Alpha in the Crosshairs: Contrarian Cruises and Baidu Rebound

- US-Iran conflict has ignited stagflation fears, creating near-term risk for US equities.

- We favor tactical entry into Cruise Lines on the selloff.

- BIDU80 is our weekly DR pick — an attractive entry into China's AI and Robotaxi.

Why the S&P 500's Resilience May Be Tested

The ongoing US-Iran conflict remains the dominant market narrative. While we expect it to be contained within 1–2 months, near-term uncertainty has been sufficient to reignite stagflation fears, echoing the 2022 Russia-Ukraine shock when oil exceeded $120/barrel. Brent has already surged above $100/barrel following the Strait of Hormuz closure, compressing consumer sentiment and complicating the Fed's rate path at a time when core PCE inflation remains well above the 2% target. Despite the escalation, US equities have shown relative resilience — the S&P 500 sits only ~5% below its high. However, with the war lacking a clear resolution, we see growing risk of a near-term correction as the macro drag from higher energy costs begins to filter through corporate earnings and consumer spending.

Contrarian Cruise Plays

On sector rotation, we anticipate sustained fund flows into **Energy**, **Defense**, and **Nuclear/Utilities** as direct beneficiaries of the conflict and elevated oil prices. Conversely, we expect continued outflows from **Airlines** and **Cruise Lines** — both acutely sensitive to fuel cost spikes — and selectively from **Tech**, where geopolitical risk adds a further layer of uncertainty on top of already-elevated valuations. Especially the current selloff in **Cruise Lines** as a tactical **entry opportunity**. **Carnival (CCL)** and **Royal Caribbean (RCL)** have corrected ~20% MTD, in our view over-discounting a fuel cost spike that we expect to be temporary. As oil prices normalize post-conflict, we believe both names are well-positioned to re-rate toward pre-war levels, supported by still-resilient travel demand fundamentals. We favor accumulating on weakness.

The Structural Bull Case: HBM Demand and the AI Buildout

For the **medium term**, we are constructive on memory — **Micron (MU)**, **SK Hynix**, and **Samsung** — as the memory supercycle thesis remains intact, underpinned by AI-driven DRAM and HBM demand that we believe is structural rather than cyclical. Near-term volatility from the macro environment may create further attractive entry points. For the **long term**, we remain bullish on AI ecosystem winners and infrastructure plays. The current geopolitical and macro noise does not, alter the multi-year trajectory of AI CAPEX and the broader buildout of compute, power, and networking infra. We would use any meaningful correction as an opportunity to add to high-conviction names.

FOMC Watch: Sticky Inflation and the Repricing of Rate Cuts

We remain cautious on AI-vulnerable SaaS stocks like Adobe (ADBE); despite a top- and bottom-line beat consensus, Q2 revenue guidance ($6.43–$6.48b), the projected 9-10% y-y growth implies a continued deceleration, further compounded by the CEO's unexpected departure. For the week ahead, the 18 March 2026 FOMC meeting is the primary macro catalyst. While rates are expected to remain unchanged, sticky energy costs may force markets to price out projected 2026 rate cuts.

DR Pick: BIDU80, TP of THB7.20 (HKG: 9888 at HK$173.5, HKD/THB at THB4.2)

We reiterate BIDU80 as DR pick with a TP of THB 7.20. The stock's recent 23% correction presents a compelling entry point. We view this sell-off as an overreaction driven by profit-taking and geopolitical noise rather than any fundamental deterioration, with our conviction remaining anchored on Baidu's AI and Robotaxi monetization.
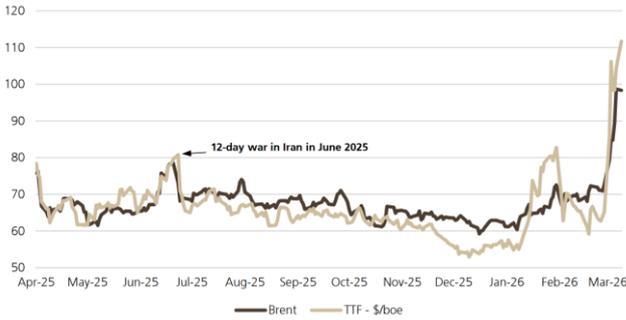
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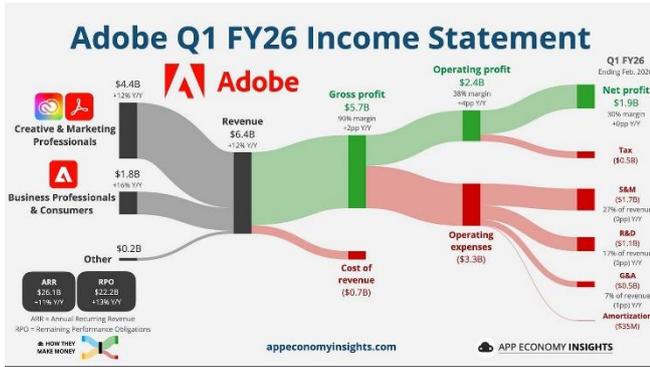## Exhibit 1: Brent and TTF gas prices ($/boe)

Sources: UBS

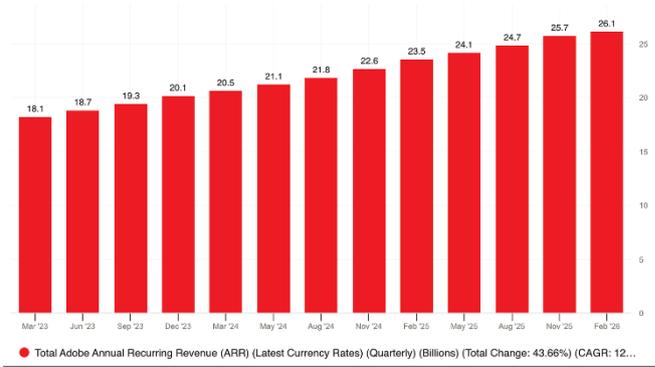## Exhibit 2: Oil Price (Brent) forecasts ($/bbl)

Sources: UBS

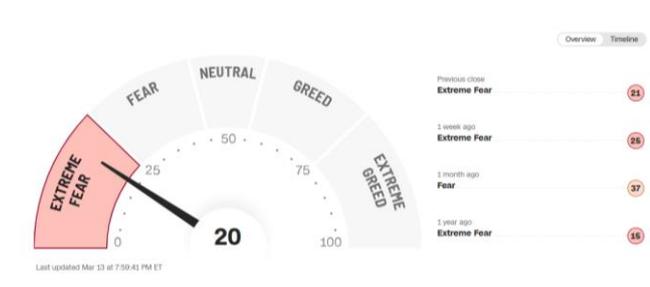## Exhibit 3: CRWD80's Annual Recurring Revenue

Sources: App Economy Insights

Exhibit 4: Adobe's Annual Recurring Revenue ($ billion)
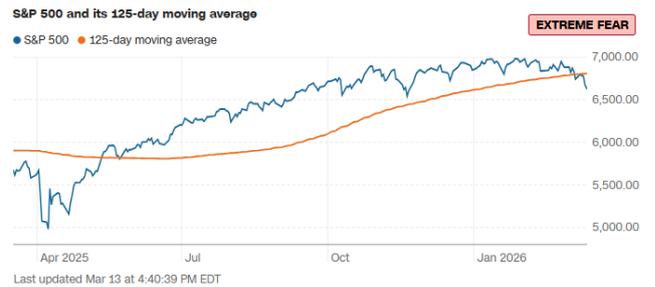

Sources: App Economy Insights

Exhibit 5: Fear & Greed Index (13 Mar 26)

Sources: CNN

Exhibit 6: Market Momentum, S&P500 vs 125 days MA

Sources: CNN

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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.