

## The Fed's Glide Path & The Inbound Alpha

- The Fed Dot Plot confirms a high-rate plateau for 2026, followed by a slow glide down to 3.0%.
- The broad SET Index at 16.2x P/E lacks immediate liquidity catalysts.
- We recommend **BH, BDMS, WHA, AMATA, and ADVANC**.

### The "Great Hold" Reality

The global macroeconomic landscape is currently defined by a paralyzed Federal Reserve. According to the latest CME Fed Watch data for the July 2026 meeting, the market is pricing in a massive 94.6% probability of a rate hold, locking the Fed Funds target at the 350–375 bps plateau. There is no structural easing cycle, nor is there a resumed hiking cycle. With the US Dollar Index (DXY) slipping below the 100 level to 99.28, the dollar's weakness is being driven by US fiscal concerns and growth fatigue rather than a dovish monetary pivot.

### Valuation Compression Creates Opportunity

For the SET Index, this macro plateau presents a transitioning environment. Recent data confirms the broad Thai benchmark has experienced significant valuation compression, drastically altering the risk-reward profile. Currently trading at 1,517.95, the index sports a trailing P/E ratio of 15.4x, sitting notably below its 2-year historical average of 16.4x and approaching the -1 standard deviation support band of 14.8x. While the elevated US risk-free rate continues to limit immediate foreign liquidity inflows, the Thai market is no longer mathematically expensive

### The Alpha Divergence

While the macro backdrop is restrictive, the Q1 corporate micro-data provides a highly specific alpha catalyst. Thailand's Q1 earnings season delivered a definitive aggregate surplus, comfortably beating Bloomberg consensus estimates. However, deeper analysis reveals this recovery is acutely bifurcated. The aggregate beat was driven almost entirely by outward-facing sectors that successfully bypassed the stagnant domestic economy. Conversely, domestically focused retail endured an 11.8% profit contraction, proving that the broader local economy remains sluggish beneath the rate plateau due to structural household debt constraints.

### Alpha Beyond Traditional Exports

With broad macro relief delayed, the remainder of 2026 demands a strict focus on sectors possessing structural immunity to domestic sluggishness. Moving beyond traditional goods exports—which now face margin headwinds from a strengthening Baht—we aggressively favor "Inbound Capital" beneficiaries. Premier Healthcare operators are demonstrating immense pricing power, capturing a highly inelastic influx of international medical tourism. Concurrently, Industrial Estates offer multi-year earnings visibility, acting as the primary beneficiaries of global supply chain relocations supported by a recent surge in BOI approvals.

### Strategy and Recommendations: The "Carry & Catalyst" Playbook

We recommend a "Carry & Catalyst" allocation to navigate this prolonged holding pattern. Unconstrained portfolios should maintain US equities while harvesting yield via short-duration US Treasuries. For domestic mandates, explicitly cap broad SET exposure. Build your "Catalyst" wing strictly around structural resilience: accumulate top-tier Healthcare (**BH, BDMS**) and Industrial FDI winners (**WHA, AMATA**). Park remaining allocations in a "Carry" wing of elite telecommunications (**ADVANC**) to generate highly defensive, non-cyclical dividend yield.

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Exhibit 1: CME Fed Watch Tool “Dot Plot” Table

TARGET RATE	2026	2027	2028	LONGER RUN
4.000				
3.875		1	1	1
3.750				1
3.625	7	3	3	1
3.500				1
3.375	7	4	3	2
3.250				1
3.125	2	6	7	3
3.000				5
2.875	2	3	3	2
2.750				
2.625	1	1	2	2
2.500				
2.375		1		
2.250				

Sources: CMEgroup

Exhibit 2: Dollar Index vs Fed Fund Rate



Sources: Tradingeconomics

Exhibit 3: SET Index PE and Valuation Metric Bands



Sources: Bloomberg

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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.