U.S. economy is far from robust. Housing is frozen due to high mortgage rates, and equity gains are highly concentrated in a few megacaps. Meanwhile, the U.S. Treasury is issuing more short-term T-bills to avoid locking in high long-term rates—raising rollover risk. If inflation sticks, the Fed may be forced to hold rates while yields push up, creating a mismatch in market expectations. Equity volatility is likely to return if CPI surprises to the upside in August.

Thailand: Dovish Room, But No Growth Catalyst Yet

Thailand, in contrast, is leaning into rate cuts. The BoT trimmed its policy rate to 1.50%, with more easing expected under incoming governor Vitai. However, GDP growth remains weak, and fiscal execution lags. Despite lower rates, domestic investment and consumption haven't recovered. Political uncertainty also persists, with major decisions pending on cabinet reshuffles and potential judicial rulings. Still, Thailand is not fighting inflation—it's fighting stagnation—and monetary easing is the only lever left.

THB/USD & Capital Flow Implications

The Thai baht has strengthened back to the 32.4–33.0 range, up ~7% from last year's lows. This strength could cap export momentum, especially if it appreciates toward 31–32. From a fund flow perspective, stronger THB erodes USD-based return potential, unless equity upside is compelling. Meanwhile, the Fed's inability to cut quickly may keep the USD supported, limiting aggressive baht appreciation. We believe the current THB level creates a "wait-and-see" environment—not yet a clear greenlight for foreign inflows, unless Thai earnings or macro surprises to the upside.

Top Picks – Focus on Domestic Resilience and Rate Sensitivity

In this environment, we recommend focusing on Thai stocks that combine structural growth with clear sensitivity to domestic rate cuts. **DELTA** remains a top pick, benefiting from robust global electronics demand, export competitiveness, and a weaker dollar backdrop. For the non-bank financial sector, **MTC** stands out due to its scalable lending model, improving asset quality, and direct benefit from lower funding costs as policy rates ease. On the defensive side, we favor utilities such as **GPSC, GULF, and BCPG**, which offer stable earnings through long-term power purchase agreements and attractive yield profiles that become more compelling in a low-rate regime. Together, these names offer a balanced mix of resilience and upside potential as Thailand enters a more accommodative monetary phase.

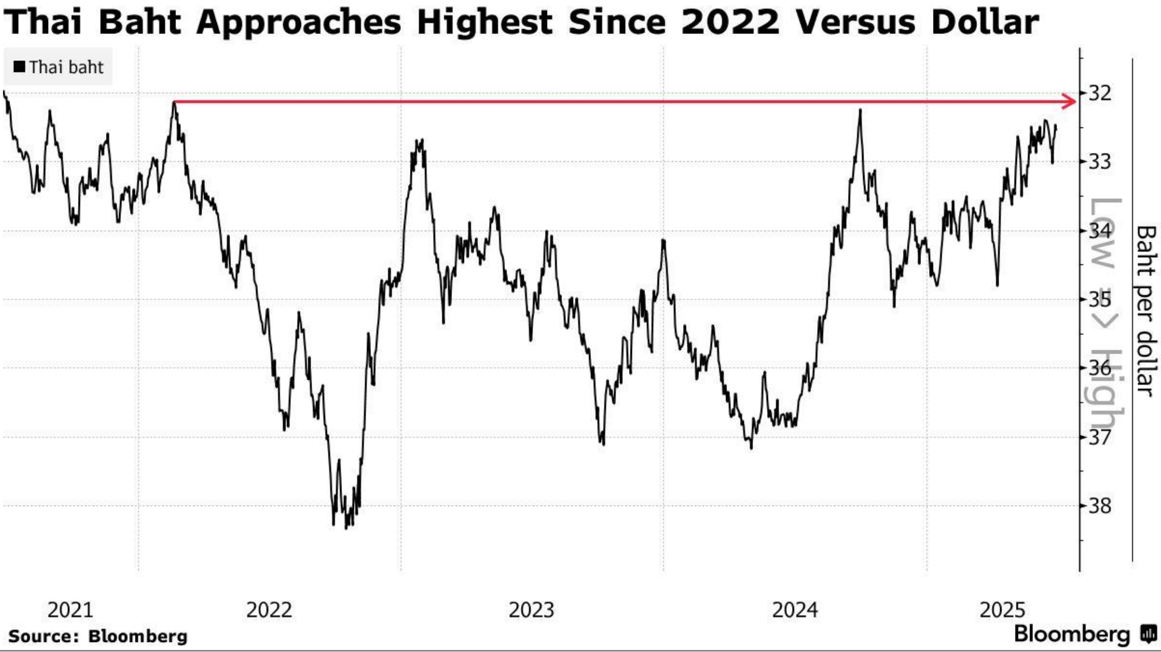
Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Assistant Analyst

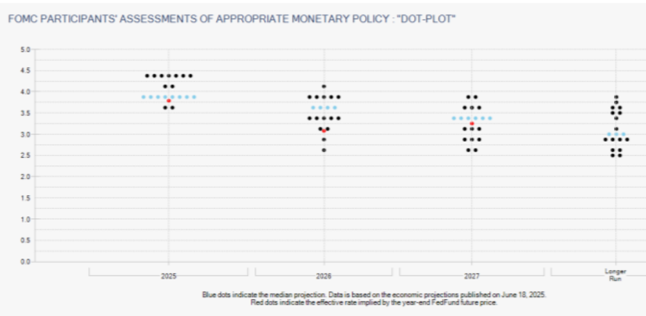
Peerayu Sirivorawong

Exhibit 1: Thai Baht Appreciation Trend



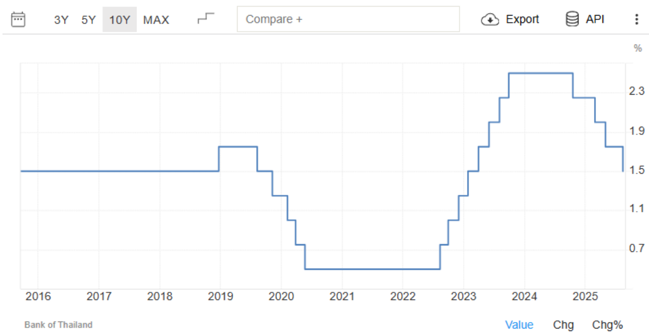
Sources: Bloomberg

Exhibit 2: CME FED Dot Plot



Sources: cmegroup

Exhibit 3: Thailand Interest Rate over 10Y

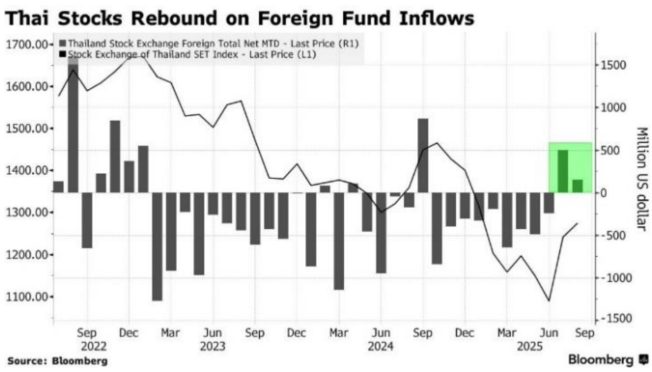


Sources: Tradingeconomic

Exhibit 4: Monetary Policy Direction: Views from Vichai

Sources: Nationthailand

Exhibit 5: Net Foreign Investment Trend



Sources: Bloomberg

GENERAL DISCLAIMER
Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

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.