Inflation, Power, and the Next Leg of AI

- US inflation will determine whether Thailand's returning foreign flows can extend.
- PDP 2026 and AI infrastructure demand turn Thailand's FDI/data-centre boom into an investable power and cooling cycle,
- We recommend **DELTA, KBANK, GULF, GUNKUL,** and **BCP.**

SET Resilience Meets Renewed Rate Risk

SET ended last week at 1,595.58, rebounding 1.18% on Friday as large caps led by DELTA recovered, while foreign investors returned to net buying of THB3.5bn during 1–4 September after heavy August selling. However, Friday's US payrolls materially raised the global hurdle: August employment increased 162k versus 56k expected, lifting September Fed hike probability to around 59%. The combination leaves Thailand in a constructive but increasingly macro-sensitive position. Domestic investment and earnings catalysts remain intact, but further SET upside now requires foreign inflows to withstand renewed pressure from US yields and the dollar.

Inflation Test Determines the Next Foreign-Flow Leg

US inflation becomes the key external catalyst this week, with August PPI due 10 September and CPI on 11 September ahead of the 15–16 September FOMC meeting. After the payroll surprise, another firm inflation print would strengthen the case for a Fed hike, potentially lifting Treasury yields and the dollar and interrupting the recent return of foreign buying into Thailand. Conversely, softer inflation would ease this pressure and support another leg of EM inflows. We therefore favour liquid large caps that can capture improving foreign risk appetite, with KBANK offering direct exposure to renewed institutional flows and domestic financial activity.

PDP 2026 Turns FDI into a Power Investment Cycle

Thailand's investment story moves from capital commitments toward electricity infrastructure as the PDP 2026 public hearing begins on 8 September. The draft targets at least 65% clean energy and addresses new electricity demand from data centres and AI, estimated at up to 8,800MW, while the first capacity bidding is expected in 2027. This extends our existing FDI thesis: investment commitments drive data-centre construction, which creates structural demand for generation, grid capacity and renewable power. We favour GULF as the core large-scale beneficiary, while GUNKUL provides higher-beta renewable and EPC optionality.

AI Capex Migrates Beyond GPUs into Power and Cooling

The AI investment cycle is broadening beyond semiconductors as rising computing density creates new bottlenecks in electricity distribution and thermal management. AI rack power consumption is expected to exceed 1.5MW by 2030, while liquid cooling could reach 70% of new AI data-centre installations, versus roughly 30% today. This shifts incremental AI spending toward power conversion, transformers and advanced cooling rather than GPUs alone. DELTA offers the clearest Thai exposure to this transition through its data-centre power and thermal-management solutions, allowing investors to capture AI infrastructure growth without relying solely on another semiconductor demand cycle.

Strategy and Recommendations: Own Catalysts

We recommend **DELTA** for AI capex migration toward power and cooling infrastructure; **KBANK** as a liquid large-cap beneficiary if softer inflation supports continued foreign inflows; **GULF** as the core structural beneficiary of Thailand's expanding power and data-centre investment cycle; and **GUNKUL** as the higher-beta PDP 2026 play through renewable capacity and EPC opportunities. We also include **BCP** as our preferred refinery exposure and a useful hedge against renewed energy-market volatility, supported by resilient refining margins.

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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.