The Seasonal Mirage & The Foreign Capital Flight

- Friday's +172K US NFP beat was driven by low-wage seasonality.
- Foreign investors net-sold 1.35 billion THB on Friday, fleeing an indefensible 17.0x SET Index.
- We recommend **GULF, WHA, AMATA, BH,** and **BDMS.**

The NFP Seasonal Mirage & High Rates

The global macroeconomic narrative faced a reality check last week. While Friday's US Nonfarm Payrolls (NFP) report crushed expectations at +172,000 jobs, the underlying quality reveals a seasonal mirage. The beat was heavily manufactured by lower-wage sectors like Leisure & Hospitality (+70,000) and Local Government (+52,000), while high-value Financials contracted by 22,000. Although this underlying weakness hints at late-Q3 labor softening, the hot headline number locks the Federal Reserve into a firm hold for the June 17 FOMC meeting. This keeps the US Dollar Index (DXY) anchored high, choking immediate Emerging Market liquidity.

Valuation Squeeze & Foreign Exodus

For the SET Index, this global rate anchor acts as a definitive ceiling. The Thai benchmark closed at 1,582.60, pushing its trailing P/E ratio to an expensive 17.0x. Without a dovish Fed pivot to compress this multiple, foreign institutional capital is actively fleeing the premium. Tape data shows foreign investors net-sold over 1.35 billion THB on Friday alone, leaving domestic retail to absorb the selling pressure. We maintain our defensive Underweight stance on the broad index. At 1,7.0x P/E, the equity risk premium is mathematically indefensible against a strong US risk-free rate.

Stagflation & Zero Demand-Pull

Domestically, the fundamental picture offers no cyclical relief. The Bank of Thailand recently capped 2026 GDP expectations at a sluggish 2.0% growth ceiling against a 3.0% forward inflation projection. This stagflationary reality was validated by last week's May headline inflation print of 2.79% YoY. Crucially, core inflation remains deeply subdued at just 0.92%, proving that the domestic consumer is completely tapped out with zero organic demand-pull capacity. Government consumer subsidies are merely a temporary band-aid for a grassroots economy trapped in a multi-quarter credit crunch.

Bypassing the Core Inflation Trap

This combination of foreign capital flight and negligible core inflation mandates a ruthless portfolio rotation. Investors must entirely bypass domestic retail and consumer finance, which face severe margin compression and rising defaults. Instead, we aggressively overweight structural "Inbound Capital" plays. Industrial Estates (WHA, AMATA) remain our highest conviction theme, directly monetizing global supply chain relocations while completely decoupled from domestic stagnation. Concurrently, large-cap Power Utilities (GULF) act as the ultimate "pick and shovel" proxies to capture massive incoming hyperscaler data center Capex.

Strategy and Recommendations: The "Short Beta, Long FDI" Playbook

We recommend an immediate tactical reallocation to protect capital. In domestic mandates, cap broad SET cash equity exposure. Allocate capital into a concentrated Catalyst wing of Industrial FDI leaders (WHA, AMATA) and dominant Power Utilities (GULF). Anchor the portfolio with a Carry wing of premier, high-margin Healthcare (BH, BDMS) for inelastic international cash flows. Strictly avoid non-bank finance and auto-lenders.

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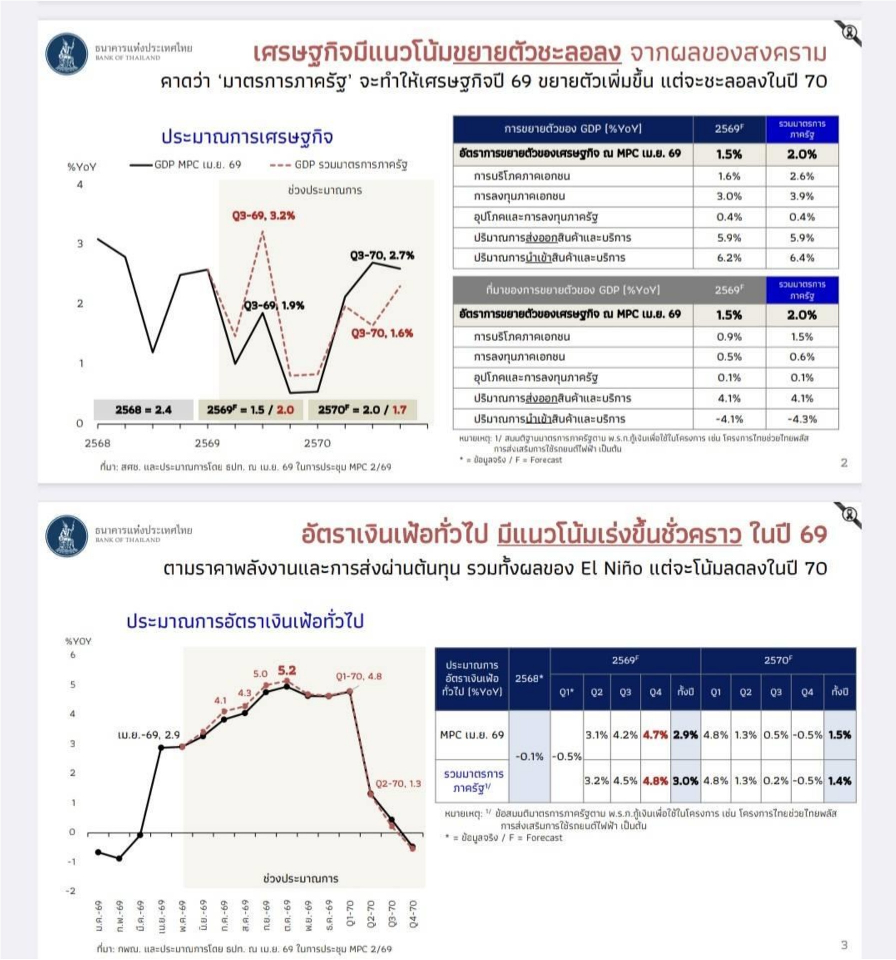
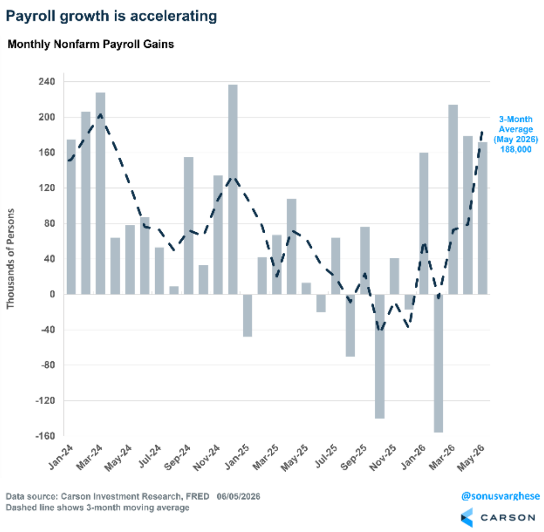
Exhibit 1: BoT Adjusts 2026 GDP Outlook Amid Government Stimulus Efforts



Sources: BoT

Exhibit 2: Labor market is accelerating



Sources: carsongroup

Exhibit 3: Foreign investors ended the week as net buyers, despite Friday's sell-off

	05 Jun 2026					01 Jun 2026 - 05 Jun 2026				
Type	Buy	%	Sell	%	Net	Buy	%	Sell	%	Net
Local Institutions	4,014.52	5.91	4,344.16	6.39	-329.63	13,893.03	5.54	15,489.85	6.18	-1,596.82
Proprietary Trading	5,955.84	8.77	5,914.00	8.70	41.84	21,227.92	8.47	18,743.57	7.48	2,484.35
Foreign Investors	33,266.37	48.96	34,623.44	50.96	-1,357.06	137,083.39	54.68	131,316.16	52.38	5,767.23
Local Individuals	24,709.82	36.37	23,064.96	33.95	1,644.86	78,503.58	31.31	85,158.35	33.97	-6,654.76

Sources: SET.or.th

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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 (target price* - current price) / 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.