

AI De-Rating, Tight Oil

- AI de-rating and falling Treasury yields signal defensive rotation, leaving Thai electronics vulnerable to valuation and earnings risks.
- Brent near US\$110/bbl and elevated diesel/jet cracks support selected energy stocks, despite refining-cost and policy headwinds.
- We recommend **PTTEP**, **BCP**, **BBGI**, **SPRC**, and **TOP**.

Global Risk Aversion Weighs on SET Despite Foreign Buying

SET ended the shortened week at 1,573.01 (-0.3% w-w), with foreigners buying THB3.85bn net across three sessions despite THB10.07bn of October outflows. Electronics lagged as global AI selling intensified, while banks and defensives cushioned the index. At the IMF–World Bank meetings, Fed Chair Kevin Warsh highlighted U.S. resilience but gave no near-term policy signal. MSCI's proposed Indonesia reclassification could eventually redirect regional allocations but offers no immediate evidence of inflows to Thailand. Narrow market leadership leaves SET vulnerable to overseas volatility.

Oil Supply Risks Reinforce Global Inflation Pressure

September U.S. CPI accelerated to 3.7% y-y and PPI rose 1.3% m-m, keeping further Fed tightening in play. Brent settled at US\$109.86/bbl amid renewed Middle East supply threats. Product markets remain even tighter: Singapore jet, 0.5%-sulphur gasoil and gasoline cracks stood at US\$65.44, US\$62.41 and US\$23.88/bbl on 16 October, respectively. The premium for middle distillates favours selected refiners, although jet and gasoil cracks eased w-w. Elevated delivered crude costs and Thailand's diesel-price intervention limit realised margins, while expensive energy weighs on domestic consumption.

AI Sell-Off Drives Rotation into Bonds and Defensives

Nasdaq fell 4.5% w-w as investors questioned AI monetisation, leveraged data-centre spending and competitive threats from Chinese memory suppliers. Despite hotter inflation, the U.S. 10Y yield retreated to around 5.10%, signalling defensive Treasury demand rather than renewed risk appetite. Fund flows confirm rotation: technology equity funds lost US\$4.75bn in the week to 14 October, while global equity funds attracted US\$20.01bn. This is not evidence of automatic inflows into Thailand. We remain cautious on richly valued Thai electronics until earnings visibility improves.

Thai Banking Earnings Test Domestic Resilience

Thai banks' 3Q26 earnings will test whether domestic fundamentals can offset global uncertainty. TISCO reported THB1.81bn net profit (+4.3% y-y), supported by lower credit provisions, while its NPL ratio improved to 2.0%. Yet subdued loan demand and uneven fee income still constrain sector-wide growth. Upcoming results from larger banks should be assessed through net interest margins, new NPL formation and credit-cost guidance rather than headline beats alone. Healthy capital and dividends support defensive appeal, but a sustained rerating requires clearer evidence of credit stabilisation.

Strategy and Recommendations: Selective Energy Exposure

We maintain selective exposure favouring energy cash flows while AI-led volatility persists. **PTTEP** offers direct leverage to sustained crude prices; **BCP**, **TOP** and **SPRC** benefit from tight diesel and jet markets, albeit with sensitivity to crude procurement costs and domestic fuel-price controls. **BBGI** provides a differentiated biodiesel and sustainable aviation fuel growth angle rather than a pure oil-price trade. We favour buying on pullbacks, with geopolitical de-escalation, falling product cracks and higher feedstock costs the key downside risks.

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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.