

Count down on war but high oil price to linger on for a while

- A one-month U.S.-Iran war to end could materialize on economic pressures
- A 3 to 6-month high energy price to be followed by normalized USD80-90/bbl level
- PTTEP remains our top pick over refinery plays on their 2Q26 GRM downside risks

Rising CPI, Rising Pressure: The Economic Cost of the U.S.-Iran Conflict

The recent rise in U.S. inflation and renewed volatility in global financial markets reinforce our view that the U.S.-Iran conflict is unlikely to become a prolonged war and is more likely to move toward de-escalation by end-June 2026. U.S. CPI accelerated to 3.8% y-y in April 2026, mainly driven by higher energy prices following the conflict escalation. Rising oil prices are already pressuring consumer sentiment, treasury yields, and equity markets, while adding to concerns over the U.S.'s elevated debt burden and rising interest expenses. With financial conditions tightening ahead of the November midterm elections, we believe growing domestic economic pressure, more than military considerations, could push U.S. toward a faster diplomatic resolution.

The Post-War Oil Reality: Tight Supply, Slow Recovery, High Prices

Even if geopolitical tensions begin to ease, we do not expect oil prices to normalize immediately. The industry outlook highlights potential supply deficits of up to 13mbpd and continued tight prompt supply conditions. Brent futures also remain in steep backwardation, reflecting strong demand for prompt cargoes and ongoing near-term supply tightness. We therefore believe Brent could remain at USD100–120/bbl in the near term before gradually easing toward USD80–100/bbl over the following 6–8 months, as production recovery after widespread shut-ins is typically slower than expected due to operational and reservoir pressure challenges.

Upstream Leads While Refiners Face 2Q26 Margin Softness

We believe this environment remains supportive for Thai energy stocks, particularly upstream PTTEP to continue benefiting from elevated oil and gas prices in the near term, while PTT could see stronger earnings support from its upstream exposure and trading businesses. For refiners, TOP, SPRC and BCP, we expect softer market GRM in 2Q26 due to timing mismatch effects between sharply higher crude input costs in Mar-26 and weaker product selling prices in Apr-26 as oil prices partially corrected.

Risk for Bear Case for Oil: Rising Supply Meets Slower Demand

Risks to our view remain. A faster-than-expected return of Iranian supply, aggressive OPEC+ production increases, or weaker global oil demand due to slowing economic growth could pressure oil prices faster than expected. The IEA recently indicated that global oil demand growth could slow to around 0.8–1.0mbpd in 2026 amid weaker industrial activity and softer trade momentum. At the same time, easing sanctions on Iran and additional OPEC+ supply could return more than 1–2mbpd to the market over the next 12 months. The industry outlook also suggests Iranian production could ramp up sharply after the war, while UAE production may increase more aggressively following its exit from OPEC quota constraints. Under such a scenario, Brent could fall below our USD80/bbl medium-term assumption faster than expected.

Upstream PTTEP over downstream TOP, SPRC, BCP

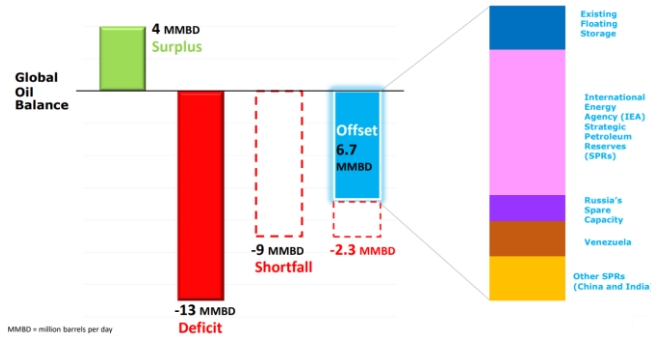
We maintain a positive view on the Thai energy sector in the near term, as oil prices could remain elevated longer than expected during the post-conflict production recovery phase, supporting upstream PTTEP over downstream refiners on the risk for temporary 2Q26 refinery margin pressure from timing mismatch effects.

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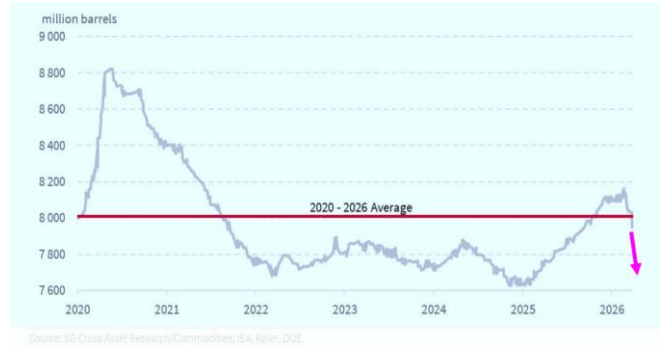
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Exhibit 1: Global oil balance



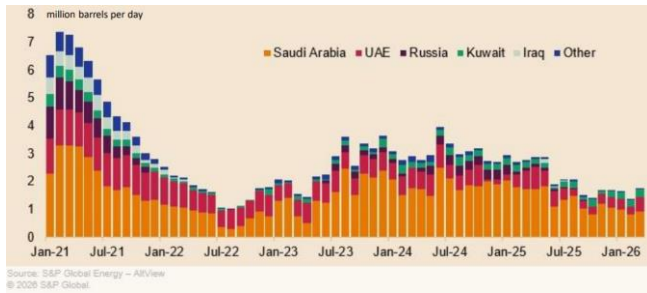
Sources: PTT

Exhibit 2: Global oil inventories



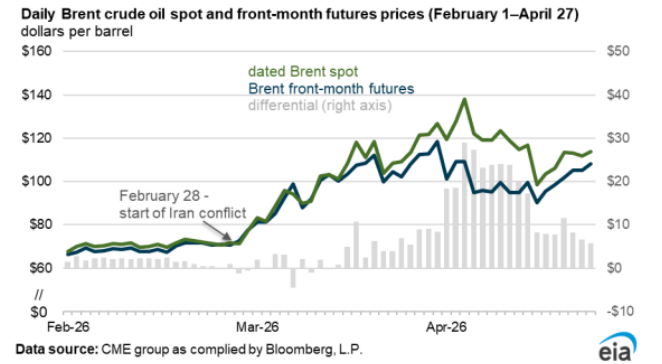
Sources: PTT

Exhibit 3: World oil spare capacity



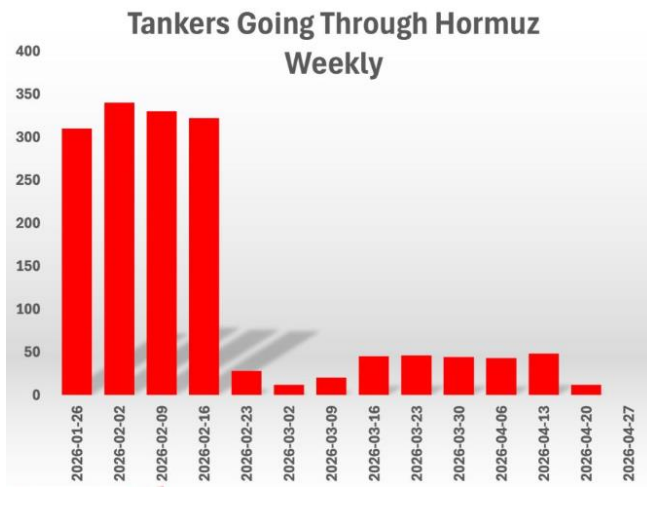
Sources: PTT; S&P Global Energy

Exhibit 4: Brent oil spot and future price



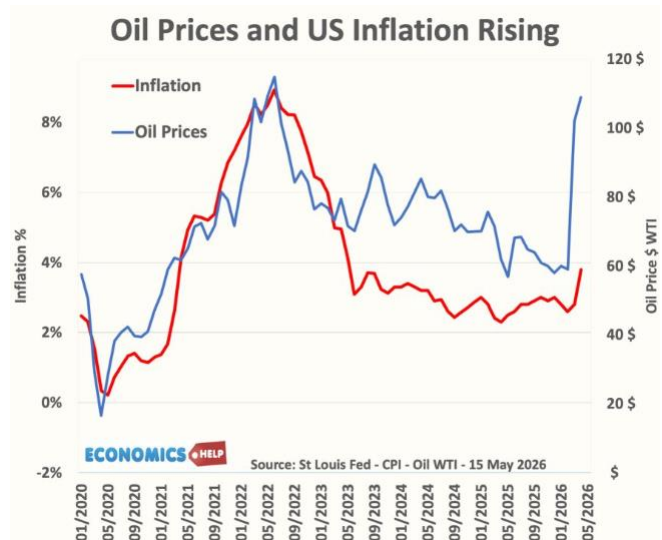
Sources: EIA

Exhibit 5: Tankers going through Hormuz



Sources: [Economicshelp](https://www.economicshelp.com)

Exhibit 6: oil price vs U.S. inflation



Sources: [Economicshelp](https://www.economicshelp.com)

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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.