THAILAND STRATEGY

Globlex Securities Co., Ltd.

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Rates, Refining, and Selective Domestic Alpha

- FOMC becomes the key foreign-flow test as August inflation keeps a September rate hike firmly in play.
- Oil-supply disruption, PDP2026 and El Niño create selective opportunities
- We recommend **SPRC, GULF, BGRIM, TFG,** and **KTB.**

FOMC Sets the Foreign-Flow Ceiling

SET closed Friday at 1,604.52, down 0.65%, as foreigners sold THB3.14bn. The 15–16 Sep FOMC is the key catalyst. August CPI rose 0.4% m-m, with core at 0.3%, while PPI rose 0.4% m-m and 5.4% y-y, signaling inflation remains too firm for the Fed to remove tightening risk. Markets price an above-80% chance of a September hike. With a hike largely discounted, guidance matters more: a hawkish Fed may constrain near-term EM flows, although weaker US growth could improve Thailand's relative appeal given cheaper valuations and stronger domestic-policy support.

Refining Scarcity Outruns Crude Volatility

Oil is again the clearest scarcity trade. Brent ended Friday at USD104.61/bbl after exceeding USD107 during the week, while Saudi output has fallen to roughly 6m bpd, its lowest in more than 30 years. The tighter problem is increasingly refined products: global diesel shortages have pushed crack spreads to record levels as Middle East and Russian refinery disruptions constrain supply. This supports Thai refiners even without another crude-price spike. We therefore prefer refinery earnings exposure, while recognising that credible Hormuz de-escalation could compress both crude and product risk premia quickly.

PDP2026 Extends Thailand's Power Investment Cycle

PDP2026 converts Thailand's FDI and data-centre story into a multi-year power-capex cycle. The draft calls for 51GW of new capacity during 2026–37, including 24GW solar, 15GW BESS and 9GW gas, while targeting at least 65% clean energy by 2050. The message is broader than renewables: rising data-centre and EV loads require generation, storage, grid reinforcement and flexible gas capacity. This keeps integrated power developers structurally attractive, with investors likely to reward companies able to combine secured generation, renewable expansion and direct-power-sale optionality rather than pure high-beta renewable exposure.

El Niño Meets the Domestic Consumption Cushion

A strengthening El Niño and domestic stimulus create a two-sided food theme. NOAA now sees a greater than 90% probability of a very strong El Niño in fall/winter 2026–27, raising agricultural supply uncertainty and potentially supporting global protein pricing and Thai poultry export demand. Domestically, the Finance Ministry is considering extending Thai Chuay Thai Plus by 1–2 months, with a decision expected by end-September; the scheme has generated over THB150bn of spending. Food producers with retail distribution can benefit from stronger consumption and livestock pricing, although higher feed costs remain the key offset.

Strategy and Recommendations: Own Scarcity, Policy and Earnings

We recommend **SPRC** for tactical exposure to exceptionally strong refining margins; **KTB** for domestic-value leadership and earnings resilience; **GULF** as our core structural beneficiary of PDP2026 and rising power demand; **TFG** for protein-export upside and potential support from a Thai Chuay Thai Plus extension; and **BGRIM** for improving power-sector fundamentals, supported by stronger industrial electricity demand and opportunities from Thailand's new power-development cycle. Overall, we favour selective exposure to refinery scarcity, domestic growth and Thailand's accelerating power-investment theme rather than broad SET beta ahead of a potentially hawkish FOMC.

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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.