The Week of Reality Checks

- U.S. CPI is the key near-term switch for Thai market risk appetite.
- Limited growth visibility favors dividends, essentials, and tactical seasonal rotations.
- We recommend **BBL, TISCO, CPALL, AOT and MTC.**

Global Backdrop: The CPI "Risk Switch

The market enters a decisive event-driven week, with Tuesday's U.S. CPI release (Jan 13) acting as the key determinant for near-term risk appetite. While the latest NFP report was consistent with a soft-landing narrative, U.S. Treasury yields remain elevated around 4.16%, signaling lingering skepticism. We view this CPI print as a near-binary switch for Q1 flows. A softer outcome would reinforce disinflation and open a tactical window for EM beta, while an upside surprise would favor defensive carry strategies. Investors should remain positioned but ready to adjust quickly.

Sector Watch: TISCO and the "Dividend Shield" Test

Domestically, attention turns to the banking sector's earnings kickoff this Wednesday, with TISCO as the key bellwether. In an environment of limited organic growth, investors are prioritizing payout visibility over loan expansion. TISCO's results represent a test of the sector's "Dividend Shield." A defended payout ratio would reinforce banks as credible safe-haven assets and help stabilize broader market sentiment. We view this earnings event as an important anchor for the SET during a volatile macro week, with dividend yield providing meaningful downside support.

The Consumption Paradox

The decline in December Consumer Confidence to 51.9 appears negative at first glance but creates a more targeted allocation opportunity. Weak sentiment strengthens the relative case for Consumer Staples over discretionary exposure, as fragile confidence increases the likelihood of policy-driven support ahead of the February election. Rather than betting on a broad recovery in household spending, we prefer exposure to essential consumption where cash flow is less sensitive to sentiment swings. This favors names such as CPALL, making this a relative rotation rather than a call on headline consumption growth.

Seasonal Dynamics: The "Golden Week" Monetization

With Chinese New Year (Feb 17) approaching, the tourism theme is transitioning from anticipation to monetization. Forward booking indicators expected in the coming weeks should confirm the high-season uplift, but strength should now be used selectively. We view tourism as a tactical trade rather than a structural allocation, favoring laggard beta overcrowded positions. Hotel operators with higher operating leverage remain better positioned for catch-up moves, while AOT serves as a useful liquidity and volume confirmation tool. Discipline is warranted as seasonal optimism becomes increasingly priced in.

Recommendations

We recommend a barbell strategy to navigate CPI-driven volatility. In Banking, **TISCO** and **BBL** form the defensive core, offering dividend visibility and income support; TISCO is favored tactically ahead of earnings. In Staples, **CPALL** remains our top pick, benefiting from rotation into essentials and election-related liquidity. In Tourism, **AOT** should be maintained as a tactical position into the Chinese New Year period with tighter risk controls. In Finance, **MTC** remains a rate-sensitive holding, though exposure should be trimmed if CPI surprises to the upside.

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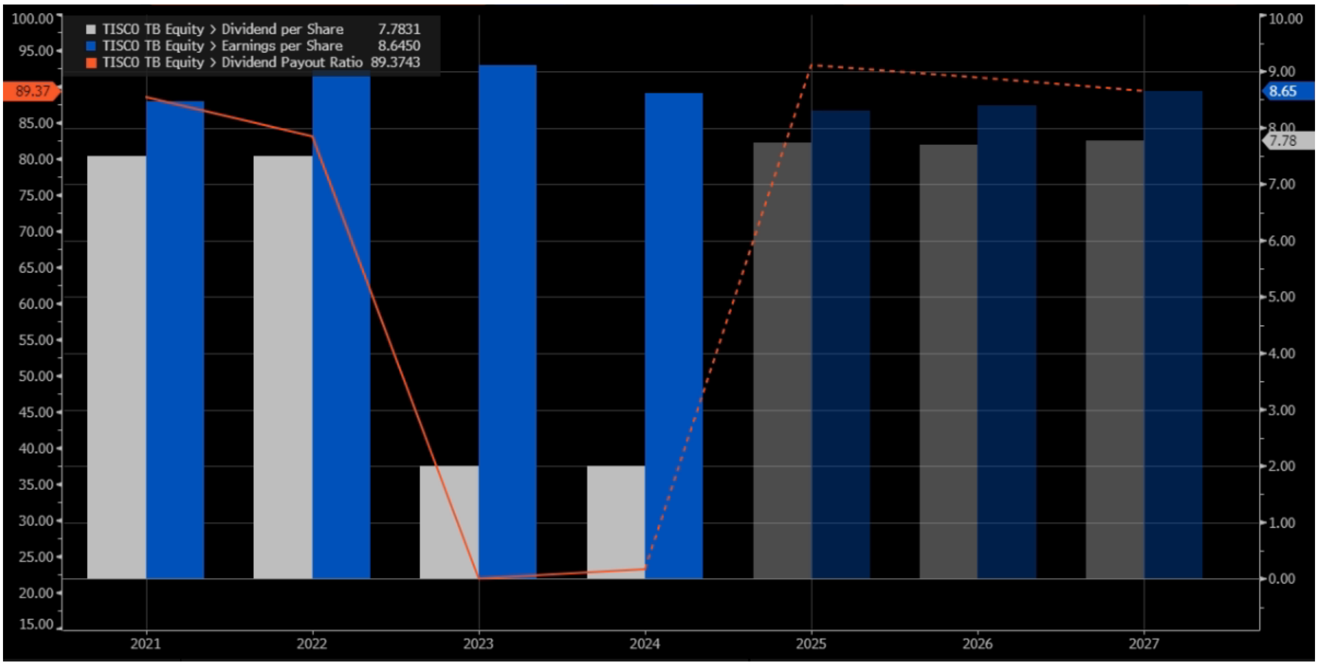
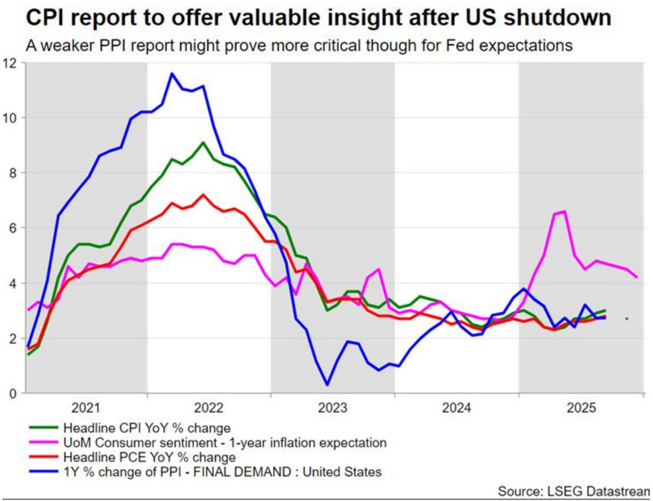
Exhibit 1: TISCO: Earnings, Dividends, and Payout Ratio Trend



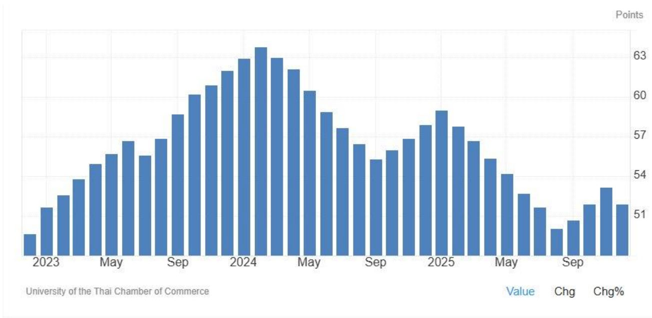
Sources: Bloomberg

Exhibit 2: CPI, PPI, and the Fed's Next Signal



Sources: Investing

Exhibit 3: Thailand Consumer Confidence Trend



Sources: Tradingeconomics

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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.