

The NFP Litmus Test and Trade Paradox

- The temporary breakdown in US-Iran optics is geopolitical noise.
- Thailand's widening trade deficit and frozen interest rates pressure local equities.
- We recommend **BH, BDMS, TRUE, ADVANC, TIDLOR, SAWAD AMATA** and **WHA**.

The Early NFP & The Sintra Forum

The global macro narrative faces an early test this week with the US employment report arriving on Thursday due to the July holiday. Markets are anticipating a cooling labor market, with consensus pointing toward a modest 114,000 payroll additions and an unemployment rate holding at 4.3%. This highly anticipated release directly coincides with Fed Chair Kevin Warsh's upcoming address at the ECB Forum in Sintra. The critical question is whether these employment metrics will validate his structural hawkishness or prompt a dovish recalculation. Until then, global liquidity remains heavily constrained, keeping the US Dollar Index elevated and capping immediate emerging market inflows.

Domestic Reality: The BoT's 1.00% Plateau

Domestically, the top-down economic reality is dictated by a restrictive monetary policy stance. The Bank of Thailand's recent Monetary Policy Committee meeting resulted in a unanimous decision to maintain the policy rate at 1.00%. While the central bank expects the economy to expand by 2.3% in 2026, it simultaneously lowered its 2027 growth outlook to a sluggish 1.8%. This official divergence reinforces a highly uneven, K-shaped recovery. Without imminent rate relief, the local consumer engine remains trapped in a low-growth cycle, capping domestic retail growth and requiring institutional allocators to strictly avoid broad consumer exposure.

The Trade Paradox & Tech Vulnerability

This domestic sluggishness is further compounded by a severe trade paradox. Despite an encouraging 10.6% expansion in May exports, a massive 35.1% import surge resulted in a staggering US\$5.71 billion monthly trade deficit. This massive capital outflow aggressively pressures the Thai Baht and saps local liquidity. Crucially, this macro friction impacts the equity market through localized tech proxies like DELTA. Despite robust shipment data on paper, these large-cap electronic stocks are fundamentally hostage to global Nasdaq sentiment and DXY volatility, leaving them highly vulnerable to external profit-taking and unable to defend the index multiple.

The Defensive & Stabilizing Finance Rotation

Filtering down to sector allocation, this combination of global tech volatility and domestic economic drag mandates a rotation into defensive value and stabilizing domestic plays. Telecommunications (**TRUE, ADVANC**) and Healthcare (**BDMS, BH**) represent the absolute sweet spot, offering defensive monopolies with highly resilient, unextended momentum that is entirely insulated from global macro shocks. Concurrently, a structural shift is occurring within the consumer finance space. As peak inflation anxieties subside and asset quality begins to stabilize across the broader economy, premier non-bank lenders are experiencing a healthy, fundamental turnaround from previously distressed valuations.

Strategy and Recommendations: The Top-Down Capital Preservation Playbook

We recommend executing a defensive top-down allocation strategy to navigate this week's data catalysts. Capturing defensive momentum by accumulating dominant Telecom (**TRUE, ADVANC**) and Healthcare (**BDMS, BH**) heavyweights for their highly insulated cash flows. To capitalize on the stabilizing domestic credit cycle, accumulate premier consumer finance leaders (**TIDLOR, SAWAD**) as they rebound from their cyclical valuation floors. Finally, anchor the portfolio with Industrial Estates (**WHA, AMATA**) to secure a long-term structural buffer against ongoing trade imbalances.

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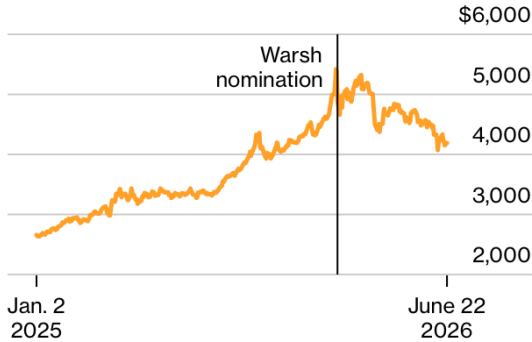
Peerayu Sirivorawong

Exhibit 1: The Warsh Effect: Unwinding Debasement Trades Across Gold, Bitcoin, and Yield Curves

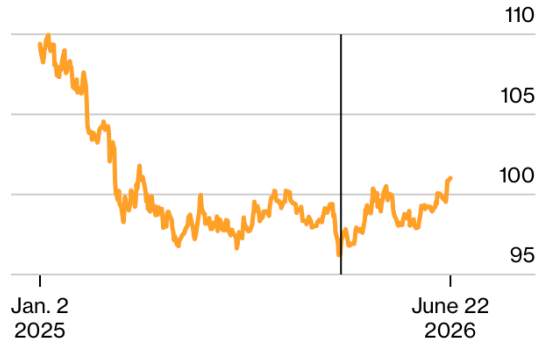
Regime Change

Debasement trades unwound since Kevin Warsh was nominated to lead Fed

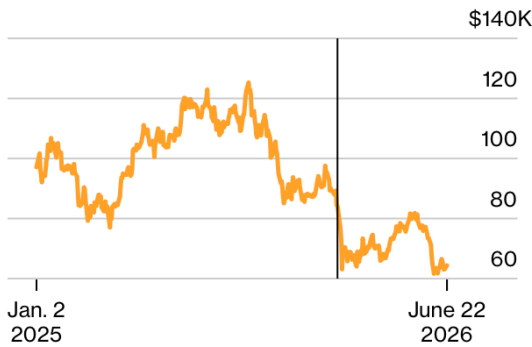
Gold



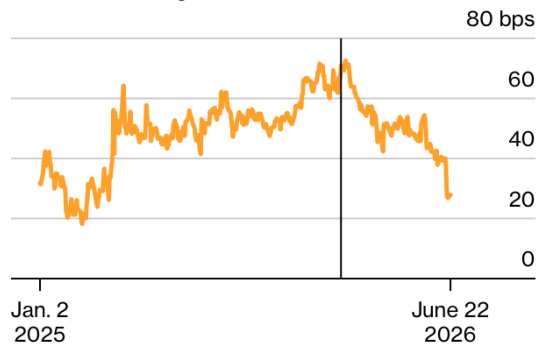
DXY Dollar Index



Bitcoin



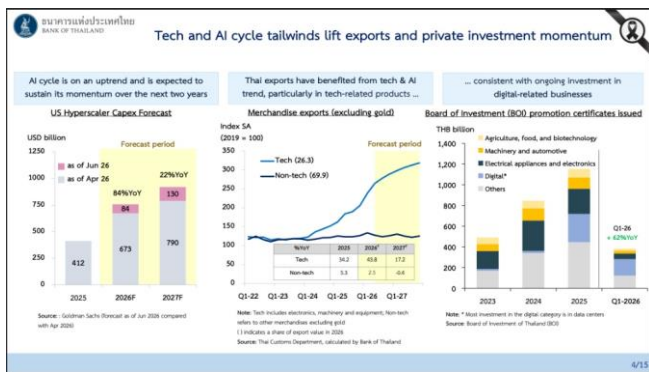
2s10s Treasury Curve



Source: Bloomberg

Sources: Bloomberg

Exhibit 2: Structural FDI Growth: Tracking Global AI/Tech Capex Absorption in Thailand



Sources: BoT

Exhibit 3: NASDAQ Volatility Against Dollar (DXY) Strength



Sources: Tradingeconomics

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- 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.