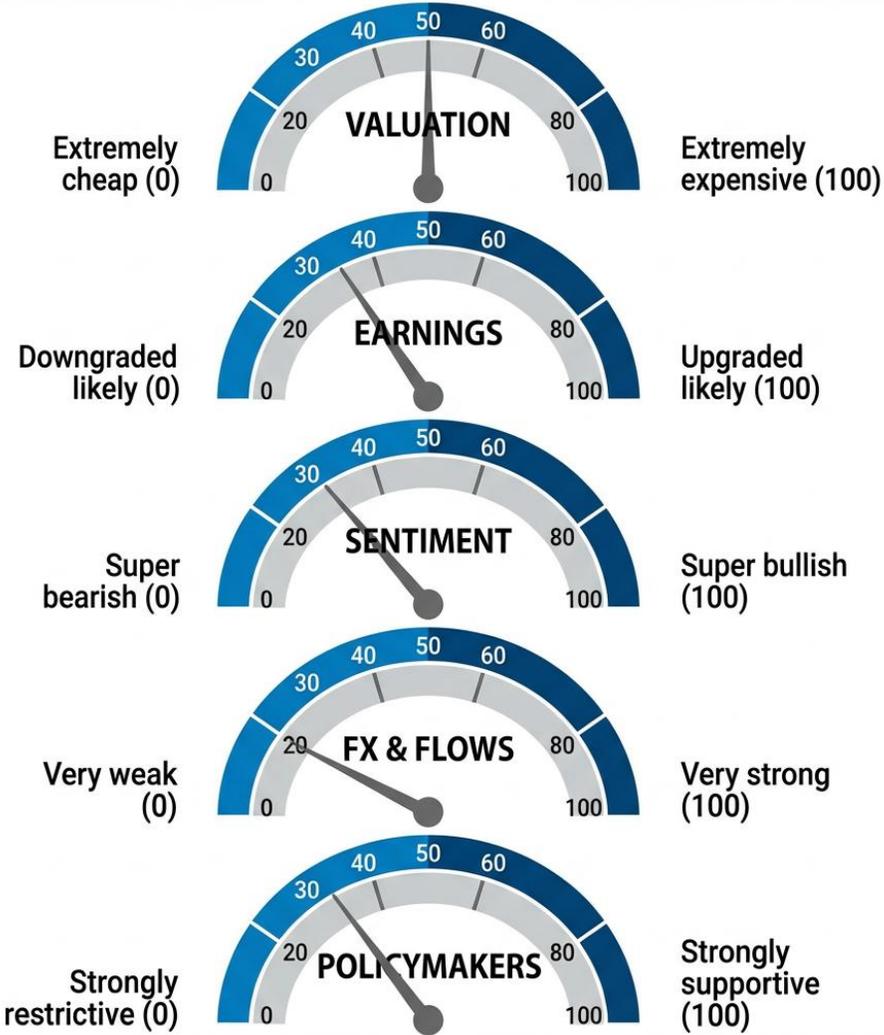

2Q26: Absorbing all the Bad News

March 2026

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Trinity Securities



How we start the 2nd quarter of 2026



Capitulation in the making



Illustrative Chain Reaction Diagram of Economic Events

Brent time spread in extreme backwardation mode, like 2022



Note: Data as of 24 March 2026

Source: Bloomberg



Inflation expectations on the rise, but not yet reached 2022 high

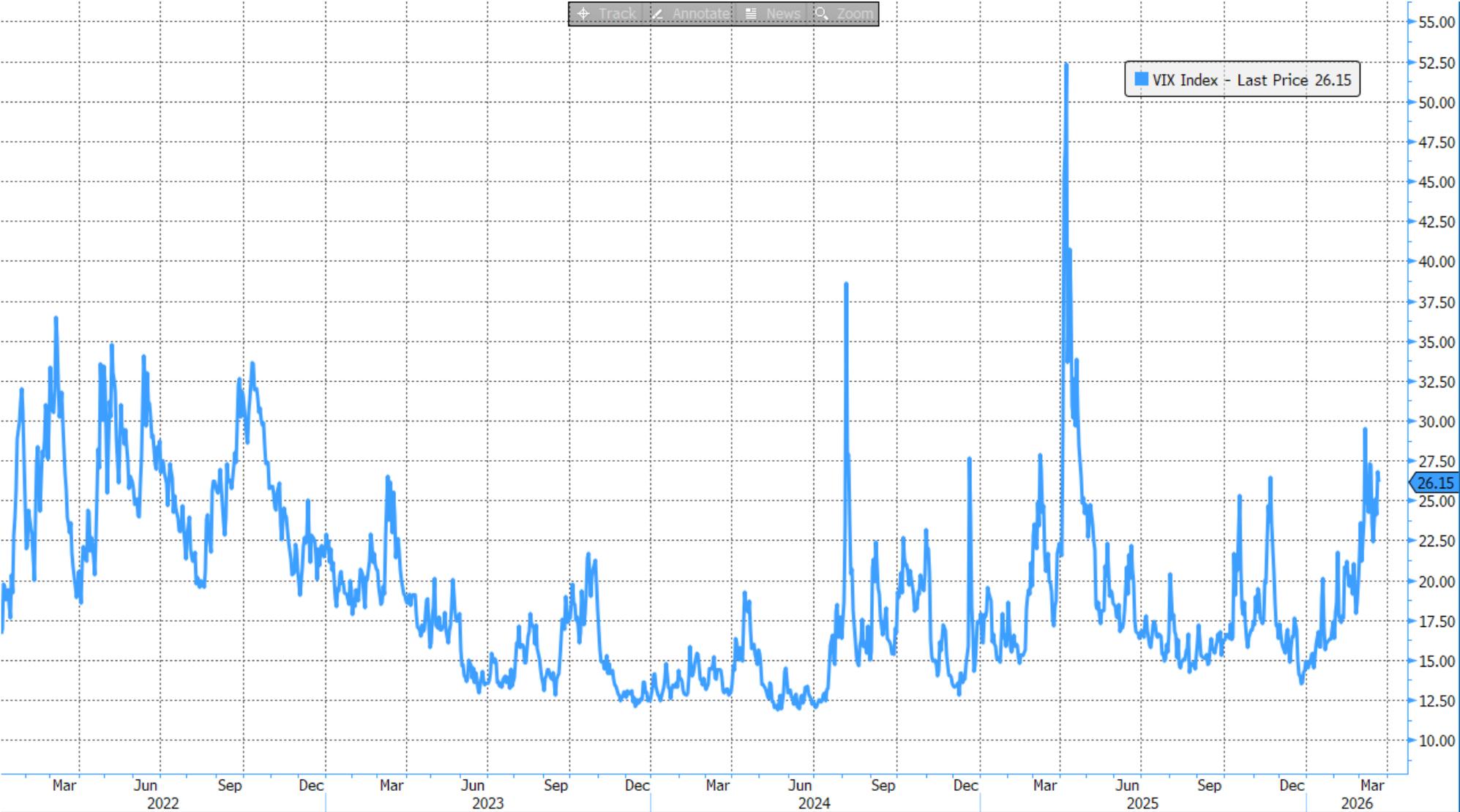


Note: Data as of 24 March 2026

Source: Bloomberg



VIX still far off from 2025 high and 2022 Russia-Ukraine level



Note: Data as of 24 March 2026

Source: Bloomberg



Ranking the highest VIX since 1990 (avg. S&P500 correction = 17.2%)

Date	VIX level	Event	S&P500 correction (%)
16 March 2020	82.69	Covid outbreak	33.9
20 November 2008	80.86	Subprime crisis	25.2
8 April 2025	52.33	Liberation day	13.7
8 August 2011	48.00	Peak of European debt crisis	17.3
20 May 2010	45.79	Start of European debt crisis	13.7
8 October 1998	45.74	Peak of Asian financial crisis	19.2
5 August 2002	45.08	Cluster of corporate scandals	27.9
21 September 2001	42.66	September 11 attack	18.5
28 October 2020	40.28	U.S. Election fear	8.7
5 August 2024	38.57	U.S. Recession fear	8.5
30 October 1997	38.20	Start of Asian financial crisis	10.8
7 March 2022	36.45	Russia-Ukraine war	9.1
23 August 1990	36.47	Gulf war	16.8
6 March 2026	29.49	U.S.-Iran war	6.3

Ranking the highest VIX since 1990 (avg. SET correction = 18.1%)

Date	VIX level	Event	SET Index correction
16 March 2020	82.69	Covid outbreak	33.5
20 November 2008	80.86	Subprime crisis	16.8
8 April 2025	52.33	Liberation day	9.7
8 August 2011	48.00	Peak of European debt crisis	8.9
20 May 2010	45.79	Start of European debt crisis	9.5
8 October 1998	45.74	Peak of Asian financial crisis	30.4
5 August 2002	45.08	Cluster of corporate scandals	15.6
21 September 2001	42.66	September 11 attack	21.0
28 October 2020	40.28	U.S. Election fear	11.3
5 August 2024	38.57	U.S. Recession fear	4.4
30 October 1997	38.20	Start of Asian financial crisis	34.8
7 March 2022	36.45	Russia-Ukraine war	5.5
23 August 1990	36.47	Gulf war	33.8
6 March 2026	29.49	U.S.-Iran war	9.8

Top 10 issues in 2Q26

- 1) We assess that in the upcoming second quarter, global assets will have largely priced in most negative factors, particularly the ongoing U.S.-Iran conflict. We expect investors' fear to potentially peak during this quarter, including concerns over an energy crisis, inflation and rising cost of living, the risk of renewed monetary tightening, bond market shocks, USD strength, and downward revisions to corporate earnings.
- 2) Given this backdrop, the recommended investment strategy for the second quarter is to begin the quarter with a defensive stance, focusing on bunker stocks that are relatively insulated from the impacts of war. At the same time, investors should stay alert for opportunities that may arise during the quarter - particularly if there is a sharp correction in equity indices. At that point, it would be attractive to gradually accumulate high-beta stocks, as most of the associated risks are likely to have already been priced in



Top 10 issues in 2Q26

- 3) Best days are over for global equities including Thailand. 1550 is already a peak for Thai stock this year. SET pre-war already factored in many good news such as No fresh redemption from any of tax-saving funds at the beginning of year, Election rally, Hope of stable government, IEEPA-based tariffs termination, and Surprised rate cut .
- 4) We estimate the first key support range for the SET Index this quarter at around 1,390 - 1,400 points. In a worst-case scenario, the support level will be in the range of 1,260–1,290 points. On the upside, we see the potential resistance level for the SET Index this quarter to be around 1,530 points. In summary, we believe that when the SET Index falls below 1,400 points, the reward-to-risk profile begins to tilt more favorably toward the upside.

Top 10 issues in 2Q26

- 5) Expect a series of GDP and Earnings downgrade to come. Main engine to downgrade is net exports as import value will surge following energy price spiked and export value may drop from delaying orders from rising shipping cost. Service incomes may also be negatively impacted from trip postponement due to rising airfares. Domestic consumption and manufacturing could also get hit from rising living expenses and rising production cost.
- 6) Beware of rate-sensitive stocks who could now facing higher refinancing rates such as Finance & Property firms. Also beware of bond-like stocks such as Utilities/IFF/REIT who could face suppressing dividend yield gap.

Top 10 issues in 2Q26

- 7) If the conflict between the U.S. and Iran comes to an end, attention may shift back to the risk of U.S. import tariffs re-emerging as a key issue. Although President Trump's use of authority under the IEEPA was previously struck down by the Supreme Court, the White House still has several alternative channels to impose additional import tariffs. That said, we do not expect the impact to be as severe as during the previous round of retaliatory tariffs - especially as the midterm elections approach in the fourth quarter, with current approval ratings for both President Trump and the Republican Party having declined noticeably.

Top 10 issues in 2Q26

8) The key advantage at this point is that investors have largely priced out the chance of rate cuts by major central banks—especially the Fed—this year. In fact, some have even started to assign greater probability to potential rate hikes going forward. However, given a weakening labor market, the impact of global economic conditions amid ongoing conflicts, ample policy space, limited impact from energy crisis on inflation, and the political incentive for President Trump to boost approval ratings ahead of the midterm elections, we assess that the likelihood of the Fed raising rates this year remains low. Moreover, if the Fed were to resume rate cuts, it would come as a positive surprise to global financial markets, primarily through a depreciation of the U.S. dollar.

Top 10 issues in 2Q26

- 9) We assess the potential impact on the Thai equity market in terms of fund flows, based on the possibility that MSCI may remove Indonesian equities from the MSCI EM Index to be reclassified into the MSCI Frontier Index, and similarly remove Greek equities from the MSCI EM Index to be included in the MSCI DM Index. Our findings suggest that such changes would have no significant impact, particularly when considering only passive or index fund flows.
- 10) Expect THAI to be included in SET50 next round (2H26), as its historical trading data already reached a minimum 6-month requirement and its free-float has already surpassed a 20% minimum threshold after some shares exiting the silent period returned to trading.

What went right for our 1Q26 call

- Election rally
- Positive returns from Thai Gov't bond during pre-Iranian war
- Safe valuation at SET 1260
- Our best case for the SET target in 1Q26 at 1,530 did a good job
- SET realized potential from huge earning yield gap
- No significant outflows as expected
- Domestic liquidity crept up especially from retail investors
- THAI was not added to the SET50/SET100 for 1H26

What went wrong for our 1Q26 call

- Fed did not cut rate in 1Q26 as inflation expectation rose significantly since war erupted.
- BoT cut rate as early as 1Q26 which is different from our timeline of 2Q-4Q
- Domestic cyclicals underperformed global cyclicals
- SETHD is lagging the SET Index
- ITC not included in SET50 due to unqualified free-float

What's in the price and what's not

	In the price	Not in the price
Domestic	<ul style="list-style-type: none"> - Stable government (near 300 seats) - 0.25% rate cut at the beginning of year - No more rate cut in 2026 	<ul style="list-style-type: none"> - Significant earnings and GDP downgrade - Twin deficit - Slower-than-expected budget disbursement
External	<ul style="list-style-type: none"> - \$100 oil a barrel - Extreme backwardation in oil forward curve - A revoke of Trump reciprocal tariff - 0.50% ECB rate hike in 2026 - 0.50% BoJ rate hike in 2026 	<ul style="list-style-type: none"> - \$150 oil a barrel - Extreme inflation fear as occurred in 2022 - Extreme equity market fear reflected by VIX - Stagflation - Fed reversal to hike rate

Trump & The Fed

Mechanisms buried within the 1974 Trade Act.

Section 301 - empowers the USTR to employ tariffs against countries it deems as having “discriminatory” or “unfair” trade practices. An investigation must find that a foreign country restricted U.S. commerce through discriminatory practices, which could take months.

Section 122 - allows the president to enact tariffs to address “large and serious United States balance-of-payment deficits.” On February 20, 2026, President Trump invoked Section 122 to impose a 10% temporary import surcharge above normal tariffs already being charged on most foreign goods, effective February 24, to combat a “fundamental international payments problem”. Any Section 122 tariffs may last for up to only 150 days and are limited to 15 percent of a product’s estimated value. Congress would need to approve an extension of Trump’s threatened Section 122 tariffs to go more than 150 days.



Mechanisms buried within the 1974 Trade Act.

Section 232 - allows the president to impose tariffs on countries that threaten national security.

Section 338 - allows for up to 50 percent tariffs on countries the president deems disadvantageous or discriminatory to U.S. commerce.

Although Trump reciprocal tariff under IEEPA is no longer exist, import levies will still be there going forward. The U.S. Trade Representative (USTR) has equipped the president with a number of mechanisms buried within the 1974 Trade Act.

Excerpt from USTR Initiation of Section 301 Investigations

Evidence of structural excess capacity and production exists for **Thailand**. It maintains a global goods trade surplus in sectors such as autos and auto parts, machinery, and rubber. Thailand's bilateral goods trade surplus with the United States totaled \$51 billion in 2025, up from \$46 billion in 2024. Evidence suggests Thailand's manufacturing sector has significant excess capacity, as it is operating at below 60% capacity for two consecutive years, with only one-third of industries recovering to pre-pandemic levels.



Thailand is ranked high in terms of trade surplus with the U.S.

Country/Area	Goods trade surplus/deficit 2025 (\$ mln)	Goods trade surplus/deficit 2024 (\$ mln)	Change (\$ mln)
European Union	218,750	235,874	-17,124
China	202,071	295,515	-93,444
Mexico	196,913	171,491	25,422
Vietnam	178,183	123,457	54,726
Taiwan	146,756	73,718	73,038
Thailand	71,856	45,492	26,364
Japan	63,883	69,392	-5,509
India	58,216	45,801	12,415
Korea, South	56,416	65,967	-9,551
Switzerland	34,304	38,283	-3,979
Malaysia	30,791	24,854	5,937
Indonesia	23,716	17,893	5,823
Cambodia	14,928	12,327	2,601
Bangladesh	7,146	6,063	1,083
Norway	2,069	2,043	26
Singapore	-3,553	-1,855	-1,698

Note: Data as of 12 March 2026

Sources: U.S. Census Bureau trade data, Reuters

Trump job approval poll

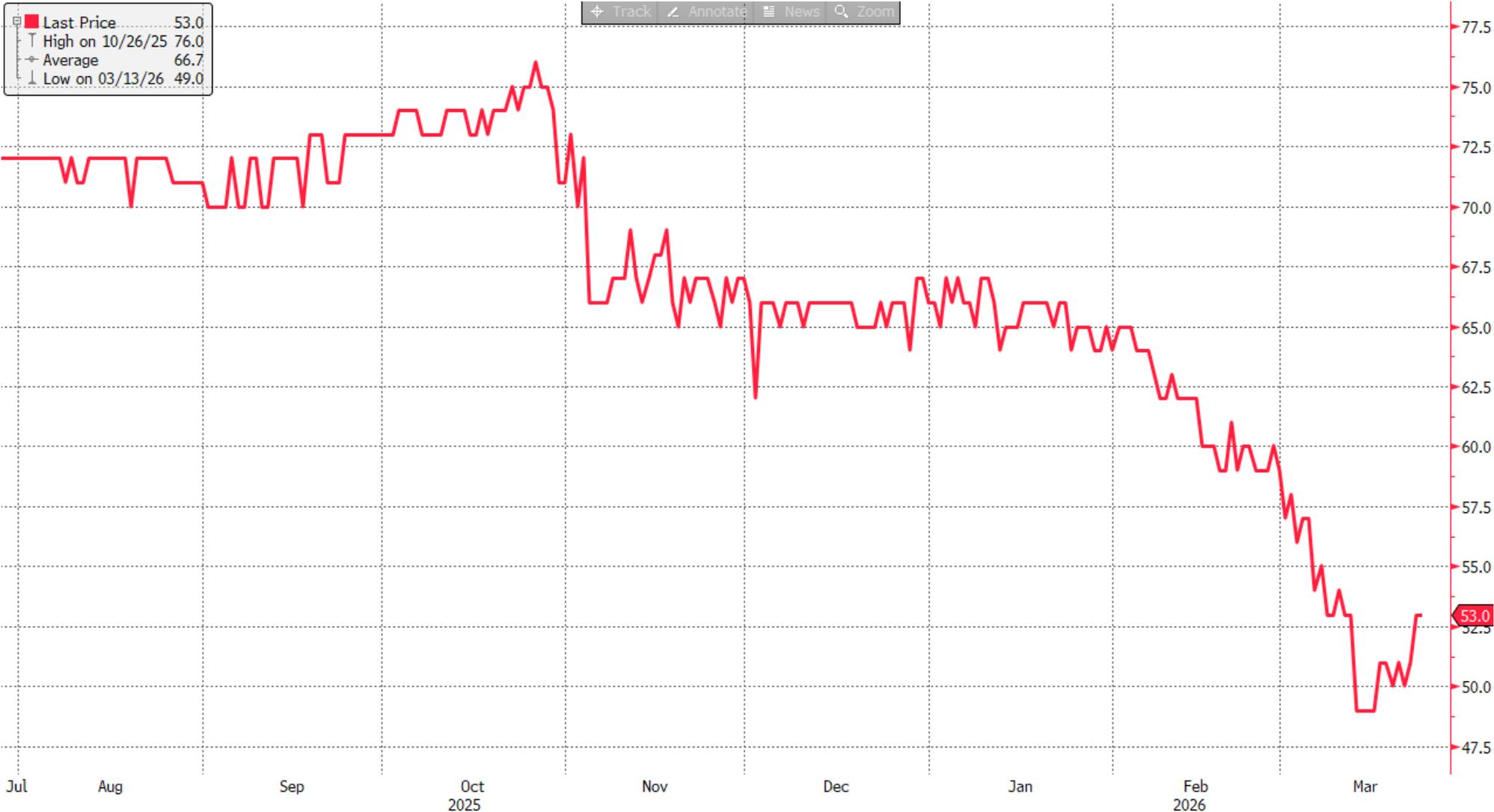


Note: Data as of 23 March 2026

Source: Bloomberg



As time goes on, the likelihood of the Republican Party securing a majority in the Senate after this midterm election is declining

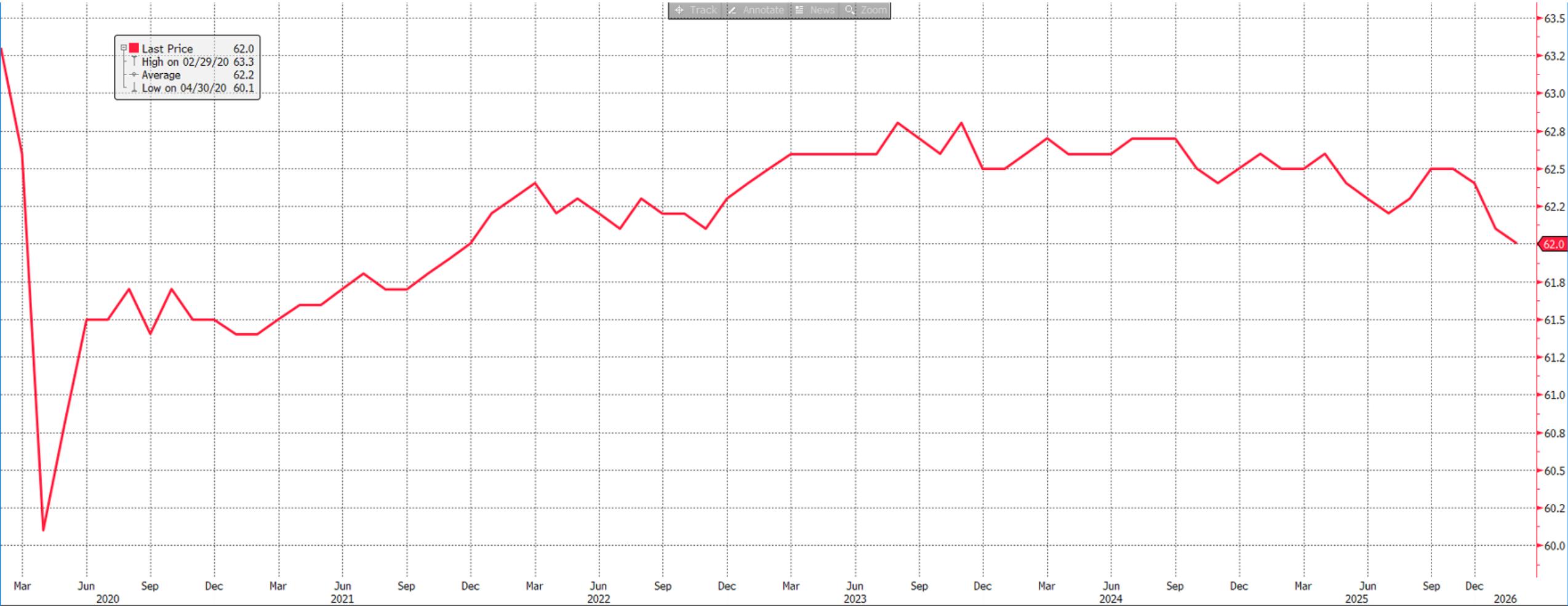


Note: Data as of 24 March 2026

Source: Bloomberg



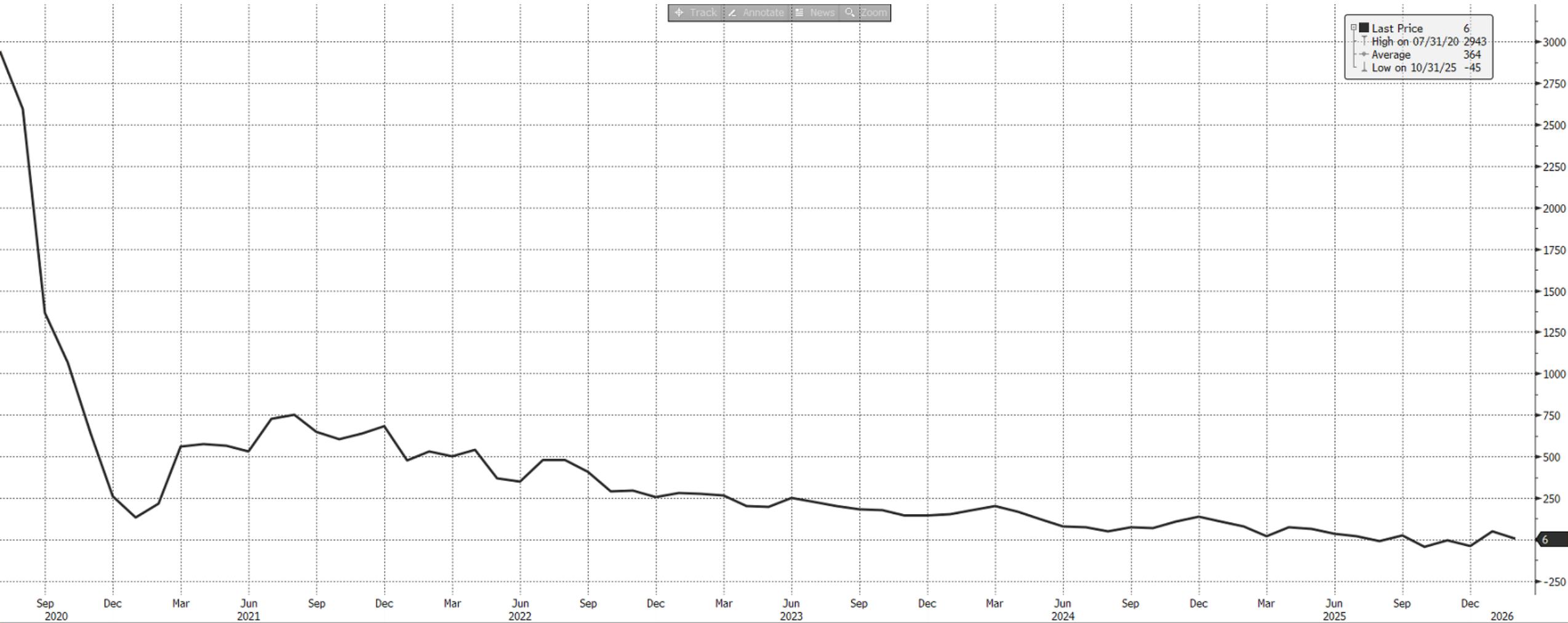
Warning sign from U.S. labor force participation rate



Note: Data as of February 2026

Source: Bloomberg

3-mth average net change in U.S. nonfarm payrolls

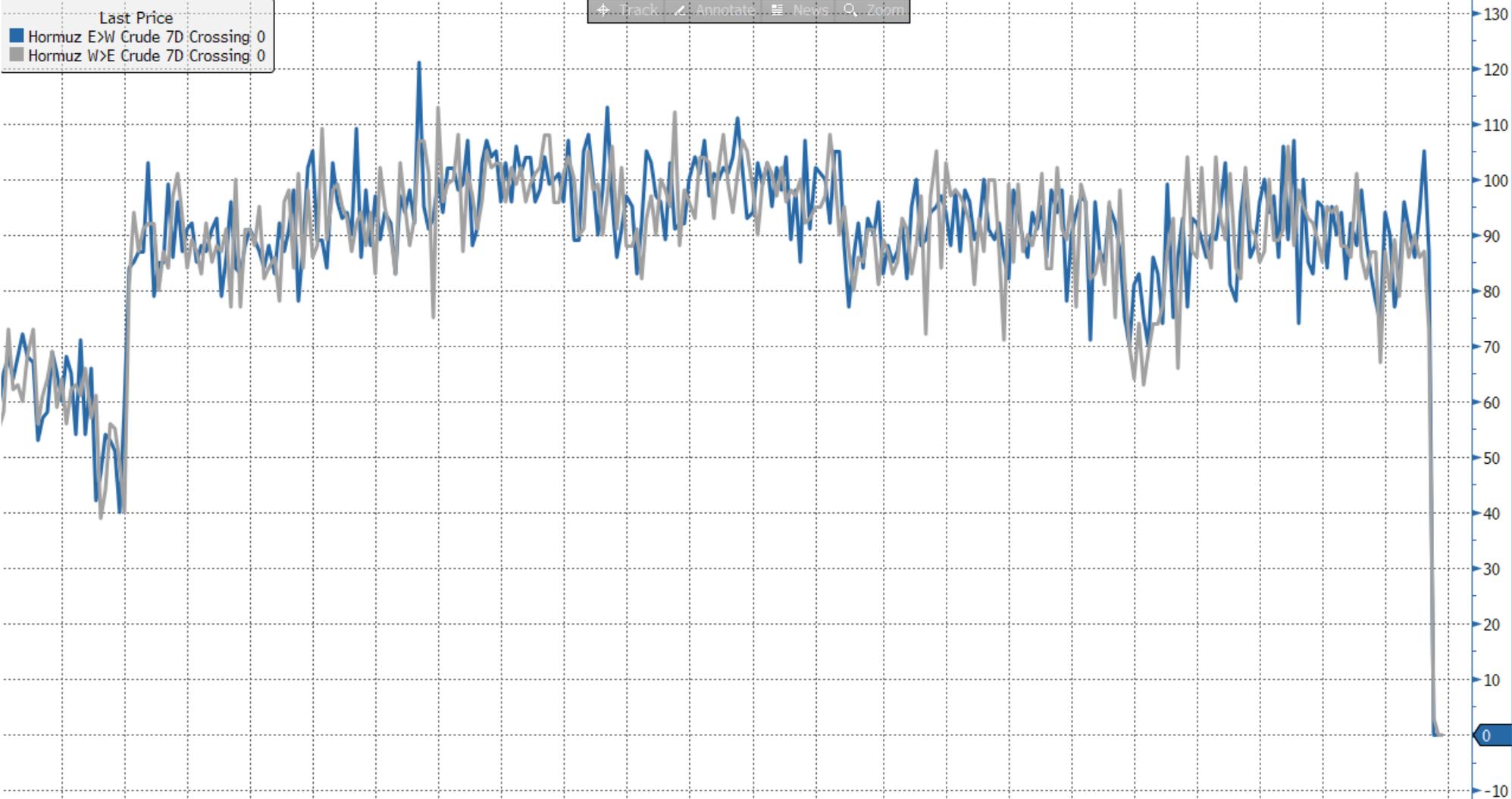


Note: Data as of February 2026

Source: Bloomberg

Energy crisis: Implication on Thailand

Hormuz crude oil tanker crossings (7-day total)

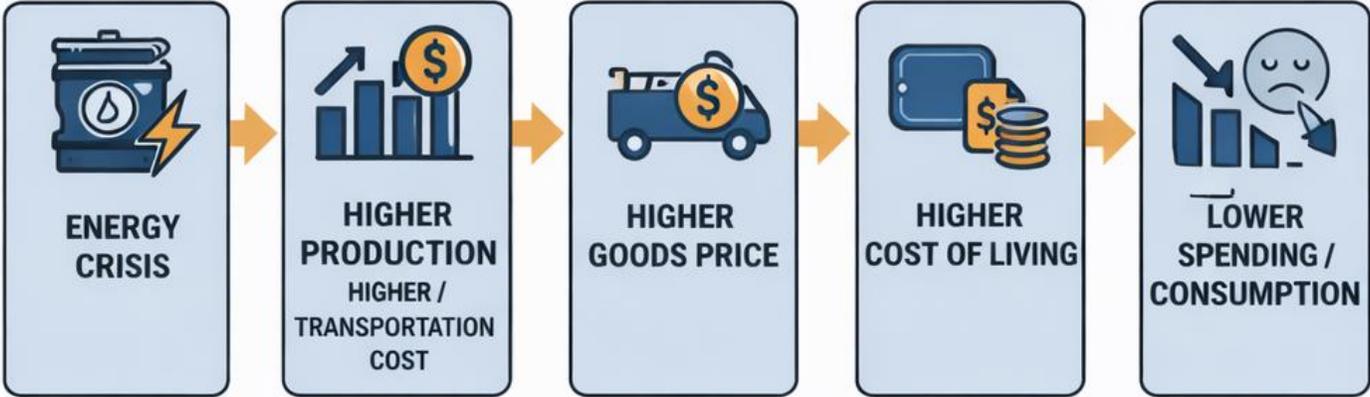
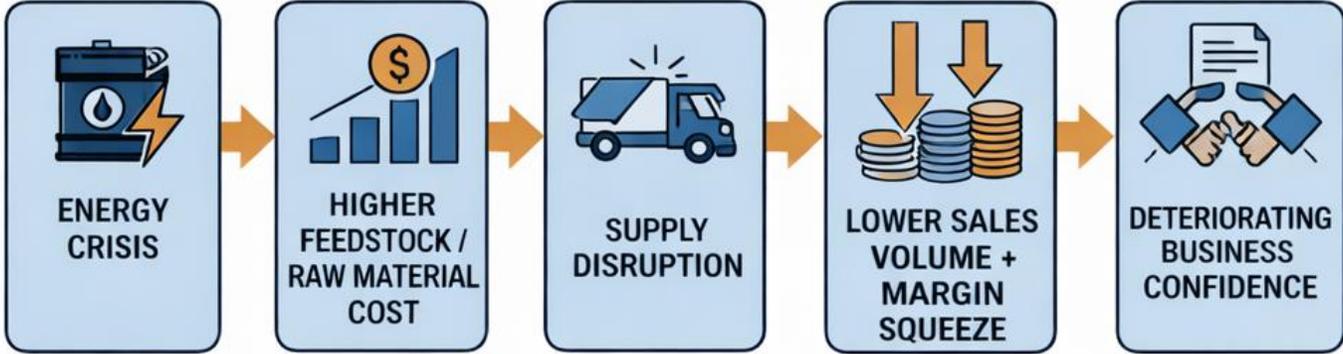


Note: Data as of 23 March 2026

Source: Bloomberg



Repercussion from energy crisis



THB & Flow in jeopardy

Energy crisis --> Higher imported price --> Higher imports

Energy crisis --> Higher logistic costs --> Delaying export orders

Energy crisis --> Downside risk to global economy --> Lower exports

Energy crisis --> Higher transportation costs --> Delaying travelling --> Lower service incomes

} Chance of trade deficit

} Chance of current account deficit

We are firmly convinced that the final BoT rate cut of this cycle has already passed (1yr THB swap)



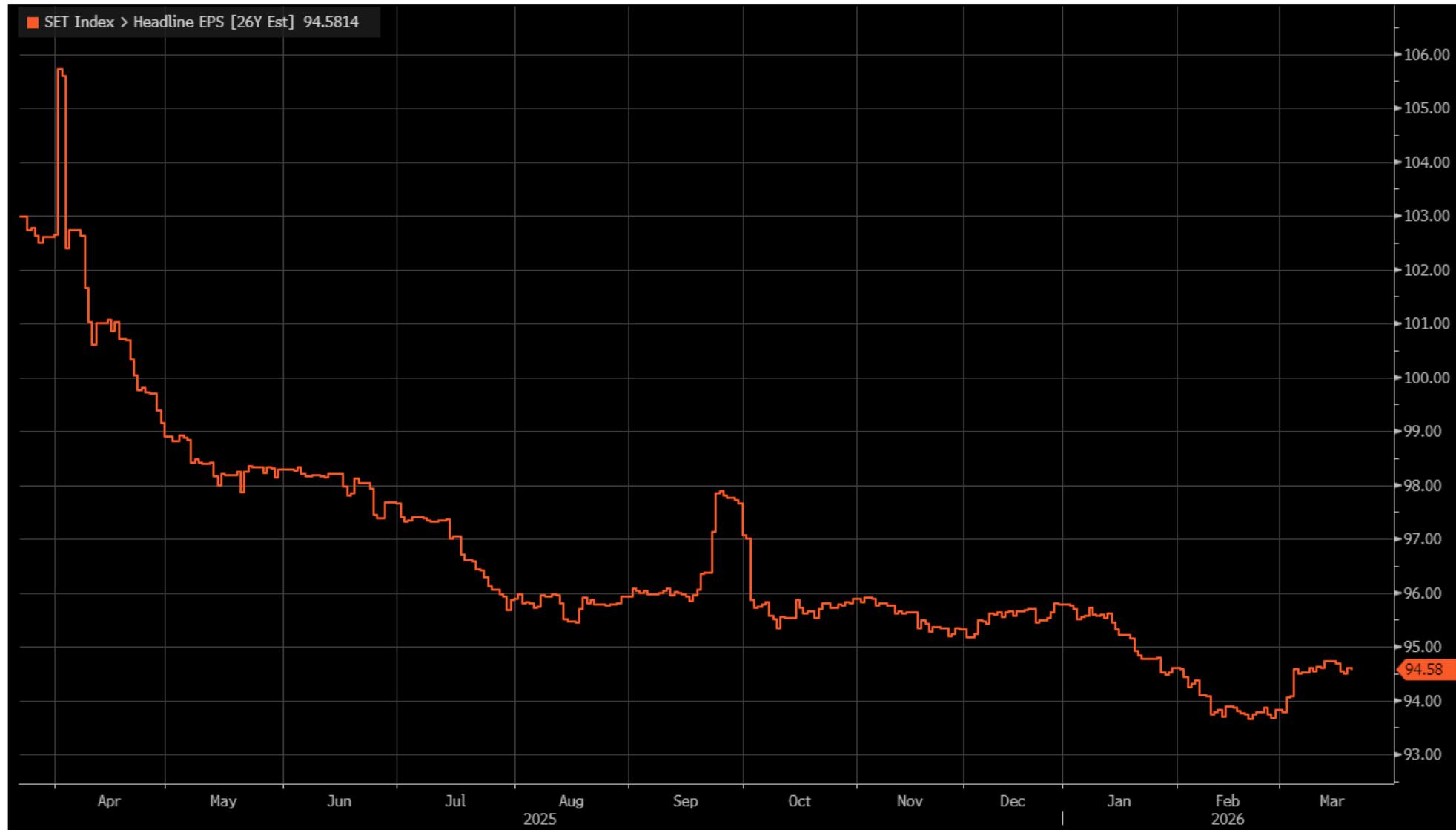
Note: Data as of 23 March 2026

Source: Bloomberg



Valuation Check-up

Waiting EPS to fully absorbed all the bad news



Note: Data as of 23 March 2026

Source: Bloomberg



SET is now trading exactly at the 5-year average PE band



Note: Data as of 23 March 2026

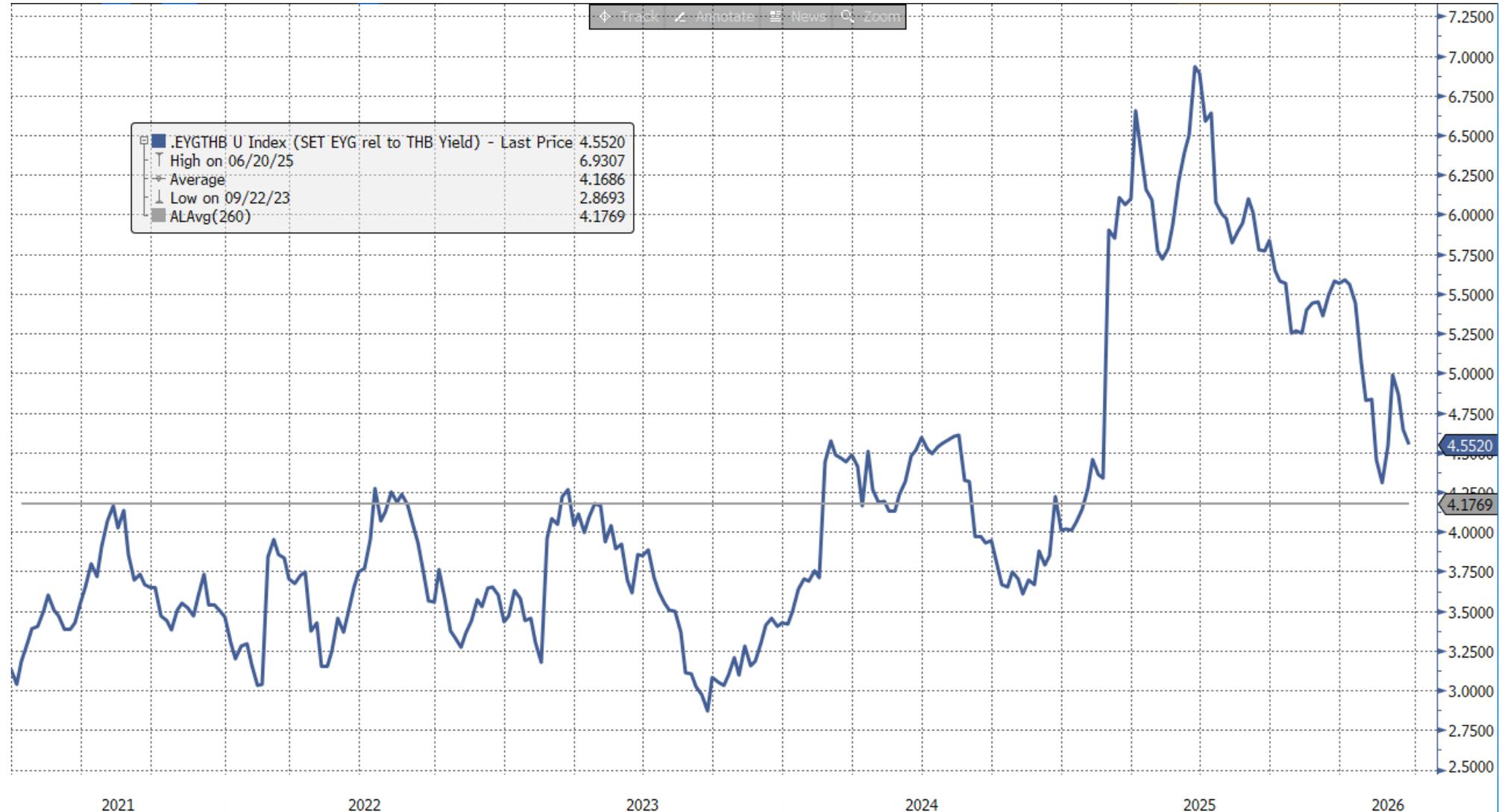
Source: Bloomberg



Our current SET target from PE Model and what could happen if EPS facing a downgrade

Case	Multiple at 1.00% RP (Current)	2026E EPS (Pre-war)	Fair SET (Pre-war)	2026E EPS (3% downside)	Fair SET (3% EPS downside)	2026E EPS (5% downside)	Fair SET (5% EPS downside)
Best	15.9x Fwd PE	96.4 baht	1530	93.5 baht	1490	91.6 baht	1450
Base	14.8x Fwd PE	96.4 baht	1430	93.5 baht	1390	91.6 baht	1360
Conservative	13.8x Fwd PE	96.4 baht	1330	93.5 baht	1290	91.6 baht	1260

The attractiveness of Thai equities relative to Thai bonds has returned to normal levels (SET EYG vs. 10y THB yield)

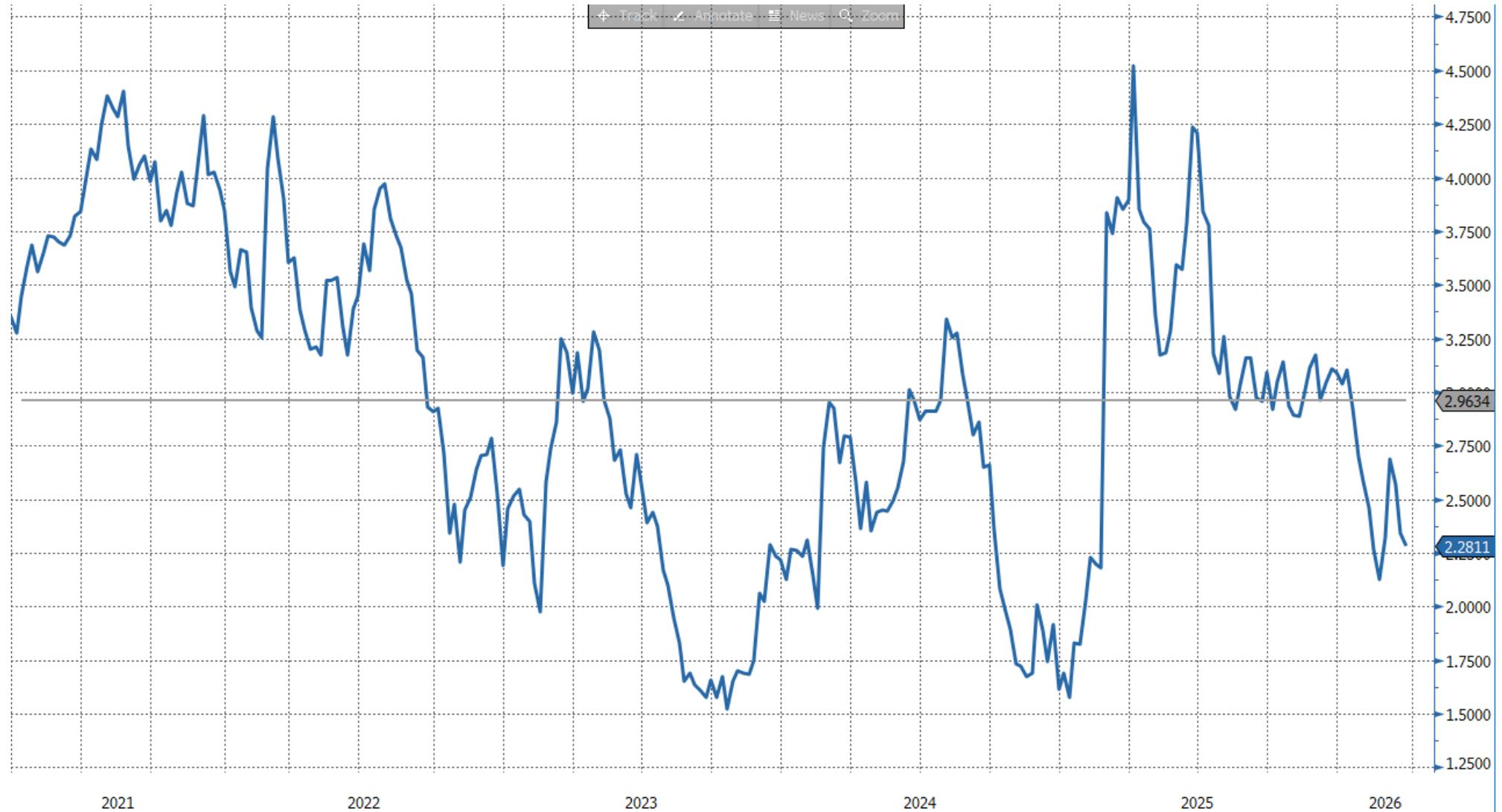


Note: Data as of 23 March 2026

Source: Bloomberg



Foreign outflows could continue (SET EYG vs. 10y UST yield)

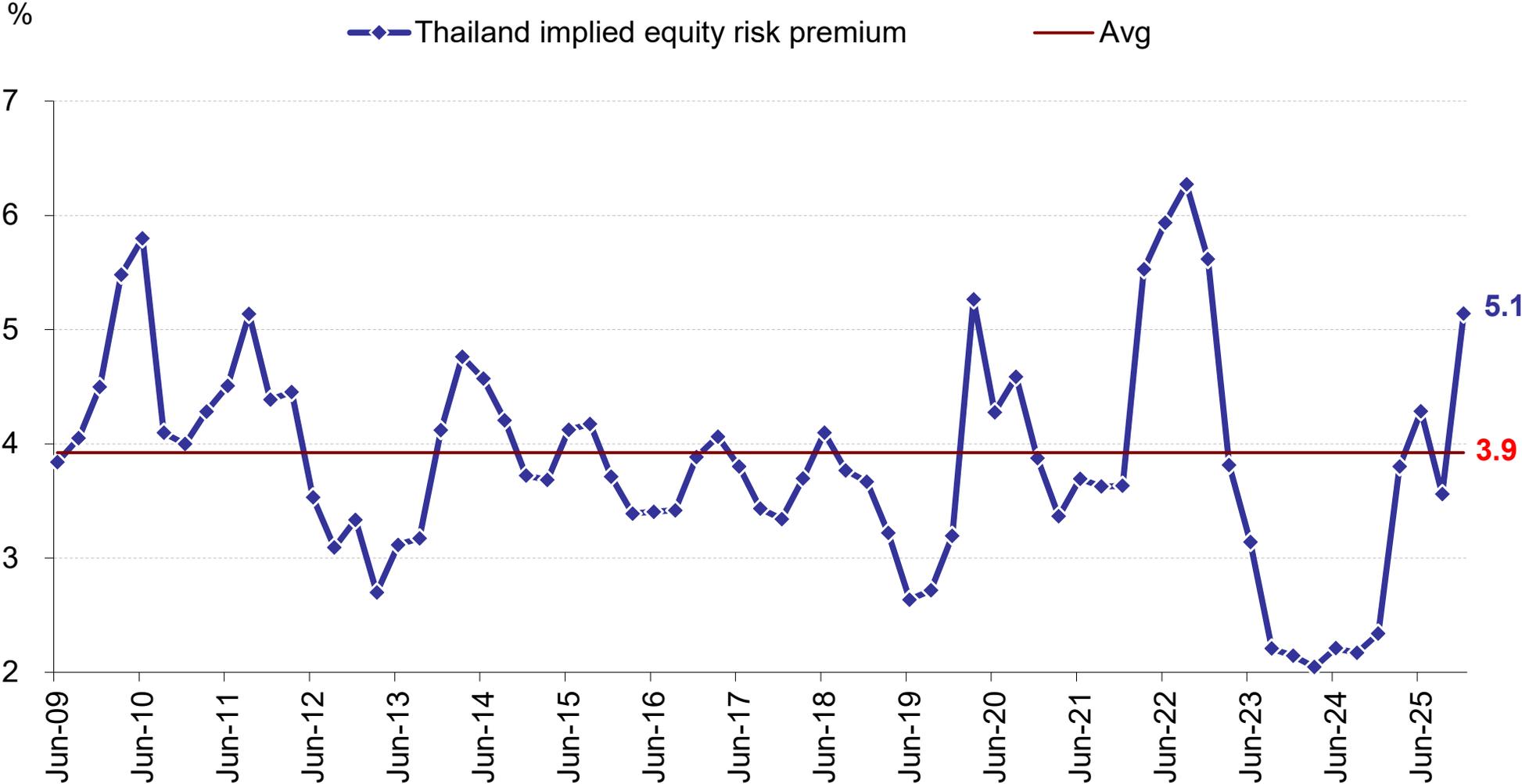


Note: Data as of 23 March 2026

Source: Bloomberg



SET looks fairly good on implied equity risk premium metric



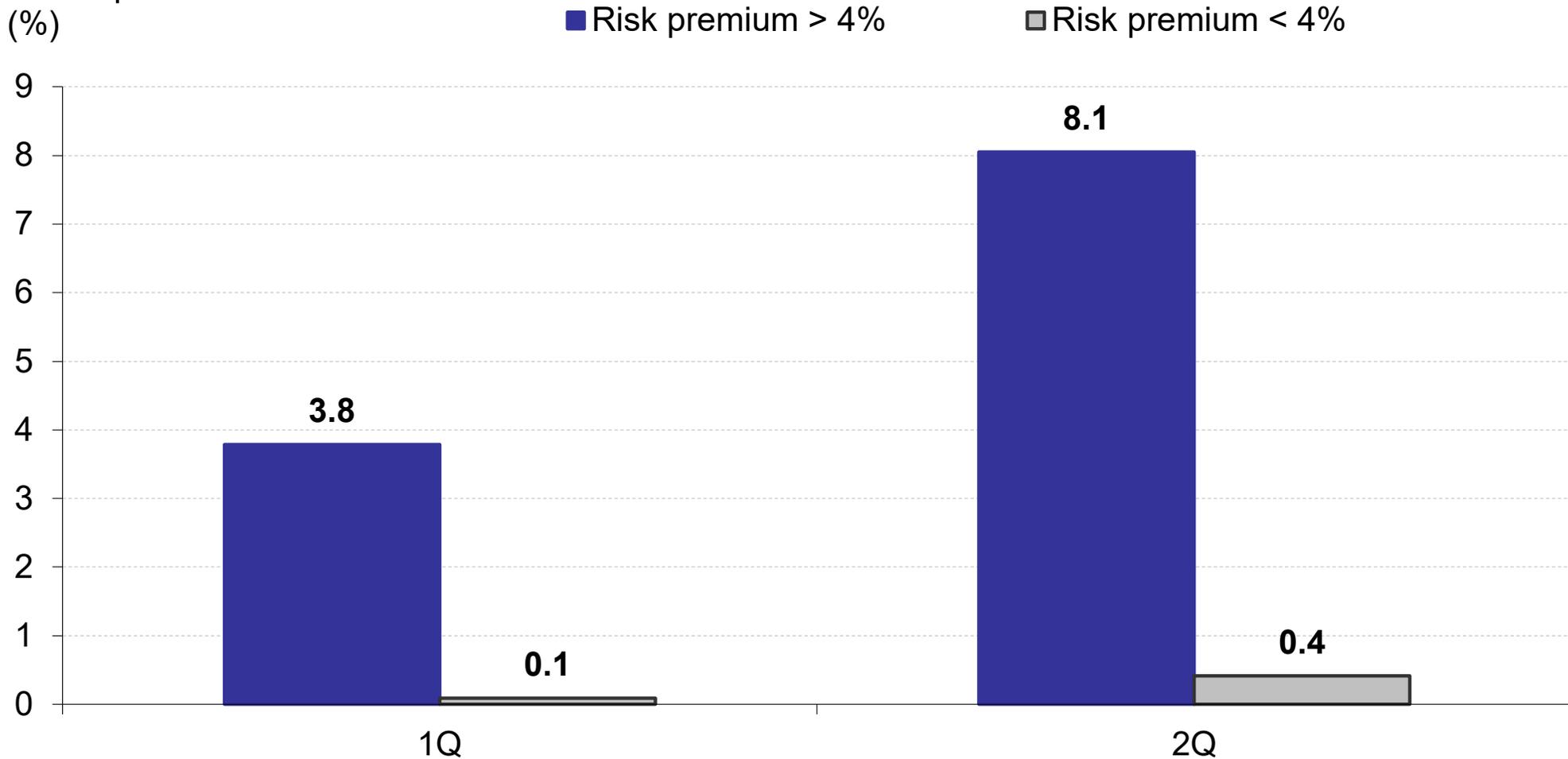
Note: Data as of 11 March 2026

Sources: SET, Trinity Research



3.8% upside from here (=1460) is very plausible

Subsequent returns (%)



Note: Data as of 11 March 2026

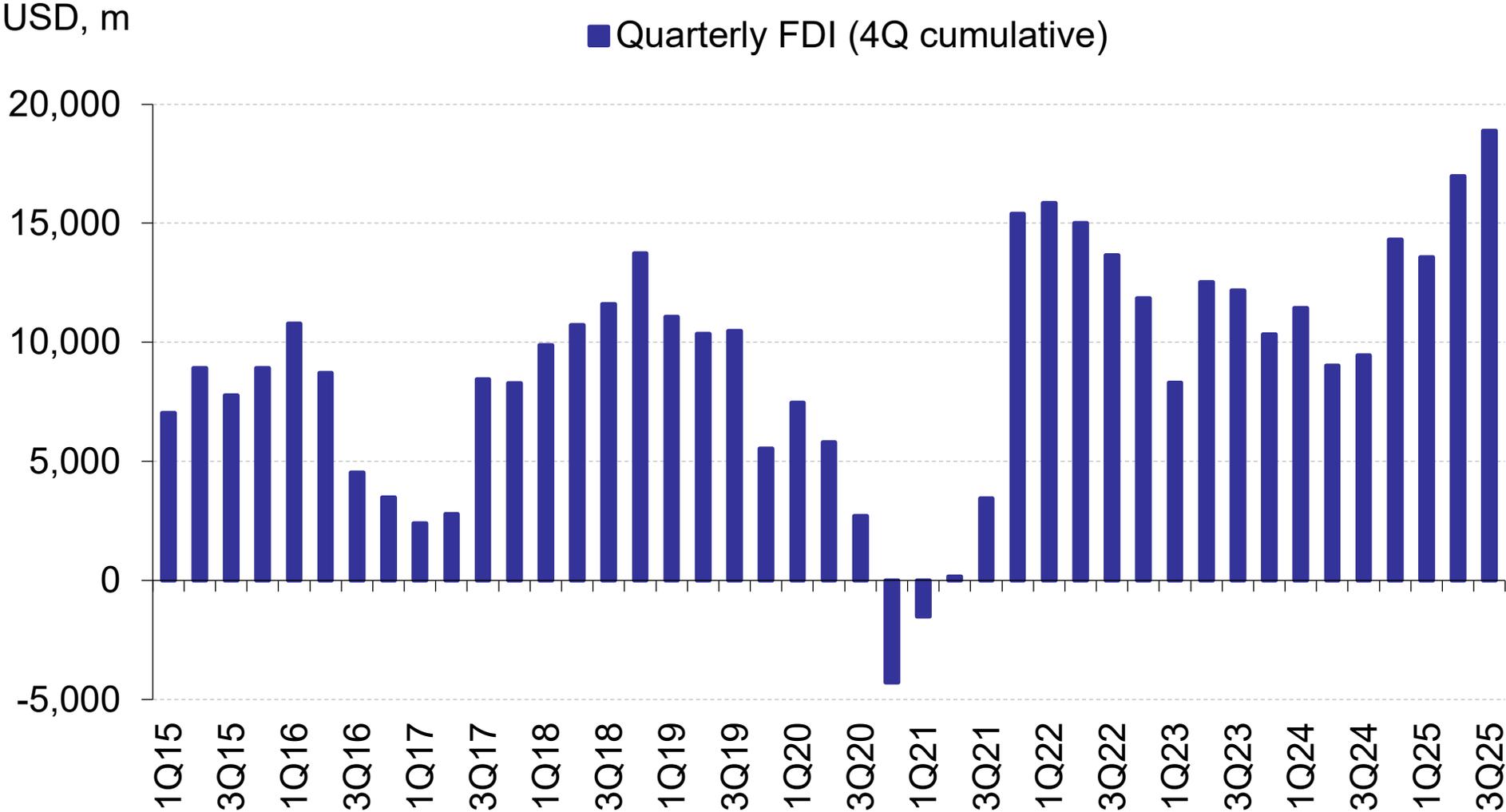
Sources: SET, Trinity Research

Thematic Play

Bunker stocks to start 2Q26

- 1) ICT sector stocks with strong pricing power, such as **ADVANC and TRUE**
- 2) Hospital operators with a relatively low proportion of foreign patients, such as **BDMS, BCH and CHG**
- 3) Retailers of essential goods with relatively low energy cost exposure, such as **CPAXT and BJC**
- 4) Industrial estate stocks which may benefit from expectations of increased relocation of investment bases to this region, such as **AMATA and WHA**
- 5) Companies benefiting from the growing popularity of solar rooftop installations, which may increase further, such as **GUNKUL**

Foreign direct investment (FDI) in Thailand looked solid recently



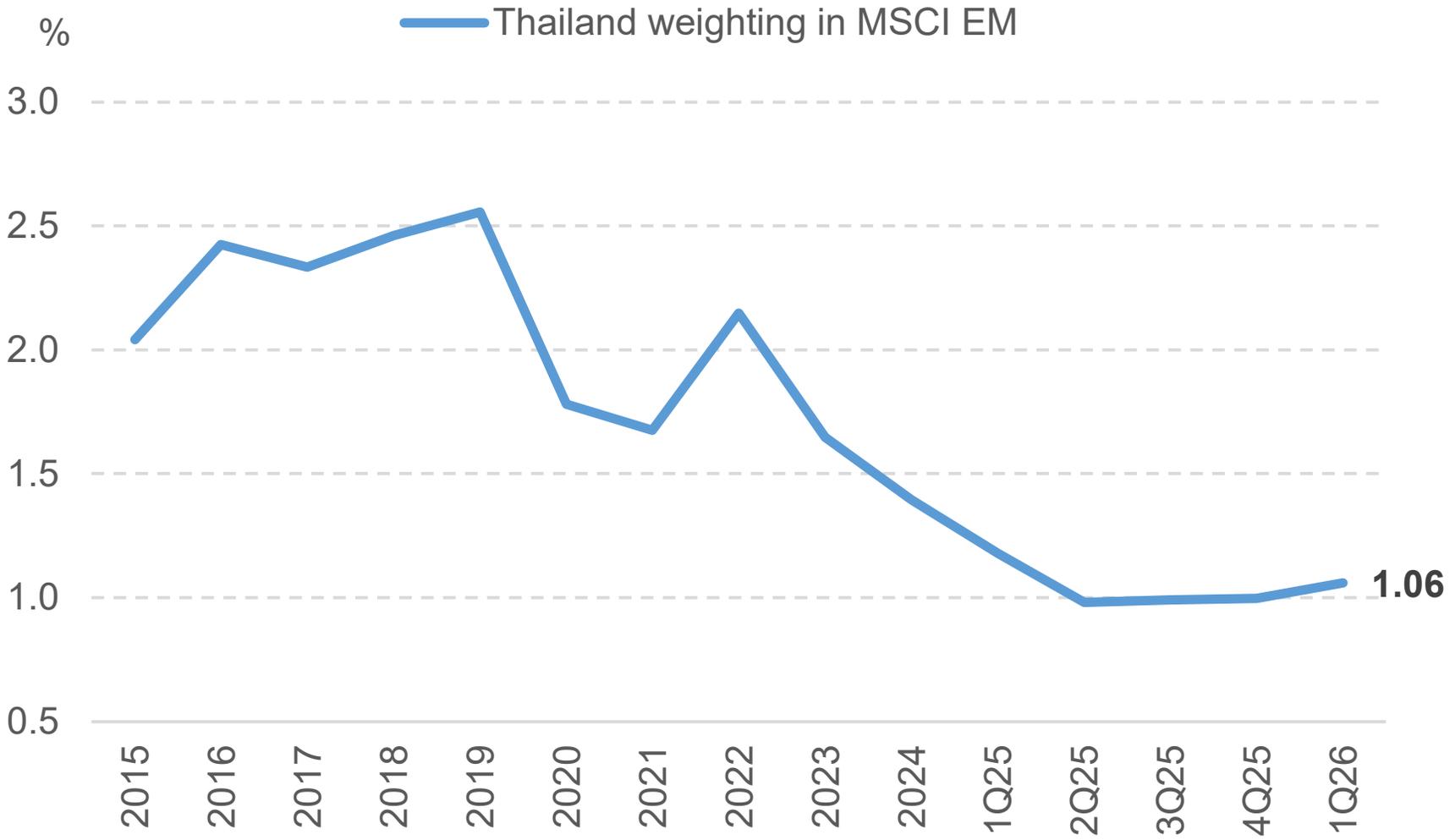
Note: Data as of 3Q25

Sources: BoT, Trinity Research



MSCI Reclassification

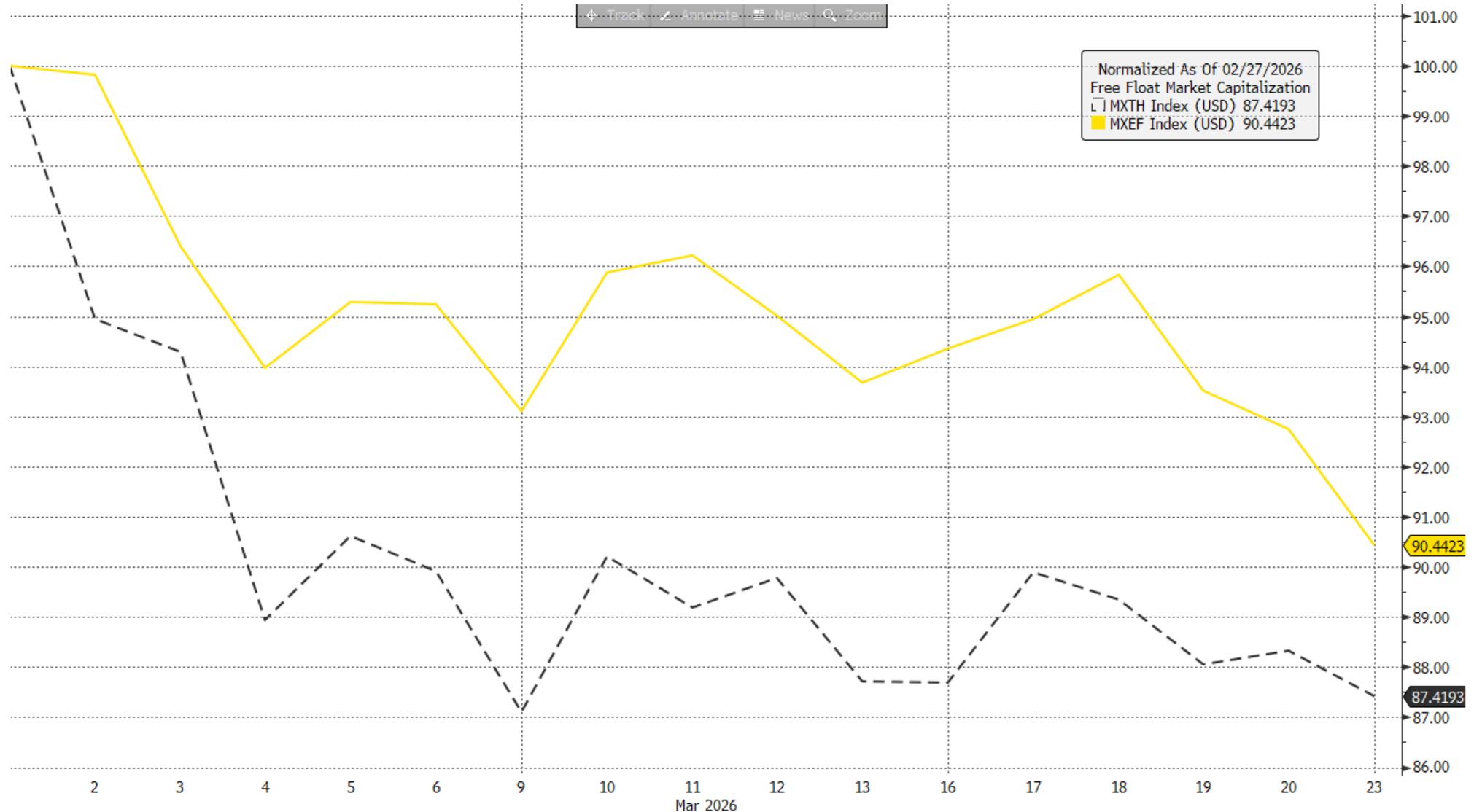
Thailand weighting in MSCI EM is quite stable



Note: Data as of 11 March 2026

Source: Trinity Research

A chance to get weight increase in May still slim



Note: Data as of 24 March 2026

Source: Trinity Research



Greece from EM to DM?

- On June 24, alongside the results of the 2025 Market Classification Review, MSCI acknowledged that Greece has implemented meaningful reforms (in settlement, securities lending, and short selling) and that its accessibility and economic development levels are consistent with Developed Market standards.
- However, despite this progress, Greece did not meet MSCI's new Size and Liquidity Persistency rule, which requires a sufficient number of companies to consistently meet Developed Market thresholds.
- MSCI therefore requested further feedback on the relevance of applying the persistency rule explicitly to Greece's reclassification to Developed Market status, given that Developed Europe is treated as an integrated entity for index purposes.

Feedback provided by market participants support waiving the persistency rule for Greece, hereby MSCI proposes to reclassify the MSCI Greece Index from Emerging to Developed Markets.

- The proposed reclassification would be reflected in all relevant global and regional composite indexes.
- The proposal is to implement the potential reclassification in one step coinciding with the August 2026 Index Review.

MSCI welcomes feedback from the investment community on this reclassification proposal on or before March 16, 2026, and will announce its final decision by March 31, 2026.

Minimal impact on Thailand in terms of passive inflows (based on estimated \$400bn passive money tracking MSCI EM)

