The Stagflation Trap & The Parliament Reality

- Sustained $90+ oil creates stagflation, forcing a Fed hawkish pause.
- Surging energy imports drain Thailand's fiscal space for new infrastructure.
- We recommend **PTTEP**, **PTT**, **TOP**, **SPRC**, **KTB** and **BBL**.

The Fed Meets the Geopolitical Premium

Global markets face a hyper-sensitive week as the Federal Reserve's FOMC meeting collides with the Middle East oil shock. With Brent crude entrenched above $90, the geopolitical "war premium" has morphed into a structural stagflation threat. This energy spike effectively boxes in Jerome Powell; the Fed cannot safely execute rate cuts while upstream inflation surges. Consequently, we expect a hawkish pause that keeps the US Dollar (DXY) elevated as a safe haven, acting as a wrecking ball for emerging market liquidity and capping cyclical rallies.

Thailand's Energy Squeeze & Fiscal Drain

Domestically, sustained $90+ crude acts as a structural tax on Thailand's economic recovery. As a heavy net energy importer, the surging import bill directly threatens the Current Account, placing severe depreciatory pressure on the Thai Baht. This FX vulnerability boxes in the Bank of Thailand, which cannot cut rates while defending against imported inflation. Furthermore, the state's Oil Fuel Fund is hemorrhaging capital to cap retail diesel prices, effectively cannibalizing the government's fiscal space and restricting capital available for aggressive economic stimulus.

Parliament Convenes Under Pressure

Against this harsh economic backdrop, the newly cemented Bhumjaithai-Pheu Thai super-coalition convenes its first official parliamentary session this week. The market is abruptly shifting its focus from coalition math to actual fiscal capability. Because state funds are being diverted to subsidize energy and stabilize the Baht, expectations for sweeping, immediate infrastructure mega-projects must be forcibly dialed back. We anticipate this inaugural parliament will prioritize defensive, targeted cost-of-living handouts over aggressive GDP-growth initiatives, effectively capping the near-term upside for domestic cyclical sectors.

Yield Defensives & The Oil Proxy

In a flow-starved, high-rate environment, broad market outperformance is nonexistent; alpha is found purely in structural hedges. Upstream energy and complex refining remain the only sectors capturing direct earnings, upgrades from the geopolitical premium and inventory stock-gains. Concurrently, the "higher for longer" global rate reality and the BoT's inability to cut rates provide a hard floor for large-cap commercial banks, protecting their Net Interest Margins. Conversely, sectors caught in the crossfire of high fuel costs—specifically aviation and logistics—face inescapable margin destruction.

Strategy and Recommendations: Building the "Stagflation Fortress"

To navigate this constrained environment, we recommend a strictly defensive, yield-centric portfolio. Maintain maximum overweight positions in energy (**PTTEP, PTT**) and refiners (**TOP, SPRC**) to continuously monetize the $90+ Brent crude reality. Aggressively accumulate large-cap banking (**BBL, KTB**) as the premier defensive anchor, capturing sustained high yields. Given the fiscal drain from energy subsidies, we recommend trimming exposure to contractors (STEC, CK) until infrastructure budgets are explicitly secured. Maintain a strict avoid on aviation (AAV) and US-exposed exporters facing ongoing margin volatility.

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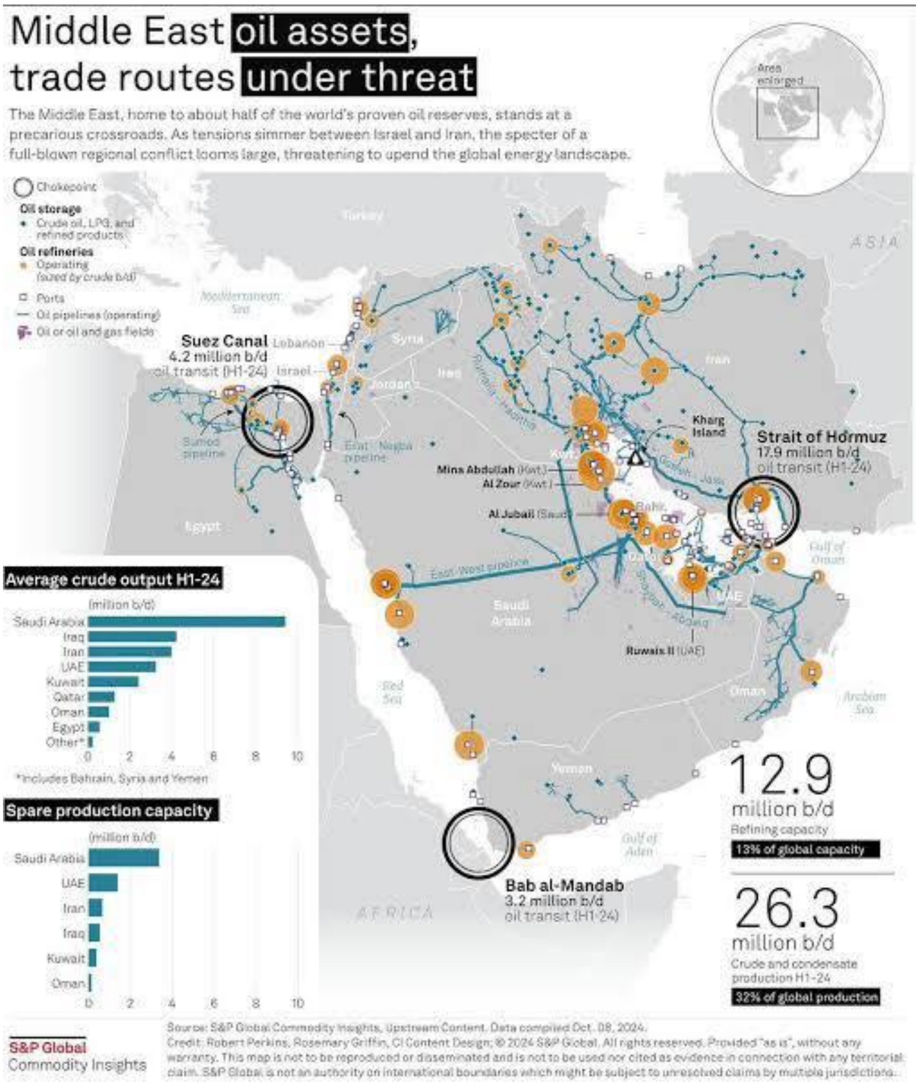
Exhibit 1: Key Middle East Energy Assets and Trade Routes

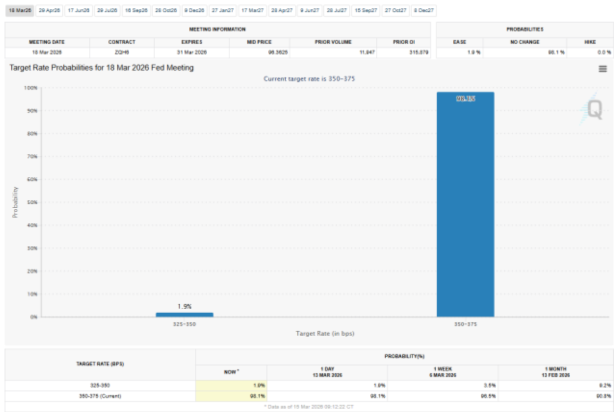


Sources: spglobal

Exhibit 2: Thailand Oil Reserve

Sources: Khaosod English

Exhibit Fed Policy Rate Probability for FOMC Meeting on 18 Mar 2026



Sources: CMEgroup

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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.