

Invest through the noise: Bad jobs, good stocks

- The sharp slowdown in July jobs (+73k vs 110k expected) signals rising macro risk
- AI and cloud remain the most defensible growth themes, supported by tech policy
- This Week's DR Pick: MSFT80 with TP of THB10 (\$619.5, USD/THB at 32.5)

When jobs disappoint, caution matters

U.S. equities have rallied to new highs, with the S&P 500 logging five straight record closes amid rising retail flows and expanding valuations—clear signs of market euphoria. While this doesn't necessarily signal a bubble, such rallies can raise the risk of sharper corrections when bad news hits. The latest U.S. Non-Farm Payrolls, added only 73,000 jobs in July, short of expectations of ~110,000. This sharp labor market slowdown is definitively bad news for the US stock market. Although this may support a dovish Fed, it also underscores fragility beneath the bullish surface.

Made in the U.S.—And it's working

The administration's updated tariff policies are proving to be a strategic success, accelerating the shift to onshore manufacturing and encouraging greater supply chain resilience. This move is bolstered by evidence that the associated costs are manageable. Critically, AMD CEO Lisa Su has quantified the onshoring premium, stating that U.S.-made chips are only 5-20% more expensive than those from Taiwan—a manageable cost for the significant benefit of supply chain security. This suggests that the inflationary impact of onshoring may be far less severe than initially feared, supporting the long-term viability of a secure domestic industrial base.

AI Action Plan: Securing America's digital edge

President Trump recently outlined an assertive approach with "AI Action Plan". This plan is a strategic must for the U.S. to maintain its leadership edge, particularly against competitors like China, and to ensure it outpaces the rest of the world in this critical domain, emphasizing deregulation and national prioritization to secure U.S. leadership. His stance is echoed by OpenAI CEO Sam Altman, who has long advocated for a clear regulatory framework to guide AI development. Despite recent controversy surrounding OpenAI's internal governance and Altman's handling of a whistleblower-linked fraud allegation, his broader point remains: the U.S. must lead in setting global AI norms or risk ceding ground to rivals. These converging views reinforce the strategic value of U.S. investment in AI infrastructure, benefiting sectors tied to semiconductors, cloud, and foundational models.

Selectivity in the age of divergence

Despite the rally, selectivity is key. If the labor market weakens or inflation persists, old-economy sectors like traditional retail and discretionary commerce could correct sharply. In contrast, demand for AI and cloud services remains structurally intact, even in downturns. We see long-term growth in these areas continuing through the next decade. With the U.S. well-positioned on tariffs and tech policy, we recommend shifting exposure toward AI infrastructure, domestic semiconductors, and resilient industrials, while avoiding overvalued tech names vulnerable to 2H25 earnings risk.

This Week's DR Pick: MSFT80 with TP of THB10 (\$619.5, USD/THB at 32.5)

In line with our strategic focus on AI leadership, our stock pick for the week is MSFT80. The company is well-positioned to capitalize on the AI revolution, driven by its deep, strategic partnership with OpenAI and the explosive growth of its Azure cloud platform. Microsoft's recent 4Q25 earnings report showcased its financial resilience, with revenue climbing 18% to \$76.4b and Azure's growth accelerating to 39%.

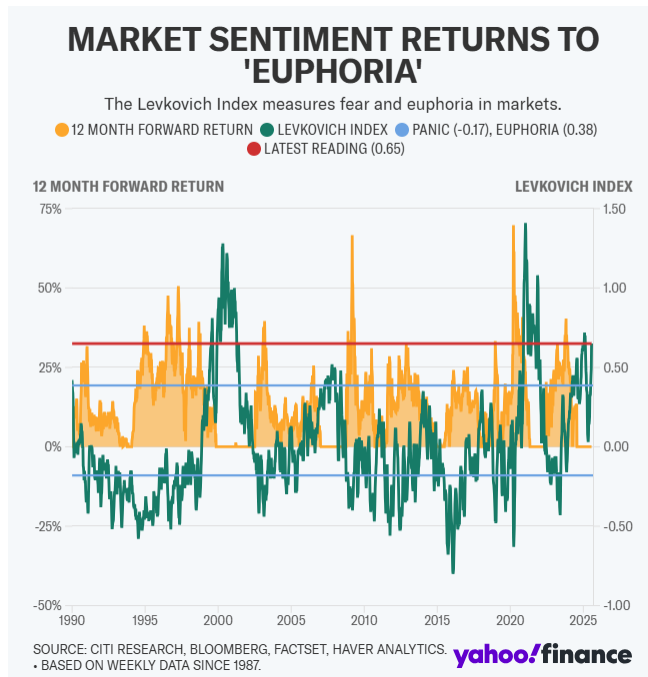
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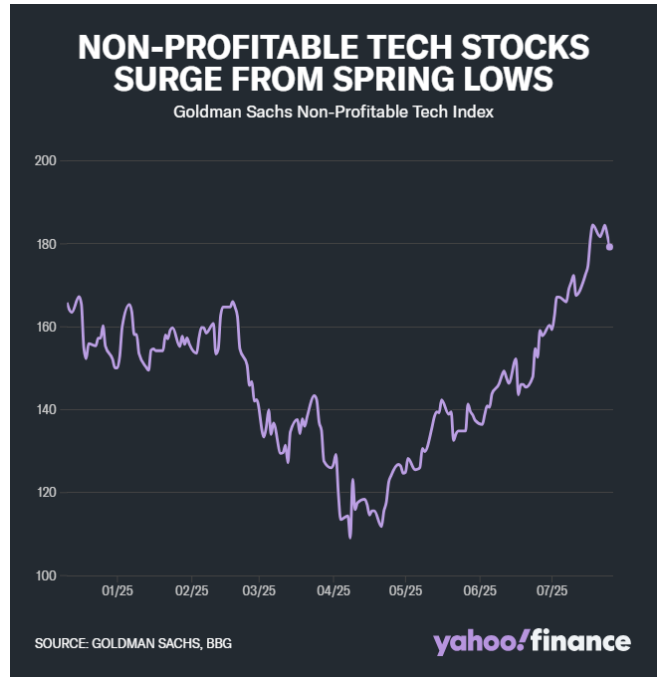
Peerayu Sirivorawong

Exhibit 1: Market sentiment returns to "Euphoria"



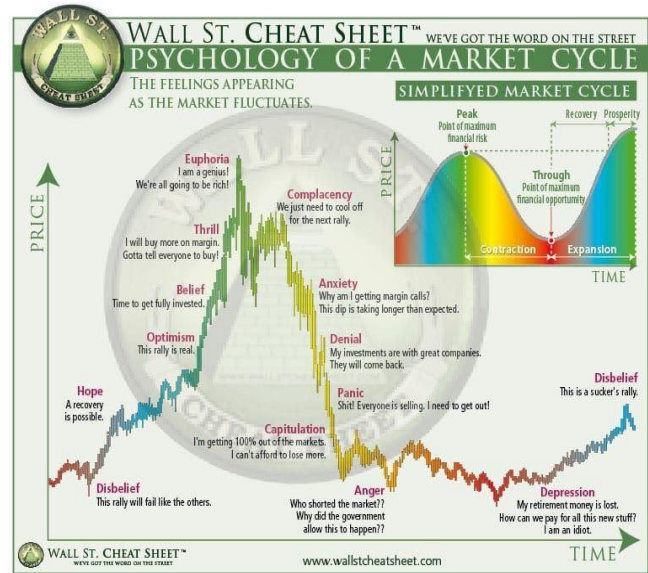
Sources: Yahoo! Finance

Exhibit 2: Non-profitable tech stock surge



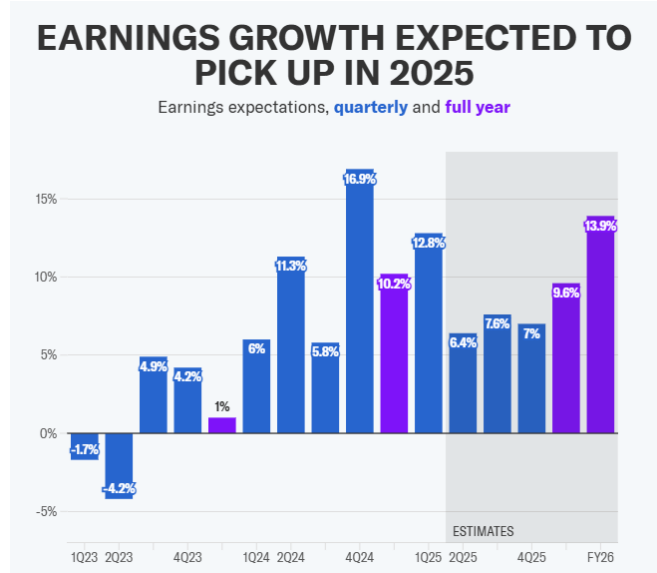
Sources: Yahoo! Finance

Exhibit 3: Psychology of a market cycle



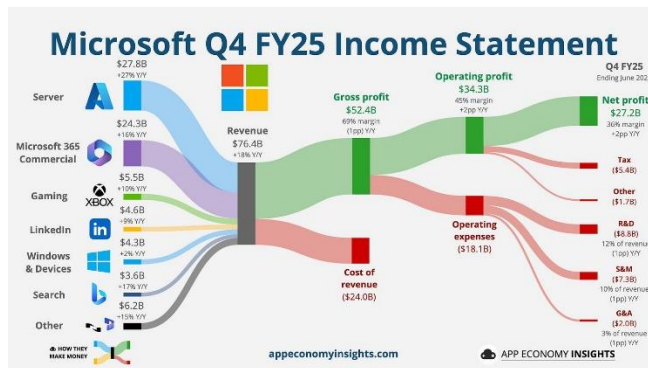
Sources: Wall St. Cheat Sheet

Exhibit 4: Earnings growth pick up in 2025



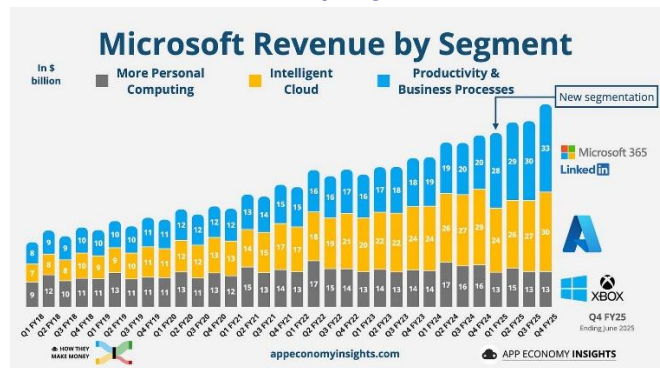
Sources: Yahoo! Finance

Exhibit 5: MSFT 4Q25 income statement



Sources: App Economy Insights

Exhibit 6: MSFT revenue by segment



Sources: App Economy Insights

Exhibit 7: MSFT revenue growth

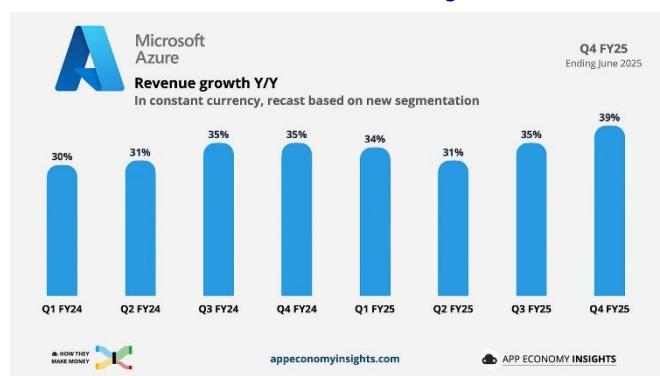
APP ECONOMY INSIGHTS

Revenue Growth Y/Y (fx neutral)	Q4 FY25	Q3 FY25	Q2 FY25	Q1 FY25
Microsoft Cloud revenue	25%	22%	21%	22%
M365 Commercial products and cloud services	15%	14%	15%	14%
M365 Commercial cloud	16%	15%	15%	16%
M365 Consumer products and cloud services	21%	12%	8%	6%
M365 Consumer cloud	20%	12%	8%	7%
LinkedIn	8%	8%	9%	9%
Dynamics products and cloud services	17%	13%	14%	14%
Dynamics 365	21%	18%	18%	19%
Server products and cloud services	27%	24%	21%	23%
Azure and other cloud services	39%	35%	31%	34%
Windows OEM and Devices	3%	3%	4%	2%
Xbox content and services	12%	9%	2%	61%
Search and news advertising excluding TAC	20%	23%	20%	19%

Sources: App Economy Insights

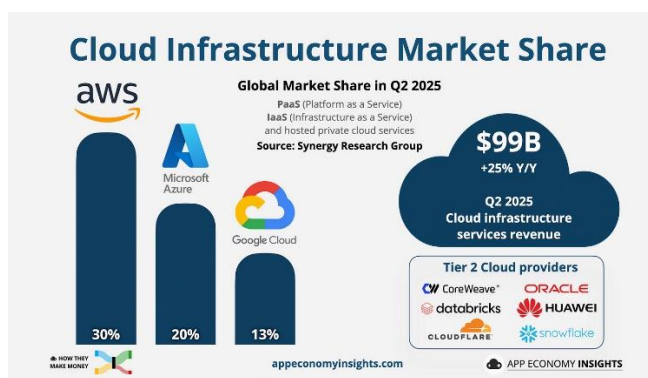
Sources: App Economy Insights

Exhibit 8: Microsoft Azure's revenue growth



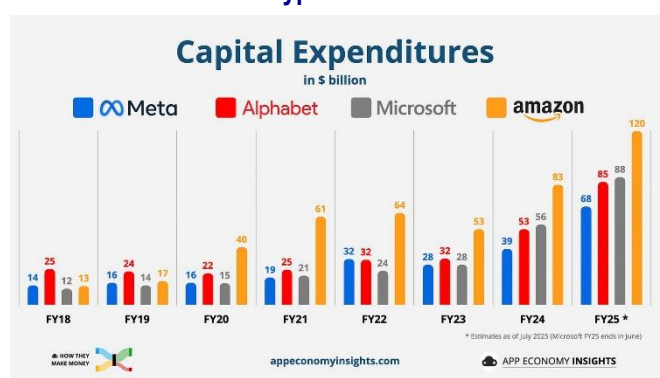
Sources: App Economy Insights

Exhibit 9: Cloud Infrastructure market share



Sources: App Economy Insights

Exhibit 10: CAPEX of hyperscalers



Sources: App Economy Insights

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.