

The H2 Capex Supercycle & The BoT Squeeze

- BoT forecasts sluggish 1.5% GDP for 2026; SET index will stagnate through H2.
- THB 1.01 Trillion in BOI guarantees a massive AI infrastructure boom in Q3.
- We recommend **WHA, AMATA, GULF and GPSC**.

The H2 "Glide Path" & The AI Capex Cycle

Looking ahead to H2 2026, the Federal Reserve's "Glide Path" maintains a high rate plateau, but the true global engine is the accelerating AI capital expenditure cycle. As hyperscalers shift focus to massive regional infrastructure deployments, global liquidity ruthlessly prioritizes geographies capable of absorbing this Capex. This secular trend supersedes standard emerging market beta flows. While the US Dollar Index (DXY) remains range-bound below 100—providing necessary FX stability—only nations actively capturing this tech infrastructure wave will secure sustained, non-cyclical foreign inflows through Q2 and Q3.

Transitioning to the 2027 EPS Horizon

For the SET Index, Q2/Q3 brings a brutal fundamental transition. While the benchmark sits at a compressed 15.4x valuation cushion, the Bank of Thailand explicitly warns that annual GDP growth will decelerate to a sluggish 1.5% due to domestic constraints. Markets will soon discount this reality, rolling valuations forward to a weak 2027 EPS horizon. Consequently, a broad index breakout remains firmly capped. We maintain a tactical Equal-Weight on the SET but explicitly warn that index-level beta will stagnate. Alpha generation requires front-running H2 structural catalysts.

The THB 1 trillion FDI Tsunami

Domestically, the forward outlook is defined by massive economic divergence. Grassroots consumption will remain deeply constrained as the BoT locks the policy rate at 1.00% against expected 2.9% inflation. This negative real interest rate actively punishes localized purchasing power. However, the Board of Investment (BOI) just reported an unprecedented THB 1.01 trillion in Q1 investment applications. This is a tsunami of global hyperscaler capital targeting Thai data centers and AI infrastructure, guaranteeing a multi-year construction supercycle starting in Q3 that completely bypasses the domestic consumer.

The "Power & Land" Proxy for AI

We are aggressively pivoting our forward strategy to capturing this impending H2 infrastructure boom. Local tech equities lack the scale to capture global hyperscaler Capex directly. The true Thai proxies for this data center tsunami are foundational heavyweights: Power Utilities and Industrial Estates. Hyperscaler facilities require massive baseload electricity and prime acreage. Power generators locking in long-term, high-megawatt Power Purchase Agreements (PPAs) are the ultimate "pick and shovel" play, directly monetizing the FDI wave while completely insulating earnings from the sluggish domestic consumer.

Strategy and Recommendations

We recommend an aggressive portfolio reallocation ahead of the Q3 Capex supercycle. Unconstrained portfolios should maintain core US tech exposure to ride the global AI wave. For domestic mandates, explicitly bypass the sluggish consumer economy. Build a concentrated "H2 Infrastructure" wing: aggressively accumulate large-cap Power Utilities (**GULF, GPSC**) and Industrial FDI operators (**WHA, AMATA**) to directly capture the THB 1 trillion BOI pipeline. Use premier Healthcare (BH) strictly as a defensive anchor against inflation. We issue strict Avoid on domestic retail and commercial banks.

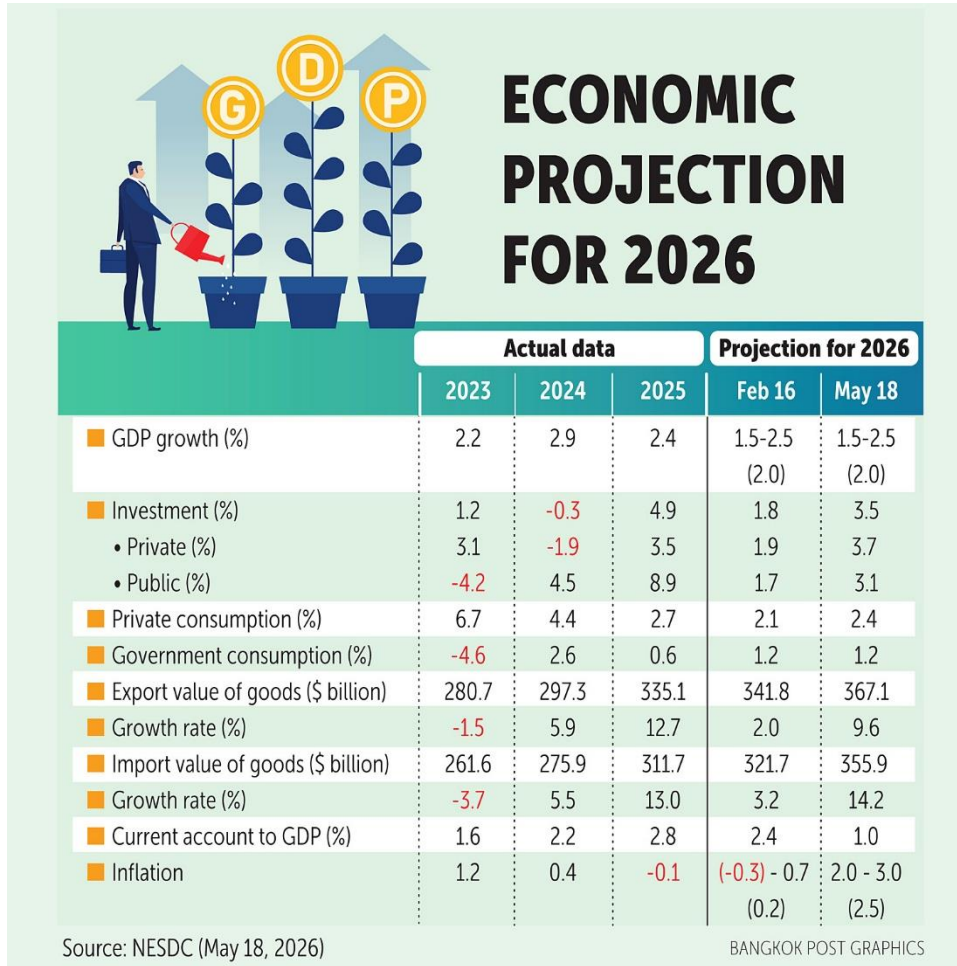
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Exhibit 1: Thailand GDP Projection for 2026



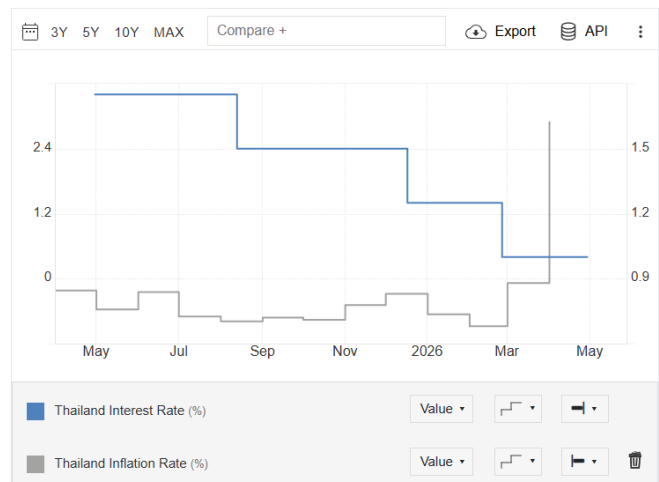
Sources: Bangkok Post

Exhibit 2: The 2026 Kearney Emerging Markets FDI Confidence Index Ranking



Sources: moneyandbanking

Exhibit 3: Thailand Interest Rate vs. Inflation Rate (2025–2026)



Sources: Bloomberg

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.