

## Testing the 1450 Valuation Ceiling

- Softer US CPI reopens EM allocation window.
- Earnings visibility still limits SET upside.
- We recommend **CRC, IVL, STEC, MTC and TIDLOR**.

### CPI Reopens the Risk Window

Global markets enter the week with risk sentiment improving following the softer US CPI print (2.4%), which pushed the US 10-Year yield lower toward 4.0–4.1% and eased concerns around persistent inflation pressure. The decline in real yields weakens the USD and improves the relative attractiveness of Emerging Market assets. While this does not guarantee sustained inflows, it reopens the allocation window for Asia. The key near-term confirmation comes from US Retail Sales; stable consumption would reinforce the “Goldilocks” macro environment supporting EM equity flows.

### MSCI Rebalance Drives Technical Rotation

Separately from macro, Thai large caps face a significant technical liquidity event through the MSCI quarterly rebalance (effective late February). This is driving mechanical rotation within the index, with passive funds expected to reduce exposure to CPAXT while reallocating toward new or higher-weighted constituents such as CRC and IVL. We emphasize that these flows are technical rather than fundamental. Short-term volatility around affected names should be viewed through a flow lens, creating tactical entry opportunities in oversold deletions and momentum opportunities in inclusion beneficiaries.

### 1450 as the Near-Term Valuation Ceiling

The recent SET rally toward the 1440–1450 range largely reflects valuation re-rating following improved political clarity. At current levels, valuation expansion has already priced in stability, but earnings acceleration remains limited in near-term data. As such, we view 1450 as a consolidation zone rather than a breakout level. A sustainable move toward 1500 would require visible earnings upgrades, most likely linked to fiscal spending transmission in 2H. Near term, we recommend gradually trimming tactical beta exposure near resistance and reallocating toward policy-levered laggards.

### Soft GDP as a Fiscal Acceleration Trigger

Thailand’s upcoming GDP release (consensus ~2.2%) is likely to reinforce the narrative of structural growth moderation. However, from a market perspective, softer growth increases the probability of faster fiscal disbursement under policy continuity. This creates a constructive setup for infrastructure-linked sectors. We favor Contractors (STEC) as primary beneficiaries of accelerated project execution and public investment cycles. Any spontaneous market weakness following a soft GDP print should be viewed as an opportunity to accumulate policy-sensitive domestic cyclicals.

### Recommendations: Yield and Policy Transmission

For this capped-upside environment, we recommend a barbell strategy combining yield sensitivity and policy transmission exposure. Finance (**MTC, TIDLOR**) remains our core overweight given the decline in global yields and persistent domestic lowinflation bias supporting funding spreads. We pair this with Contractors (**STEC**) as a policy continuity beneficiary. From a tactical flow perspective, **CRC** and **IVL** offer short-term upside from MSCI-related inflows. We recommend waiting for technical selling exhaustion before re-entering CPAXT and maintaining 1450 as a disciplined tactical profit-taking level.

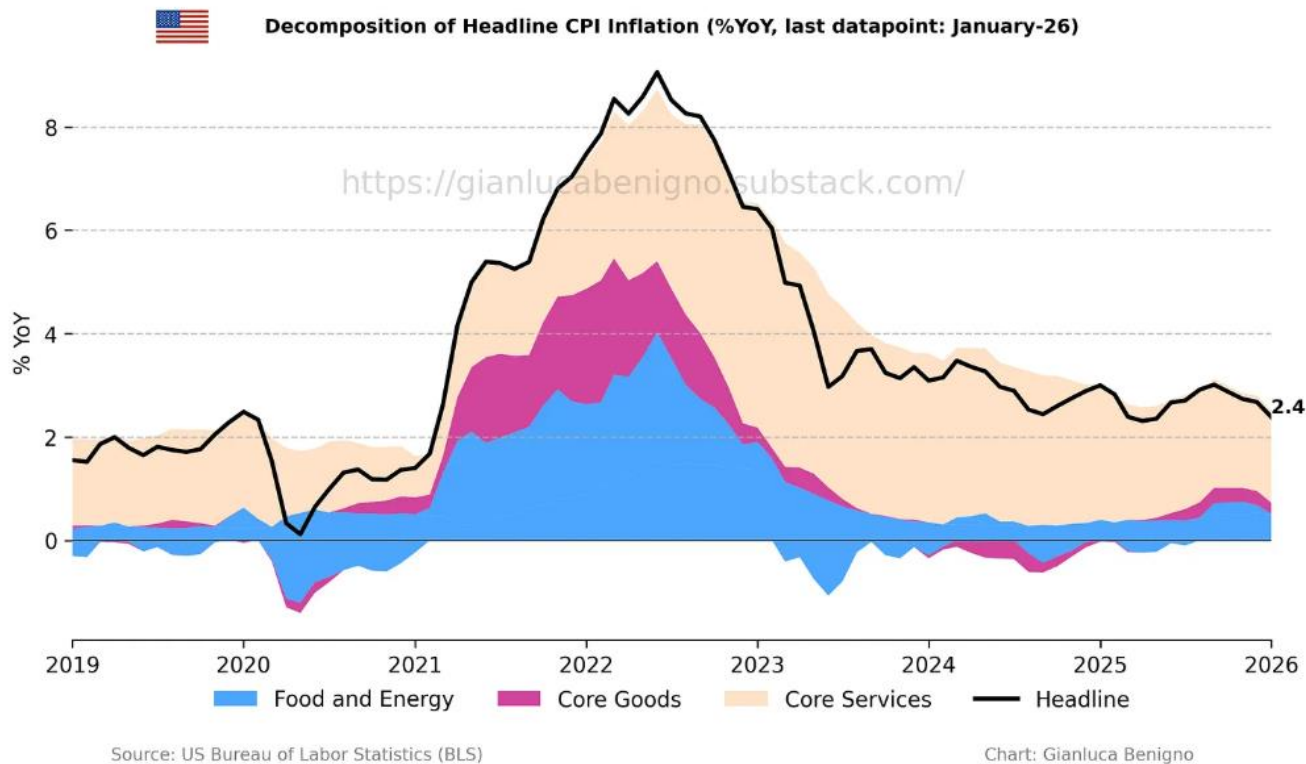
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## Exhibit 1: U.S. Inflation Stabilizes as Services Remain Sticky



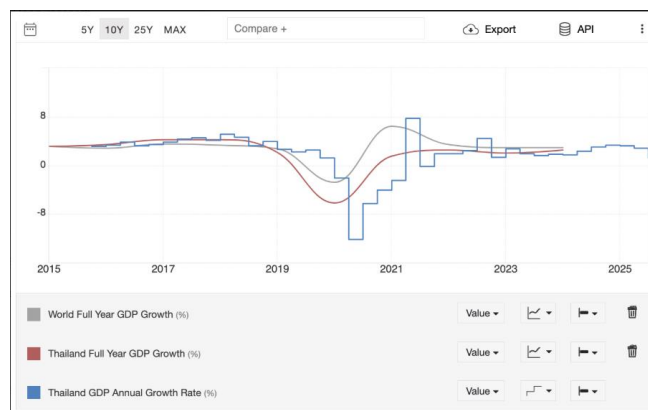
Sources: Gianlucabenigno

## Exhibit 2: MSCI Flow Event: Passive Outflows to Pressure Thai Mid Caps

MSCI THAILAND INDEX	
Additions	Deletions
None	CP AXTRA (NEW)
MSCI THAILAND INDEX	
Additions	Deletions
CENTRAL RETAIL CORP	HANA MICROELECTRONICS
INDORAMA VENTURES	JMT NETWORK SERVICES
JASMINE TECHNOLOGY SOLN	MK RESTAURANTS GROUP
	PLAN B MEDIA

Sources: MSCI

## Exhibit 3: Thailand Growth Lags Global Cycle Over the Past Decade



Sources: Tradingeconomics

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### 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.