The Final Liquidity Transfer

- This is a cash-rotation week, not a breakout week for Thai equities.
- Election liquidity boosts consumption, while financial market liquidity temporarily thins.
- We recommend **BBL, CPALL, and MTC**.

ISM to NFP — A Positioning Week

Global markets enter a classic liquidity and positioning week, rather than a trend-driven environment. The calendar is bookended by U.S. activity data, starting with ISM Manufacturing (Mon, Feb 2) and culminating in Non-Farm Payrolls (Fri, Feb 6). With the Fed reiterating a data-dependent stance, investors are likely to reduce gross exposure and raise cash ahead of Friday's binary outcome. In this setup, capital tends to park in low-beta assets, while growth chasing remains limited until post-NFP clarity emerges.

The "Cash Liquidation" Divergence

As Thailand enters the final five days before the Feb 8 election, a clear divergence is emerging between cash in the real economy and liquidity in financial assets. Reports that the Bank of Thailand is monitoring elevated cash withdrawals reinforce the view that physical money velocity is accelerating for last-mile campaign activity. This results in a temporary liquidity drain from equities as funds are mobilized into the informal economy. Importantly, this is a transfer rather than capital flight, benefiting Commerce and Staples even as market volumes thin.

From Defensive Hedges to Yield Assets

Recent weakness in gold prices suggests a gradual rotation away from defensive hedges as recession risks ease. While not a broad risk-on signal, the reduced appeal of non-yielding assets reinforces investor preference for quality yield over high beta. In Thailand's current policy and election backdrop, this favors assets that combine income visibility with balance-sheet strength. We expect any incremental reallocation out of gold to gravitate toward Banking and high-yield Finance, helping stabilize the SET Index amid global macro volatility.

Economic Reality: The "Lowflation" Floor

Thailand's negative inflation outlook for early 2026 reinforces the "Lowflation Trap" narrative. While structurally challenging for growth, this environment effectively caps domestic bond yields and sustains accommodative financial conditions. For equity markets, this supports selective exposure to rate-sensitive sectors, particularly Non-Bank Finance, where funding costs remain contained. The lowflation backdrop also strengthens the appeal of dividend-paying equities as equity bond proxies, providing downside support during a week dominated by cash conservation and event risk.

Recommendations: The "Election & Yield"

We recommend a barbell portfolio that captures election-driven cash transfer while defending against NFP volatility. **CPALL** remains the clearest beneficiary of grassroots cash circulation during the final campaign stretch. **BBL** is our top pick, acting as a cash substitute with dividend yield and balance sheet resilience. **MTC** offers tactical exposure to the lowflation rate cycle, with margin dynamics intact.

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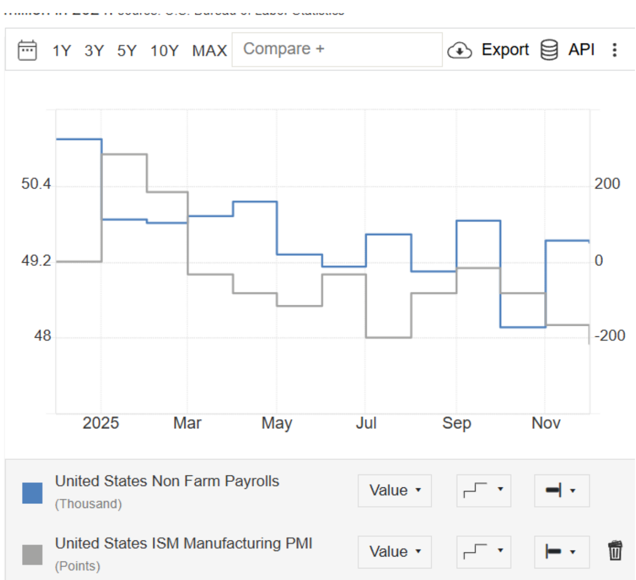
Exhibit 1: Thailand Economic Outlook 2025–2026

Sources: The Fiscal Policy office Ministry of Finance

Exhibit 2: U.S. Labor vs. Manufacturing Momentum



Sources: Tradingeconomics

Exhibit 3: NIDA Poll: Public Support for Prime Ministerial Candidates and Political Parties (January 2026)

Sources: NIDA

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Analyst Certification

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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.