

Soft Jobs, Tight Oil, Petrochemical Reset

- Softer U.S. jobs reduce Fed pressure, but long yields remain restrictive; OPEC+ keeps oil tight, sustaining Thailand's inflation and consumption risks.
- Petrochemical restructuring and AI infra offer selective structural opportunities.
- We recommend **GULF**, **SCC**, **PTTGC**, **CCET**, and **HANA**.

Softer Jobs Reduce Fed Risk, Not the Yield Hurdle

SET ended last week at 1,571.62, down 2.24% w-w, as heavy foreign selling cut YTD net buying to just THB20.7bn. September U.S. payrolls rose only 29k versus 90k expected, while unemployment increased to 4.2%, sharply reducing the probability of an October Fed hike. Yet the U.S. 10Y yield ended at 5.28% as energy inflation and fiscal concerns kept long-end rates elevated. Softer employment lowers immediate Fed risk, but Thailand still needs yields and foreign flows to turn before a broader SET re-rating can resume.

OPEC+ Keeps Oil Tight as Thailand's Inflation Test Arrives

Thailand's September CPI is the key domestic macro test after August inflation accelerated to 2.53% y-y. OPEC+ kept November production targets unchanged on 4 October, while core producers remain well below pre-war output and Brent stays above US\$100/bbl. Flood disruption adds pressure through food, logistics and temporary factory stoppages, with preliminary manufacturing losses estimated at THB1.02bn. The combination keeps household purchasing power and the THB vulnerable, even as softer U.S. employment reduces immediate Fed pressure.

Petrochemical Consolidation Moves from Concept to Execution

Thailand's petrochemical story is shifting from waiting for a cyclical rebound toward industry restructuring. PTTGC and SCGC entered confirmatory due diligence on 30 September, with shareholding structure, transaction steps and quantified synergies expected to be finalised in October. The proposed JV could improve scale, feedstock optimisation and the high-value product mix, while potentially reducing duplicated costs. However, weak Asian downstream demand and elevated feedstock costs remain near-term constraints. Execution and synergy capture, rather than a broad petrochemical recovery, are therefore the key catalysts.

AI Demand Broadens into Electronics and Power

AI-related hardware demand remains a key regional growth pocket despite tighter financial conditions. South Korea's September exports surged 83.5% y-y to a record US\$120.9bn, with semiconductor shipments up 262.8%, underscoring the strength of AI and memory demand. In Thailand, HANA's AI-related PCBA and solid-state cooling programmes entered mass production in 3Q26, while CCET benefits from server and storage exposure. Rising data-centre loads also reinforce Thailand's power-investment cycle, supporting GULF through generation growth, Direct PPA and grid-related opportunities.

Strategy and Recommendations: Own Structural Growth and Restructuring

We recommend **GULF** for structural power demand from data centres, PDP2026 and Direct PPA optionality; **SCC** for potential value unlocking from SCGC restructuring and a cleaner balance-sheet path; **PTTGC** for scale, feedstock and downstream synergies from the proposed JV; **CCET** for electronics manufacturing exposure to AI-related server and storage demand; and **HANA** for earnings recovery as AI-related PCBA and solid-state cooling products ramp. Overall, we favour structural growth and event-driven restructuring over broad domestic beta while yields and energy costs remain restrictive.

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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.