THAILAND STRATEGY

Globlex Securities Co., Ltd.

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Tight Money, Rising Water

- Global tightening keeps pressure on foreign flows as U.S. yields remain elevated ahead of another heavy U.S. data week.
- Bangkok flooding is near-term disruption, but historical evidence suggests more demand displacement than destruction unless flooding reaches industrial areas.
- We recommend **CPALL/CPAXT, HMPRO, BDMS, TTB,** and **STECON.**

Global Tightening Keeps the Foreign-Flow Hurdle High

SET ended last week at 1,607.63, up 1.48% w-w, but foreign investors sold THB3.39bn on Friday as the global rate backdrop tightened further. The Fed raised rates 25bps to 3.75–4.00%, while the U.S. 10Y yield reached 5.20% and the 30Y 5.48% during the week. This week's August PCE, September ISM manufacturing and payrolls will test whether resilient growth and inflation keep another Fed hike in play. Higher global yields remain the key hurdle for THB, foreign flows and SET valuation.

Flooding Revives the Familiar Disruption Playbook

Markets typically respond to major flooding by pricing weaker mobility, retail footfall, tourism and construction activity first, alongside higher insurance and credit concerns. Once water recedes, attention normally rotates toward essential consumption, household repair, replacement purchases and reconstruction. Bangkok's latest flooding therefore creates a familiar two-stage trade: initial disruption followed by potential recovery spending. The key question is whether this remains a short urban mobility shock or develops into a broader setback affecting production and logistics.

Our View: More Displacement Than Destruction

Historical Thai episodes suggest short floods often shift spending rather than eliminate it: essentials remain resilient while appliances, home improvement and repairs rebound after water recedes. The real escalation threshold is industrial spillover. Thailand's 2011 flood became economically severe when factories and supply chains were disrupted, not simply because Bangkok flooded. Our base case therefore remains temporary consumption displacement followed by replacement demand; the downside case begins if prolonged flooding materially affects Pathum Thani, Ayutthaya, Samut Prakan or major industrial and logistics nodes.

Geopolitics Keeps Crude Tied to the Rates Story

Brent remains above US$100/bbl as Middle East supply risk competes with intermittent hopes for de-escalation. For Thailand, sustained high crude worsens the import bill, inflation and household purchasing power while reinforcing the global tightening narrative through higher inflation expectations. Domestic refiners remain complicated by the THB4/litre diesel intervention through 31 October. We therefore view crude mainly as a macro risk: further escalation would support upstream energy earnings but raise the pressure on Thai consumption, THB and monetary conditions.

Strategy and Recommendations: Own Resilience, Recovery and Investment

We recommend **CPALL/CPAXT** for essential-consumption resilience and demand normalisation; **HMPRO** for household repair and replacement spending after water recedes; **BDMS** for defensive earnings visibility; and **TTB** for domestic-consumption and auto-finance recovery, while monitoring flood-related credit risk. **STECON** is an investment-cycle call, supported by strong backlog and a growing data-centre construction pipeline.

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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.