

Time for THB weakness on plunging rates and capital outflows

- THB/USD and THB/JPY are heading for weaker trends at THB33/\$ and THB0.23/¥
- Structural weakness in economy, tourism, and exports are key for THB weakness
- Top picks are exporters: AAI, ITC, NER, STA, DELTA, TU

BOT's rate cut will be deeper and faster than Fed's rate cut vs BoJ's rate hold

In the 12 months, Thailand has suffered from the “bogus” strengthening of THB against major currencies (USD/EUR/CNY) particularly JPY despite its weak economy, rising political risk, and the uncertainties in exports due to the ongoing geopolitical risks from the US against the world tariff war. The export sector has been the major victim of these calamities on top of the negative impacts of the Global Minimum Tax law, the weak global demand, and the industry oversupplies of commodities such as petrochemical, refinery, and steel.

THB currency to weaken ahead

In the next 15 months (4Q25-2026), we think THB currency is likely to “weaken” against all major currencies, led by the THB/USD from THB31.5 to THB33/USD and THB/JPY from THB0.2163 to THB0.2300 by 4Q26. The key reasons are 1) the widening interest rate differentials for Thailand vs US (from 2.5% to 2.0%) and Thailand vs Japan (from 1.0% to 0.5%); 2) the slowdown in Thailand's economic growth on weak investment and consumptions despite the government's soon-to-come stimulus packages that we think will have fleeting implications to the economy.

Why is THB currency strengthening despite its poor economy and tourism?

THB currency is one of the strongest currencies in the world since 2020 despite the structurally weaker tourism and domestic consumption and investment due to the shaky politics and intensifying geopolitical risk particularly the rising US tariffs. Yet Thailand's rising foreign reserve, standing at 111% of GDP in Jun-25 (USD262b reserve vs GDP 237b in Jun-25) and even rises further to USD267b (+13.1% y-y) in Aug-25. As of Jun-25, Bank of Thailand owns 234.52t of gold reserve, slightly down from 244.26t in 4Q23 but still stays very high, resulting in the strengthening and stable THB currency to more than offset the impacts of Thailand's poor economy.

Why would THB currency weaken in 4Q25-2026?

The new interim government, which is expected to stay in power for only four months before the much-anticipated parliament dissolution and general election in 2Q26E, is unlikely to reverse the weakness of Thailand's economy. We think the consequences of Thailand's structural weaknesses, including the low competitiveness of export industry, the ebbing domestic consumption, feeble consumer confidence, and declining tourism, all likely leading to fund outflows.

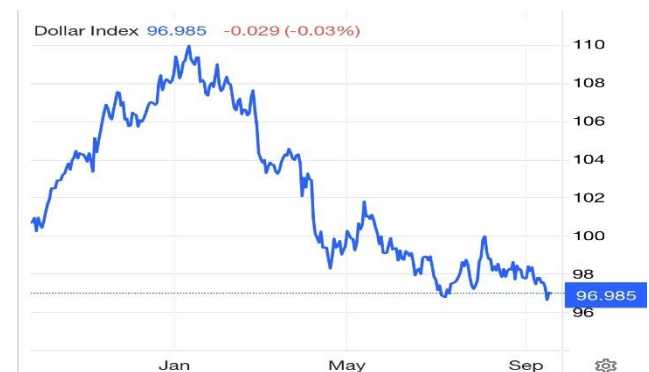
Higher gold export led to THB strengthening?

We think the jumping value of gold exports, particularly to Cambodia at THB71b in 7M25, is unlikely to be one of the key reasons for THB strengthening. As an ASEAN's gold hub, Thailand exports gold has always been significant, and gold exports to Cambodia are all imported by 4 licensed traders and used only USD for both import and export, there by unlikely to impact THB direction. Currently, only 3-4 Thai traders export gold abroad, including to Cambodia (10% of Thailand's gold export) and far lower than to Singapore and Hong Kong, from where Thailand also import gold.

Analyst

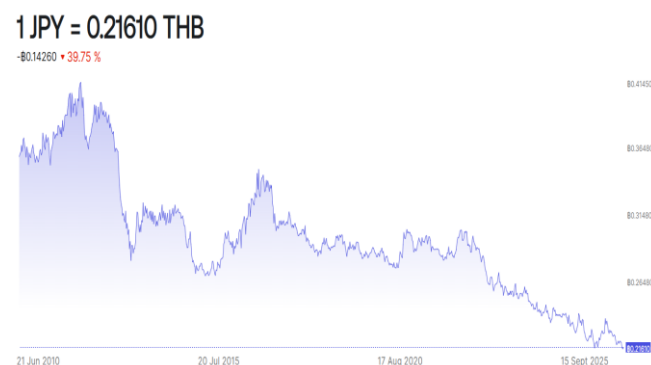
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Exhibit 1: DXY index continues to weaken



Sources: TradingEconomics

Exhibit 2: JPY/THB has consistently declined



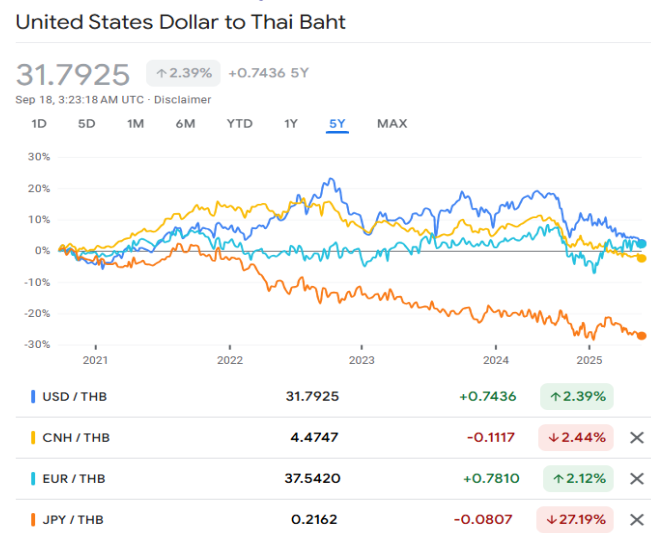
Sources: CNBC

Exhibit 3: THB/USD



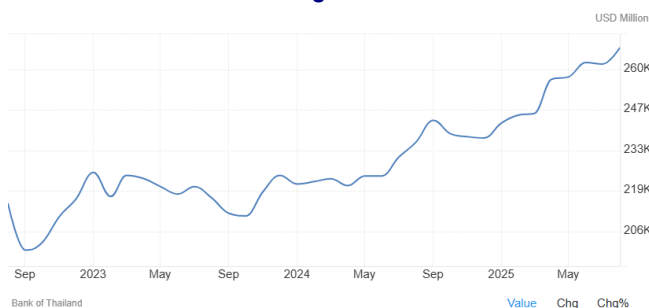
Sources: Google Finance

Exhibit 4: THB vs major currencies (USD/CNY/EUR/JPY)



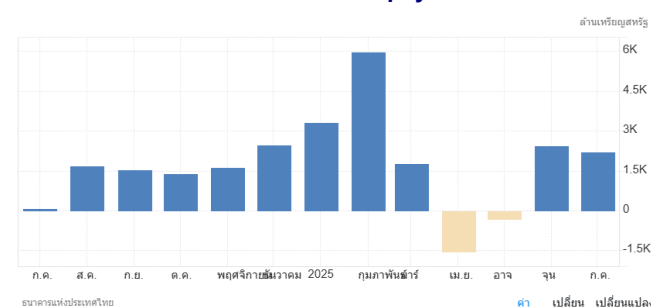
Sources: Google Finance

Exhibit 5: Thailand's foreign reserve



Sources: Trading Economics

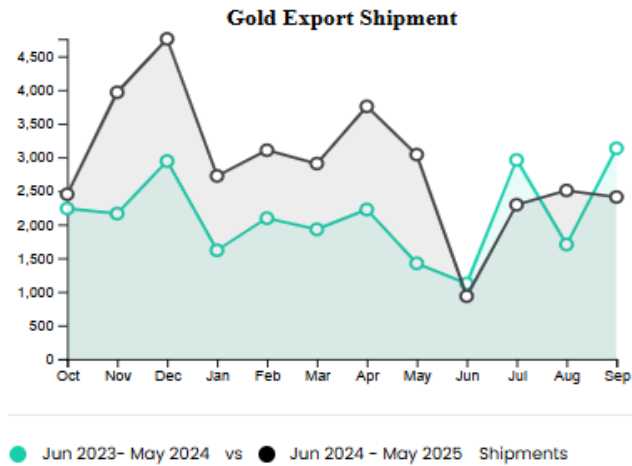
Exhibit 6: Thailand's balance of payment



Sources: Bank of Thailand

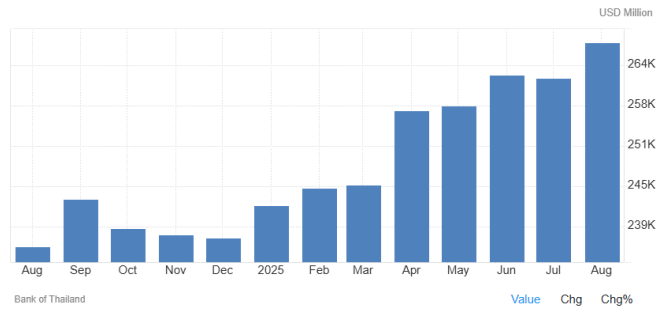
Exhibit 7: Thailand's gold exports

995 Bill of lading, 116 Buyers & 97 Suppliers



Sources: Volza

Exhibit 8: Thailand's foreign reserve



Sources: Bank of Thailand

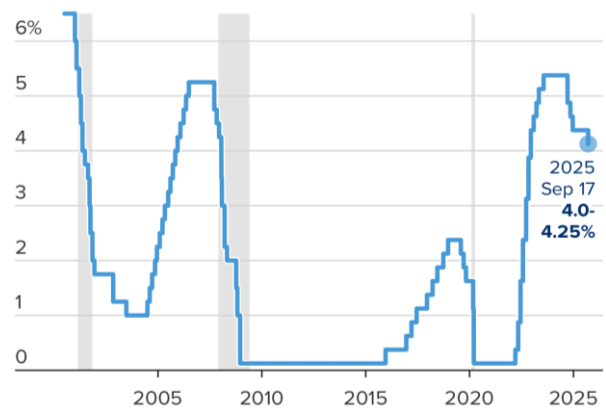
Exhibit 9: US Fed fund rate trend



Sources: CNBC

Exhibit 10: US fed funds rate

U.S. FEDERAL FUNDS RATE SINCE 2000



Note: From December 2008 to present, the chart reflects the midpoint of the Federal Reserve's target range. Shaded areas show recessions.

Chart: Gabriel Cortes / CNBC
Source: Federal Reserve Bank of New York
Target rate as of Sept. 17, 2025



Sources: Revolt.com

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.