
3Q26: The Final Push

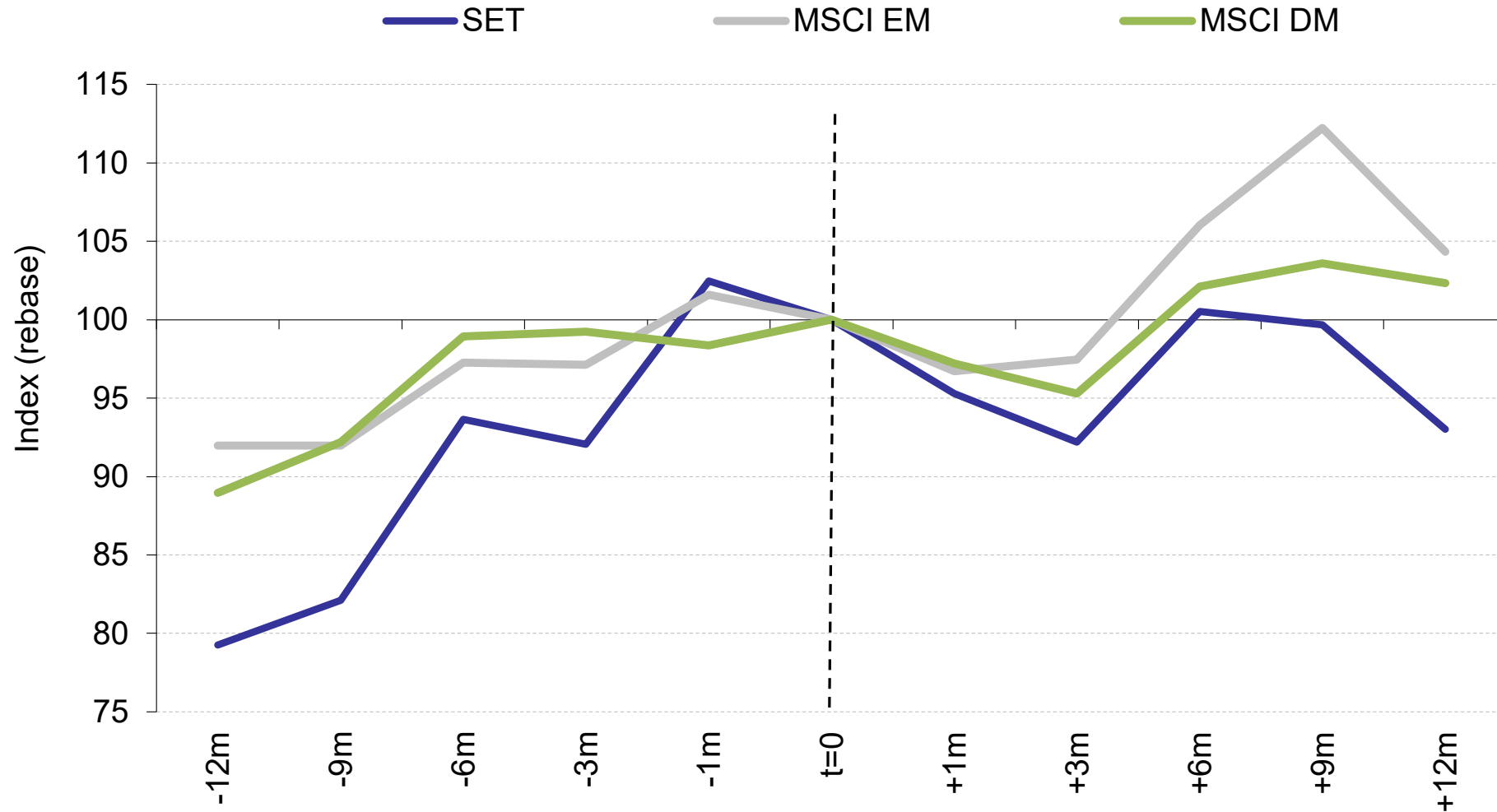
June 2026

Nuttachart Mekmasin, CFA, FRM
Trinity Securities



“Our core investment thesis for 3Q26 is anchored on the view that global technology stocks still have room for further upside, supported by continued strong earnings momentum. This is complemented by our assumption that it may still be too early for the Federal Reserve to implement a policy rate hike within this quarter, particularly ahead of the U.S. midterm elections in Q4”

Global & Thai equity during before and after the first Fed rate hike of the cycle

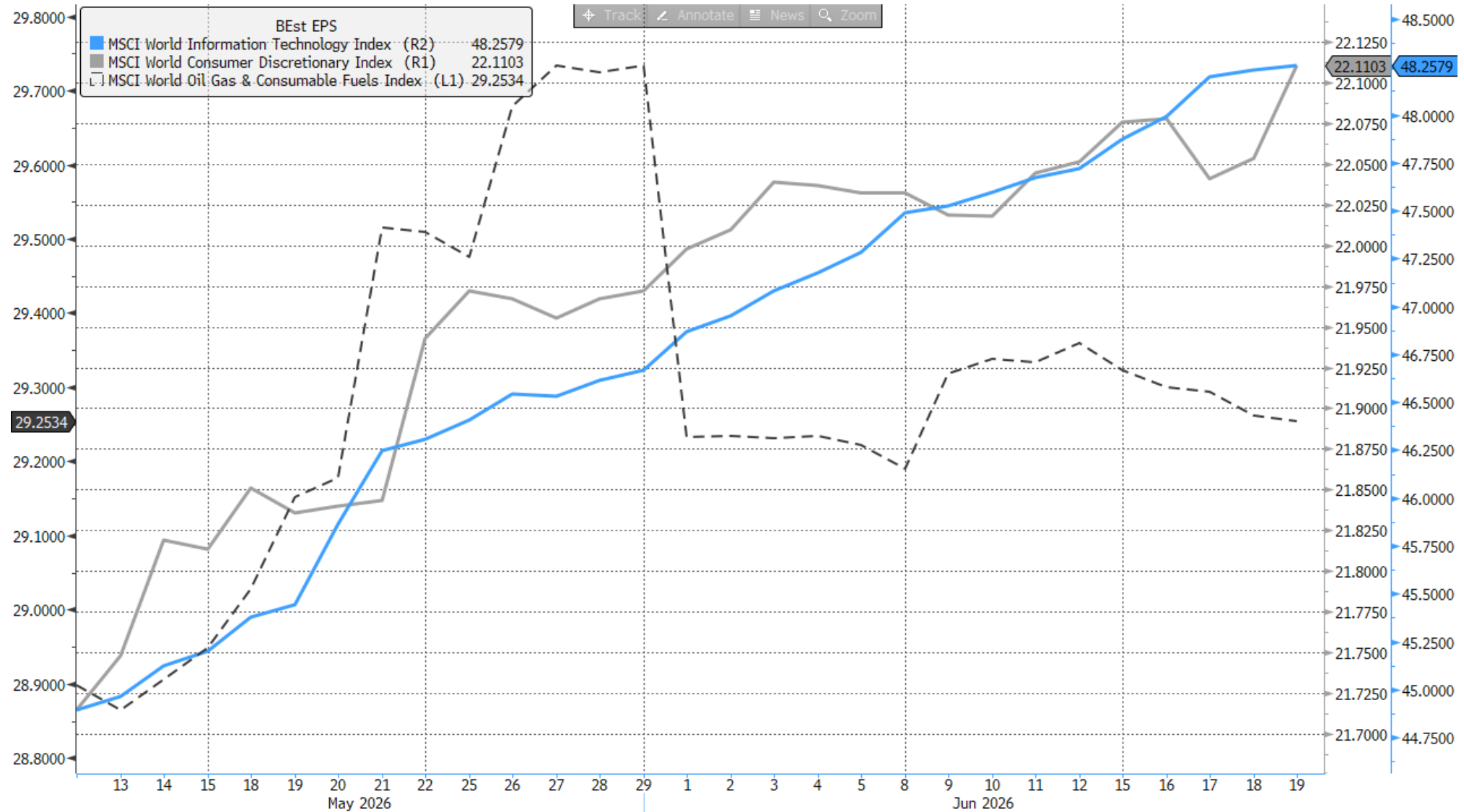


Note: Average data from 1994, 1999, 2004, 2015, 2022 episode

Source: Trinity Research



Upward EPS revision in Technology sector continues

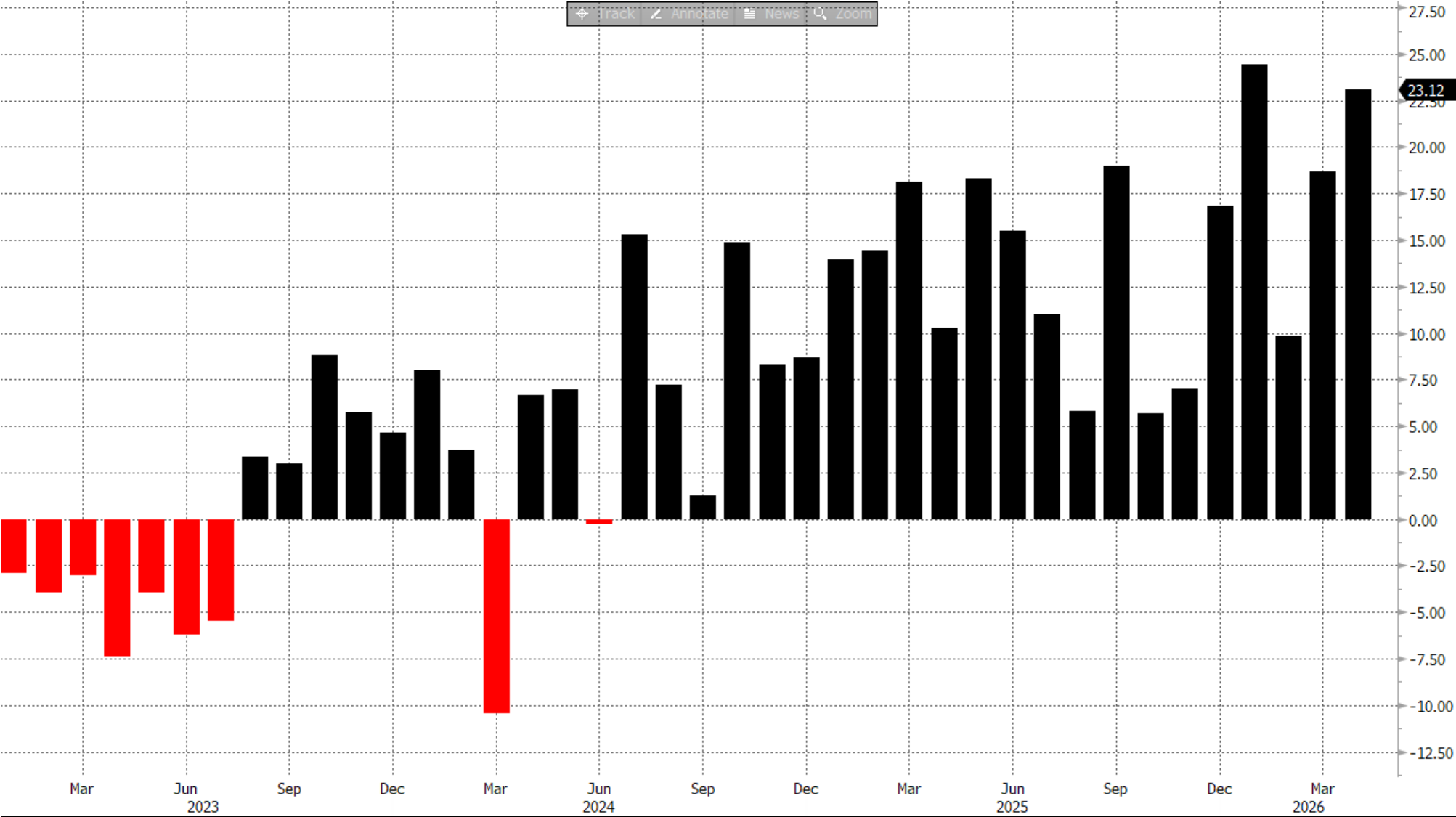


Note: Data as of 19 June 2026

Source: Bloomberg



Momentum of Thai exports has remained strong

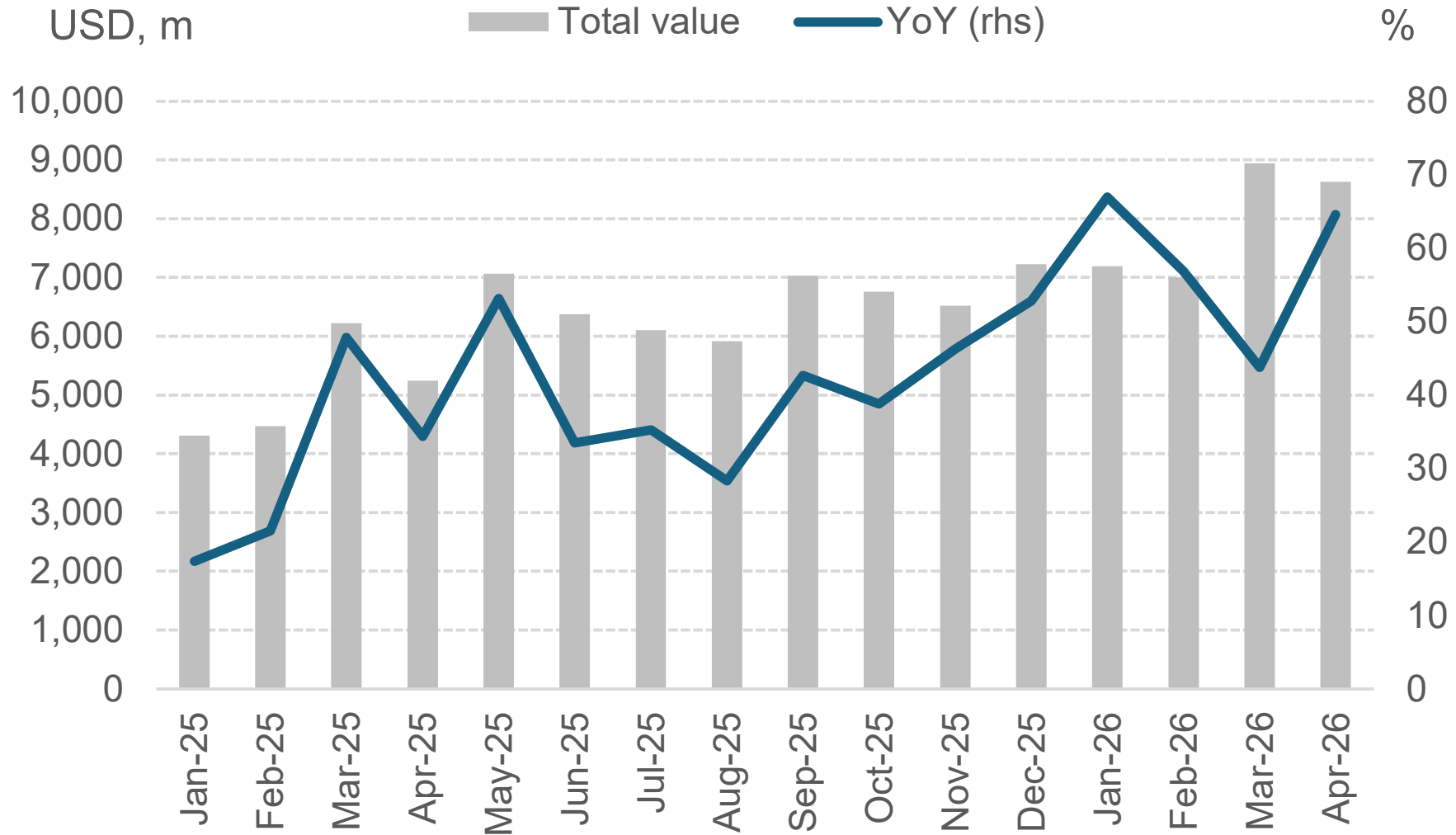


Note: Data as of April 2026

Source: Bloomberg



Thai electronics exports remain at elevated levels - and the sector may be exempt from potential new import tariffs such as Section 301



Note: Data as of April 2026

Sources: MoC, Trinity Research



What went right for our 2Q26 call

- Global equity market absorbed all the bad news from Iran war right at the beginning of the quarter.
- A peak out of energy crisis concern
- Yield spike and bond shock in May
- High current account deficit caused by Iran war
- Thailand faced another weight reduction in MSCI for May 2026 review
- THAI is included in the SET50

What went wrong for our 2Q26 call

- 1st round effect from Iran war on SET EPS upgrade taking longer than expected, which **led to a stronger-than-expected SET Index performance**.
- That's why we are wrong on our view that 1550 is already a peak for Thai stock this year.
- Exports also came out stronger than expected, which led to a sustained outperformance of SETETRON.
- Despite rising Thai bond yields over the quarter, bond-like equities such as utilities, IFFs, and REITs have performed strongly.

Key Issues For 3Q26

Top 10 issues in 3Q26

- 1) We expect global equity markets to retain some upside in Q3, though gains are likely to be limited and may represent the final leg of the current bull cycle. Much of the recent rally has already priced in positive developments, including the de-escalation of the Iran conflict and the prevailing low policy rate environment. However empirical study shows that global equity still have some room to extend gains ahead of the Fed's first rate hike of the cycle.
- 2) Looking ahead, if the effects of the conflict begin to feed more deeply into goods and services prices, market concerns could intensify. In a downside scenario—where the Federal Reserve proceeds with a policy rate hike by year-end—this could serve as a key signal marking the end of the current global equity cycle.

Top 10 issues in 3Q26

- 3) Global price pressures are building, but we expect them to peak in 3Q, as oil prices have declined sharply since May. Based on our empirical analysis, the “worrying inflation” thresholds for Thai equities are 4% in the short term and 5% or above on a sustained basis. For U.S. equities, the corresponding range is 4.5–6.0%.
- 4) After previously benefiting from the first-round effects of the Iran conflict—particularly through rising energy and petrochemical prices—the Thai equity market may begin to see those gains fade as the market transitions into second-round effects. As a result, the positive momentum in earnings revisions for Thai equities could start to level off or even decline.

Top 10 issues in 3Q26

- 5) Although we may not be able to rely heavily on foreign investor inflows in the second half of this year, domestic liquidity is at least expected to help support trading volumes in the Thai equity market for the remainder of the year. Supporting signals for this view include continued growth in system-wide liquidity, as well as investment incentives stemming from negative real policy rates and deposit rates.
- 6) SET tended to perform well when real RP recorded negative numbers but not beyond -3.0% (implying CPI should not be over 4% for the current episode). The same argument can be applied to real Thai deposit rate (1Y) as well. Negative real deposit is good for SET but should not be beyond -4.0%, implying CPI should not be over 4.75% for the current episode.

Top 10 issues in 3Q26

- 7) The SET Index is currently at a highly vulnerable and fragile point from a valuation perspective. This is evident both in terms of Price-to-Earnings, which is now at +2 standard deviations above its 3-year average, and the Earnings Yield Gap (EYG) relative to the U.S. 10-year bond yield, which is near its historical lows—levels previously seen in August 2023 and November 2024. Our analysis highlights an important pattern: in those two instances, the SET Index declined by approximately 2.9%, 7.3%, and 10.3% over the subsequent 1-, 2-, and 3-month periods, respectively. These declines were primarily driven by net foreign outflows of around THB 19.9 billion, 31.6 billion, and 45.8 billion over the same timeframes.

Top 10 issues in 3Q26

- 8) The key factor preventing us from turning fully bearish on Thai equities—despite multiple valuation metrics indicating that the market has become expensive—is that the Implied Equity Risk Premium (Implied ERP) remains at an elevated level. This suggests that Thai equities still retain attractiveness in terms of metrics such as ROE and dividend yield.
- 9) Against this backdrop, we see a possibility of fund rotation away from large-cap stocks with stretched valuations, such as DELTA, into other lagging names that still offer relatively attractive valuations. This is also reflected in valuation metrics that exclude DELTA, which continue to appear healthy across the board.

Top 10 issues in 3Q26

10) According to NOAA's assessment, the likelihood of a Super El Niño occurring in 2H26 is increasing. As a result, we see one compelling investment theme for Q3 in identifying sectors that are expected to benefit from such conditions. These include the livestock sector, which stands to gain from lower imported feed costs (e.g., soybeans), as well as the beverage sector, which could benefit from hotter weather conditions across Southeast Asia.

What's in the price and what's not

	In the price	Not in the price
Domestic	<ul style="list-style-type: none"> - 1st round effect on EPS revision (upgrade) - Policy rate to stay at 1.00% till year-end 	<ul style="list-style-type: none"> - EPS contraction from 2nd round effect - Severe twin deficit - Super El Nino
External	<ul style="list-style-type: none"> - At least 0.25% Fed rate hike in 2026 - Another 0.25% ECB rate hike in 2H26 - Another 0.25% BoJ rate hike in 2H26 	<ul style="list-style-type: none"> - Revival of inflation fear - Iran war re-escalation - Trade war re-escalation - Reverse yen carry trade

Market is no longer concern about inflation



Note: Data as of 22 June 2026

Source: Bloomberg



Oil supply concern has well passed its peak

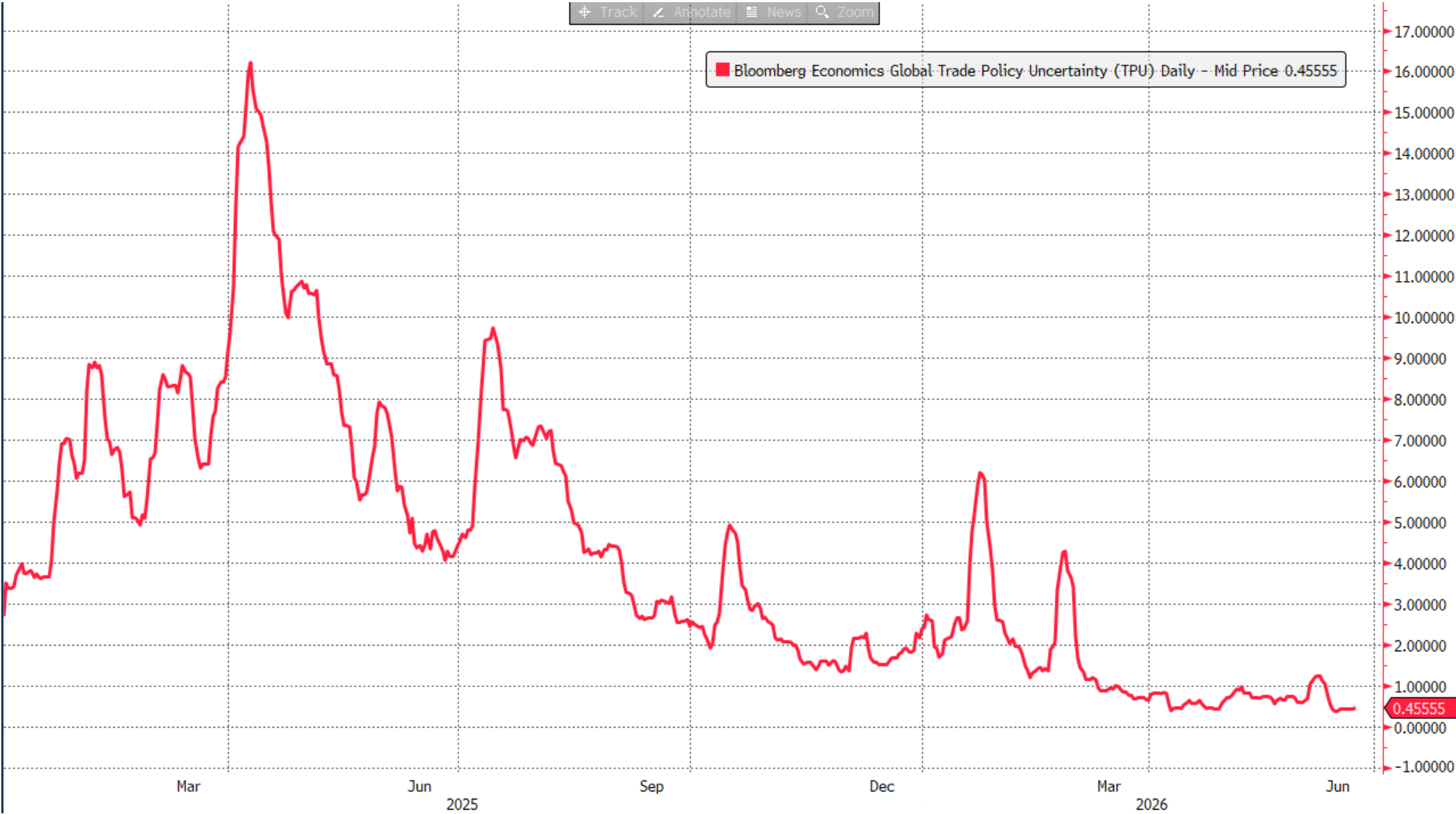


Note: Data as of 22 June 2026

Source: Bloomberg



Market has almost fully priced out global trade uncertainty



Note: Data as of 22 June 2026

Source: Bloomberg



Trade tension to be monitored

USTR: Findings of Investigation (June 2026)

In sections III.A.7 and III.B.7, **USTR found that Thailand has failed to impose and effectively enforce a forced labor import prohibition.** In section IV, we found that the failure to impose and effectively enforce a forced labor import prohibition is unreasonable. In section V, we found that the failure to impose and effectively enforce a forced labor import prohibition burdens or restricts U.S. commerce.

Thailand highlights its efforts to strengthen labor practices domestically, as well as in international supply chains, including through the use of commercial incentives to encourage responsible business conduct, and through the draft Human Rights and Environmental Bill, which Thailand claims would function as “an indirect import prohibition mechanism for goods linked to forced labor.”²¹³ The actions taken by Thailand to date, however, fail to establish a measure that forbids legally the importation of goods produced with forced labor.

For the foregoing reasons, the results of this investigation indicate that the acts, policies and practices of Thailand related to the failure to impose and effectively enforce a forced labor import prohibition are unreasonable and burden or restrict U.S. commerce.

Implication from U.S. 301 section

ความคืบหน้าการดำเนินมาตรการกีดกันทางการค้าของสหรัฐฯ และความเสี่ยงต่อมาตรการภาษีภายใต้มาตรา 301 (ต่อ)

ทั้งนี้ ในระยะต่อไป การดำเนินมาตรการทางการค้าของสหรัฐฯ ยังคงมีความไม่แน่นอน โดยรัฐบาลสหรัฐฯ มีแนวโน้มที่จะบังคับใช้กฎหมายอื่น ๆ ในการเก็บภาษีนำเข้าเพิ่มเติม ทำให้ประเทศไทยมีแนวโน้มเผชิญอัตราภาษีนำเข้าจากสหรัฐฯ ที่สูงขึ้นในระยะถัดไป โดยเฉพาะมาตรา 301 ตามกฎหมาย The Trade Act of 1974 ซึ่งสหรัฐฯ ประกาศสอบสวน 16 ประเทศคู่ค้ารวมทั้งประเทศไทย ในประเด็น (1) กำลังการผลิตส่วนเกินเชิงโครงสร้าง (Structural Excess Capacity) โดยสหรัฐฯ ตั้งข้อสงสัยกับไทยเกี่ยวกับ (1.1) การเกินดุลการค้ากับสหรัฐฯ เพิ่มขึ้นอย่างรวดเร็ว โดยเฉพาะในอุตสาหกรรมสำคัญ เช่น รถยนต์และชิ้นส่วนยานยนต์ เครื่องจักรและส่วนประกอบ และยางพารา เป็นต้น และ (1.2) ภาคการผลิตของไทยมีกำลังการผลิตส่วนเกินที่ค่อนข้างสูง สะท้อนจากอัตราการใช้กำลังการผลิตของไทยที่ต่ำกว่าร้อยละ 60 อย่างต่อเนื่อง แต่มูลค่าการส่งออกไปสหรัฐฯ ยังคงขยายตัวสูง และประเด็น (2) การใช้แรงงานที่ถูกบังคับให้ทำงาน (Forced Labor) โดยสหรัฐฯ ได้มีการตรวจสอบนโยบายและการดำเนินการเพื่อห้ามนำเข้าสินค้าที่ผลิตโดยแรงงานภาคบังคับใน 60 ประเทศคู่ค้า ซึ่งในปัจจุบันรัฐบาลไทยนำโดยกระทรวงพาณิชย์ได้ส่งความเห็นต่อประเด็นดังกล่าวให้สหรัฐฯ พิจารณา และอยู่ระหว่างเข้าสู่กระบวนการรับฟังความคิดเห็นของผู้มีส่วนเกี่ยวข้อง (Public Hearing) ทั้งนี้ คาดว่าสหรัฐฯ จะประกาศผลการไต่สวนภายในเดือนกรกฎาคม 2569

Implication from U.S. 301 section (Con't)

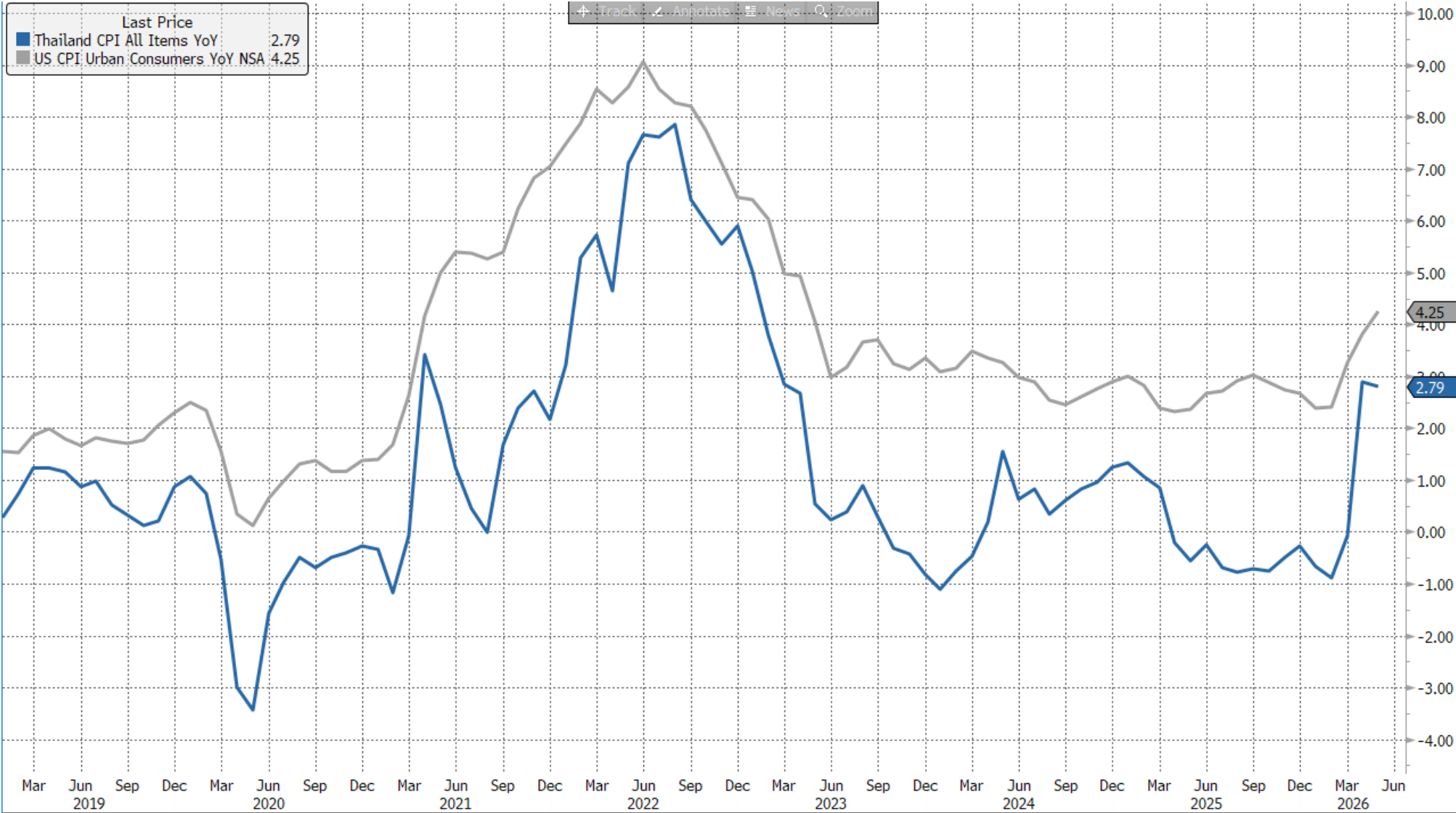
ตาราง: สรุปความคืบหน้ามาตรการ/การดำเนินการภายใต้ 301 ของสหรัฐฯ ที่เกี่ยวข้องกับไทย (ณ เม.ย. 2569)

ประเด็น	ประเทศที่ถูกไต่สวน	ลักษณะมาตรการ/การสอบสวน	อุตสาหกรรมที่ได้รับผลกระทบ	สถานะปัจจุบัน	กระบวนการถัดไป
กำลังการผลิตส่วนเกินเชิงโครงสร้าง (Structural Excess Capacity)	16 ประเทศ	มีการผลิตระดับที่ไม่สอดคล้องกับอุปสงค์ในประเทศหรือในตลาดโลก (Over-production) นำไปสู่การเกินดุลการค้ากับสหรัฐฯ ต่อเนื่อง	ยานยนต์และชิ้นส่วน เครื่องจักร และส่วนประกอบ และผลิตภัณฑ์ยาง	กระทรวงพาณิชย์และหน่วยงานที่เกี่ยวข้องได้ส่งความเห็นต่อประเด็นดังกล่าวให้สหรัฐฯ ตามกำหนดการ (15 เม.ย. 69)	<ul style="list-style-type: none"> - เข้าสู่กระบวนการรับฟัง Public Hearing (28 เม.ย.- 8 พ.ค. 69) - ให้ผู้มีส่วนได้ส่วนเสียยื่นข้อโต้แย้งต่อประเด็นที่ถูกพาดพิง (6 - 15 พ.ค. 69) - ประชุมหารือระดับเทคนิคกับผู้แทน การค้าสหรัฐฯ (13-14 พ.ค. 69) <p>ทั้งนี้ คาดว่าสหรัฐฯ จะประกาศผล</p>
การใช้แรงงานที่ถูกบังคับให้ทำงาน (Forced Labor)	60 ประเทศ	สหรัฐฯ ตรวจสอบนโยบายและการดำเนินเพื่อห้ามนำเข้าสินค้าที่ผลิตโดยแรงงานภาคบังคับ	ข้าว สิ่งทอ เส้นด้าย อุปกรณ์ป้องกันภัยส่วนบุคคล (PPE) และโซลาร์เซลล์		

หมายเหตุ: รวบรวมโดย สศช.

Worrying Inflation Level

U.S. & Thailand CPI

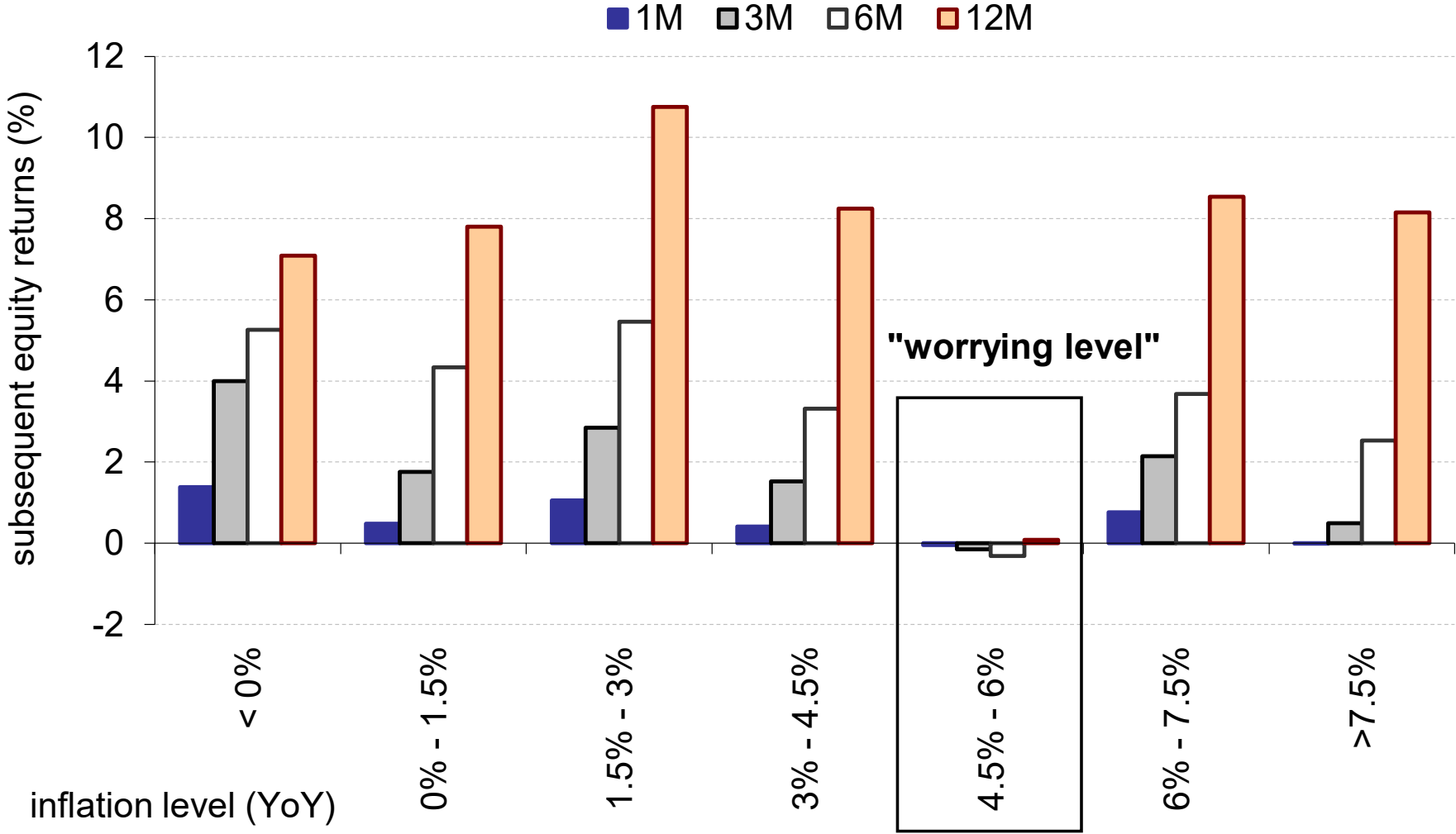


Note: Data as of May 2026

Source: Bloomberg



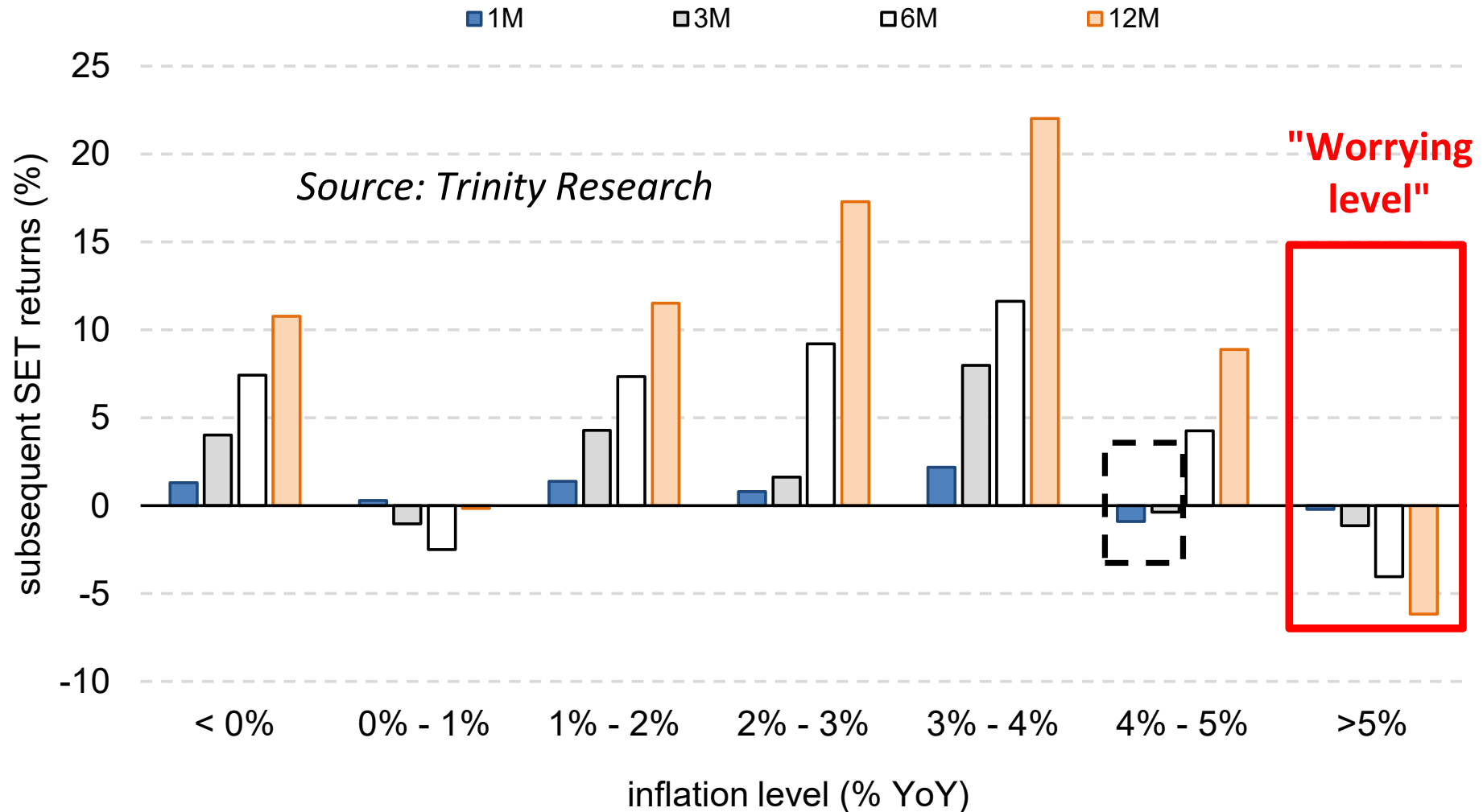
U.S. worrying inflation level = 4.5 - 6.0%



Note: Data as of 16 June 2026. We use S&P500 to represent U.S. equity index

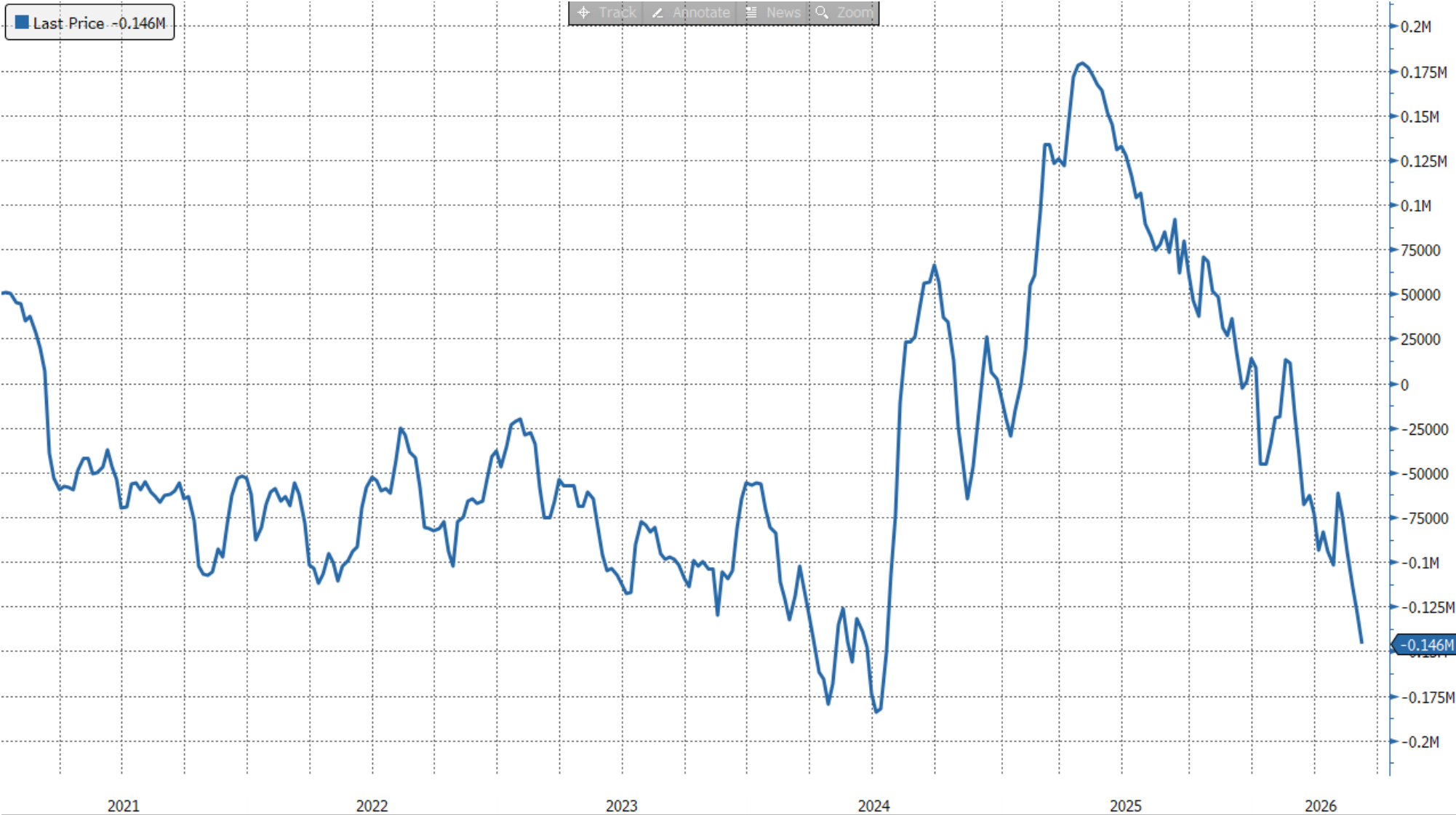
Source: Trinity Research

Thailand worrying level = 4.0% in short-term and 5% or above on a sustained basis



The Unwinding of JPY carry trade

Net short in JPY started to creep up close to danger zone - Need to monitor

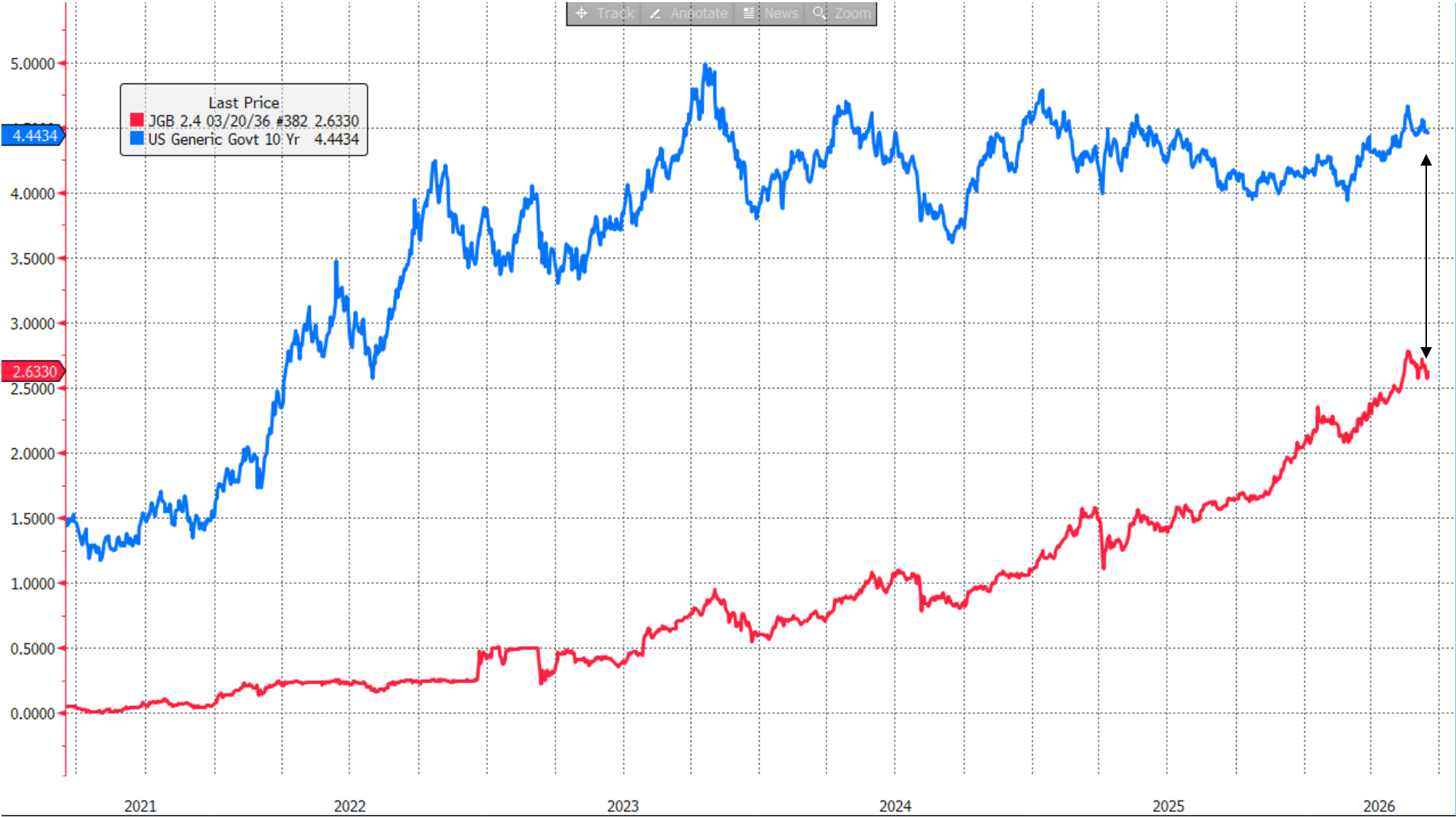


Note: Data as of 16 June 2026

Source: Bloomberg



We need to monitor JGB yield closely



Note: Data as of 16 June 2026

Source: Bloomberg



Valuation Check-up

The benefit of 1st round effect on EPS revision could subside soon



Note: Data as of 16 June 2026

Source: Bloomberg



Our SET target cannot make it through 1600 level even if we adjust projected EPS to the average of 2026 & 2027

Case	Multiple at 1.00% RP (Current)	2026E EPS	Fair SET	Avg of 2026E & 2027E EPS	Fair SET
Best	15.9x Fwd PE	97 baht	1540	100 baht	1590
Base	14.8x Fwd PE	97 baht	1440	100 baht	1480
Conservative	13.8x Fwd PE	97 baht	1340	100 baht	1380



Note: Current 2027E EPS stands at 103 baht. Data as of 22 June 2026

Source: Trinity Research

SET is now trading at +2SD band

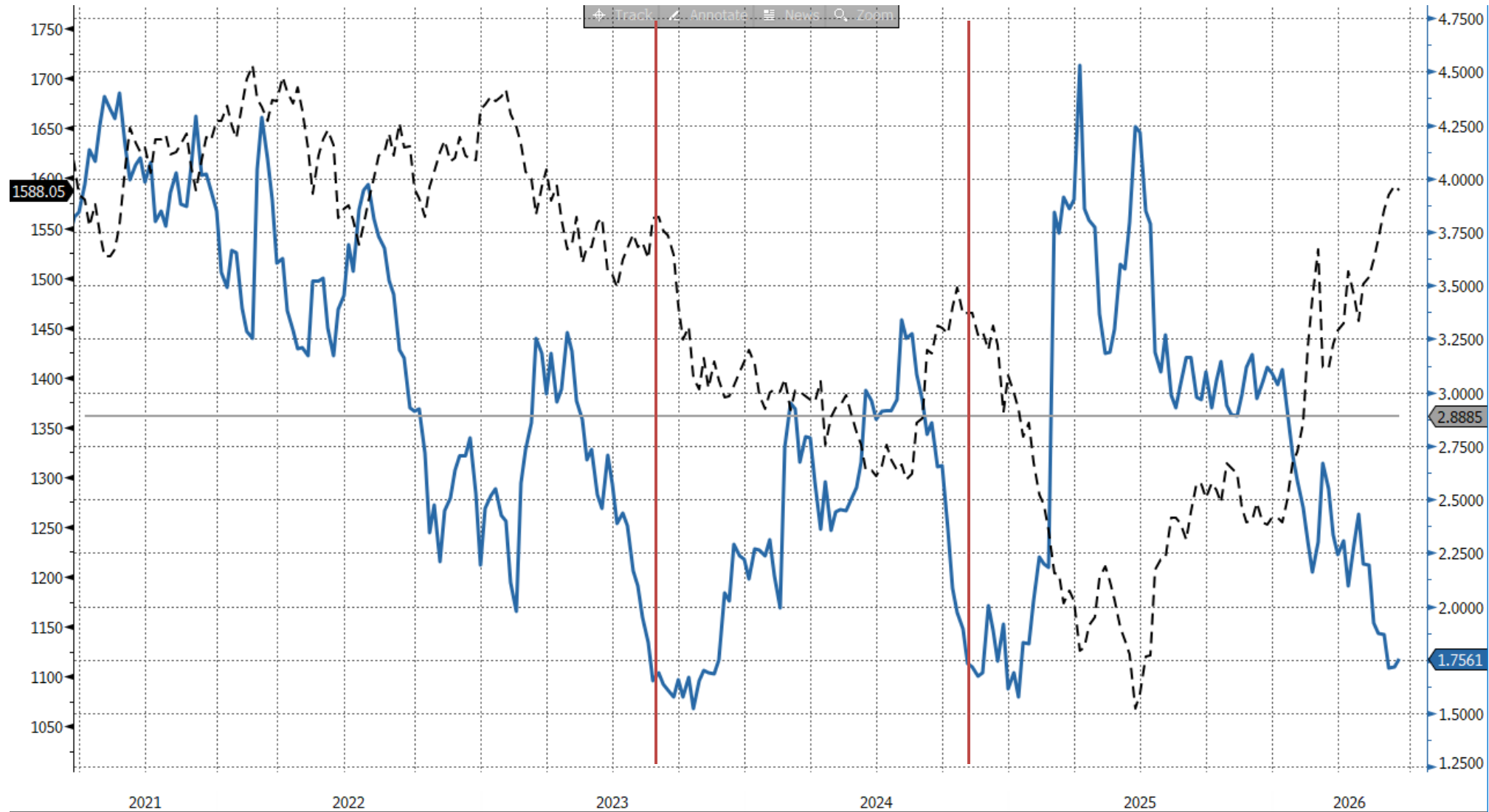


Note: Data as of 16 June 2026

Source: Bloomberg



The SET outlook could get ugly if you believe in EYG (vs. 10y UST yield)



Note: Data as of 16 June 2026

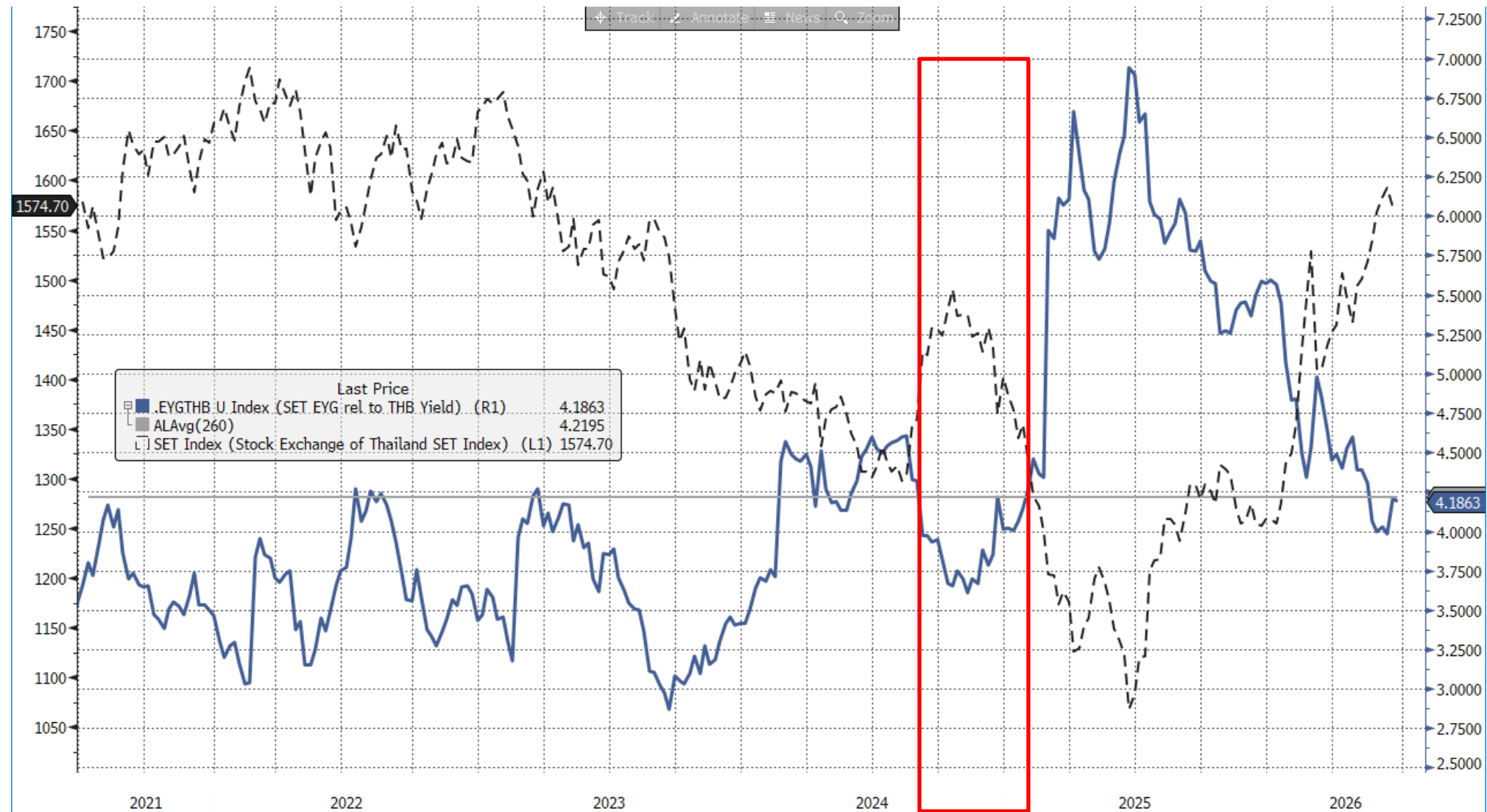
Source: Bloomberg



SET & Flow normally get worse once EYG falling below 1.75%

Episode	EYG	+1M	+2M	+3M
25 Aug 2023	1.6530%	SET -3.39% Foreign -26.1bn	SET -10.16% Foreign -38.9bn	SET -10.43% Foreign -56.0bn
1 Nov 2024	1.7306%	SET -2.50% Foreign -13.7bn	SET -4.37% Foreign -24.2bn	SET -10.22% Foreign -35.5bn
5 Jun 2026	1.7095%	Current		

SET EYG vs. 10y THB yield has dropped below 5-year average band for the 1st time since January 2025 - The last time SET did not end well

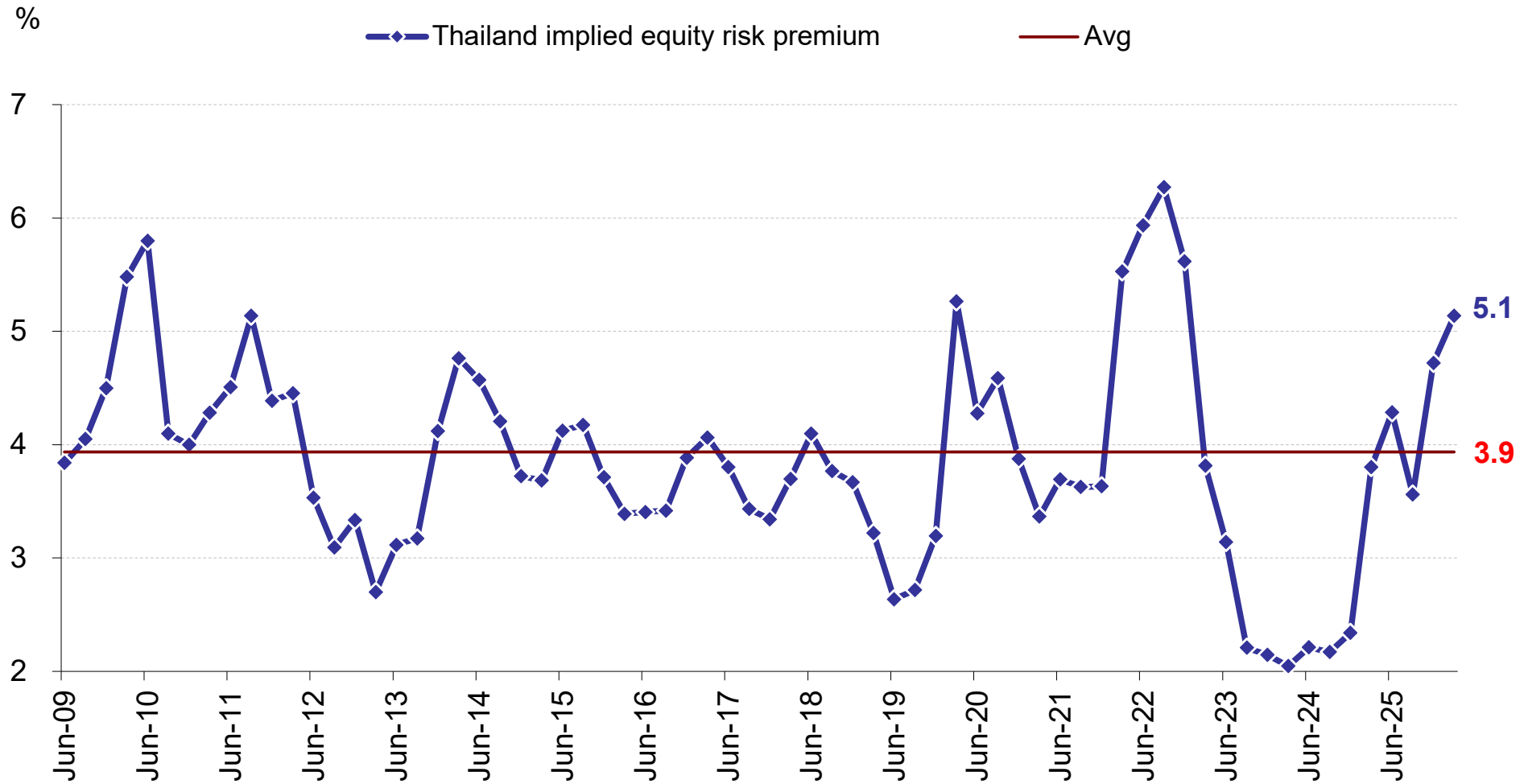


Note: Data as of 22 June 2026

Source: Bloomberg



The only reason why we cannot too bearish with the SET

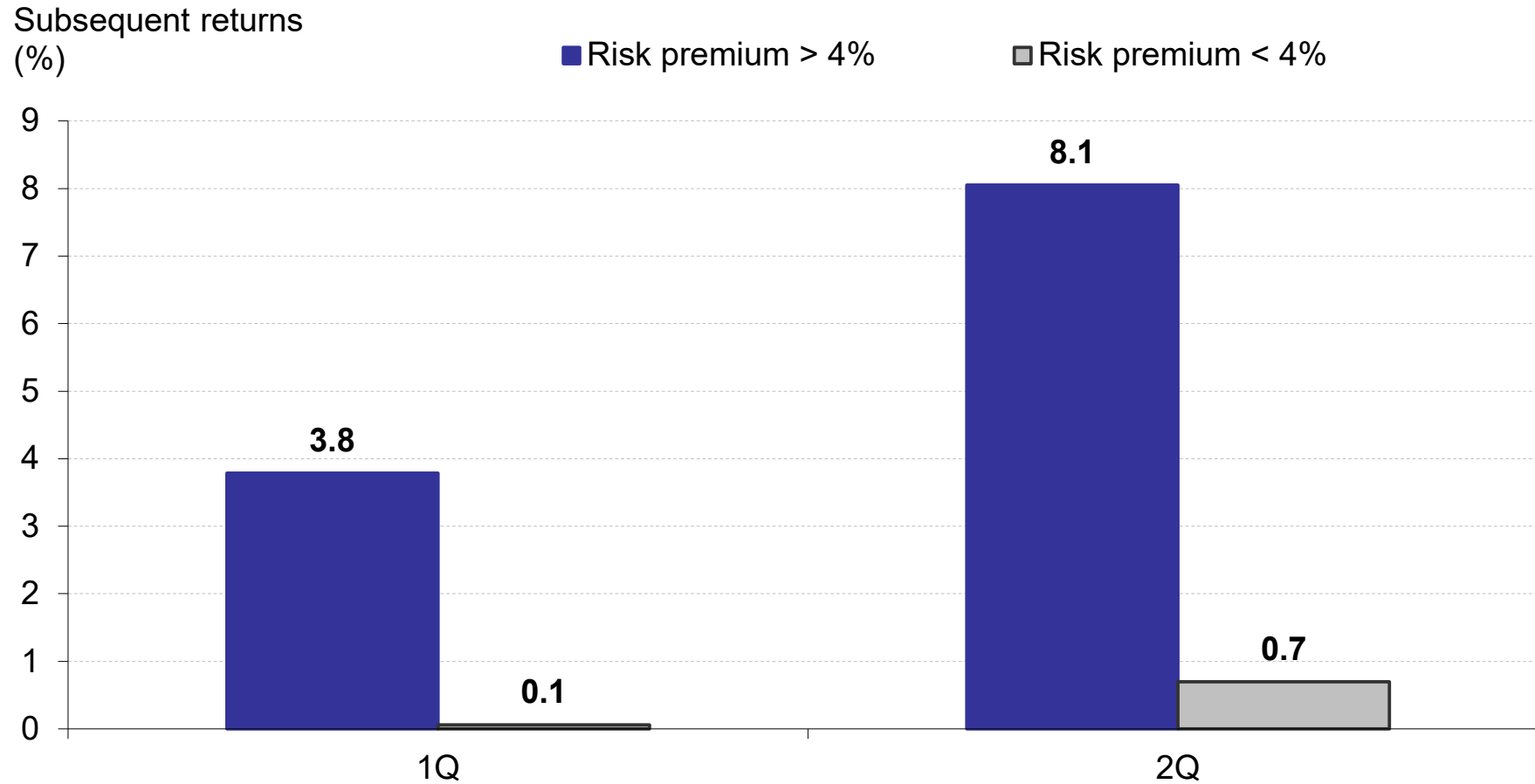


Note: Data as of 22 June 2026

Source: Trinity Research



4% is the magic number for ERP investment

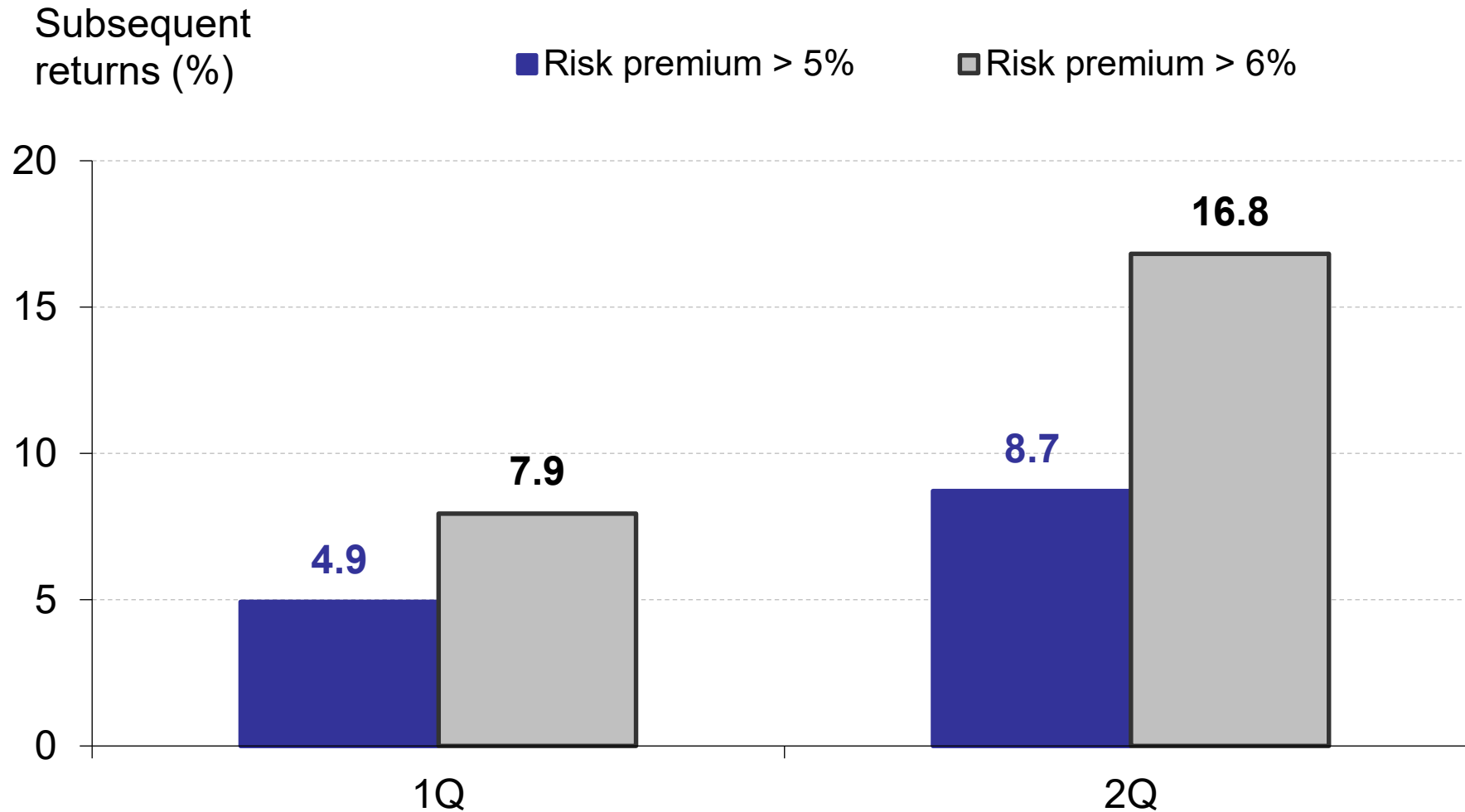


Note: Data as of 15 June 2026

Sources: SET, Bloomberg, Trinity Research



The higher the implied ERP, the safer the investment



Note: Data as of 15 June 2026

Sources: SET, Bloomberg, Trinity Research

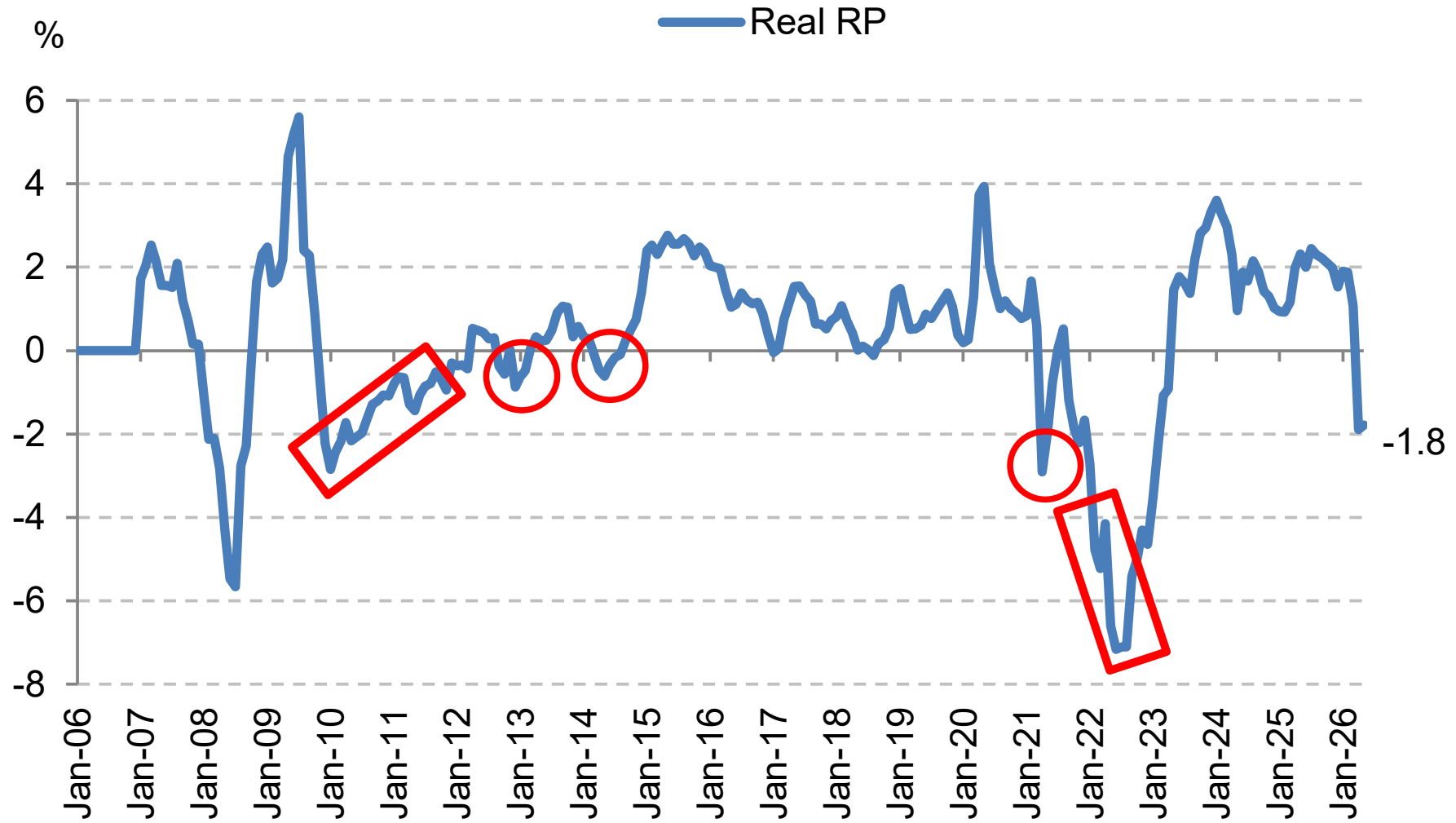
ICOC Formula (Damodaran, 1999)

Two-stage Dividend Discount Model (DDM)

$$P_0 = \underbrace{\sum_{t=1}^5 \frac{E[D_t]}{(1+k)^t}}_{\text{Growth period}} + \underbrace{\frac{E[D_5](1+g_l)}{(k-g_l)(1+k)^5}}_{\text{Stable growth}}$$

Variables	Assumptions
Period of High Dividend Growth	5 years
Initial Growth Rate (g_s)	ROE × retention ratio
Stable Growth Rate (g_l)	10-yr Government Bond yield - Real RP

Thailand real policy rate (Real RP)



Note: Data as of May 2026

Sources: Bloomberg, Trinity Research

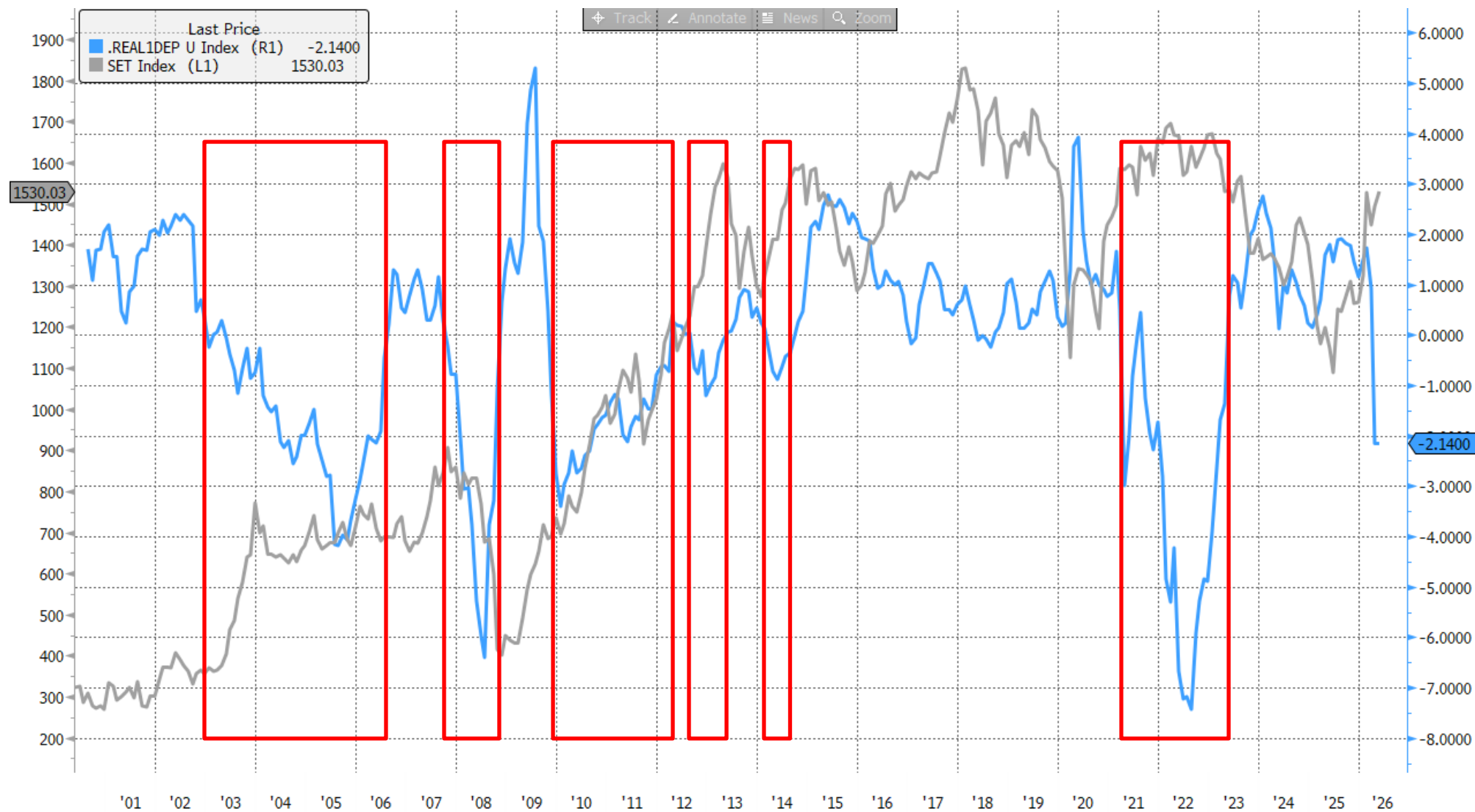


SET tended to perform well when real RP recorded negative numbers but not beyond -3.0% (implying CPI should not be over 4% for the current episode)

Period	Interval (months)	Real RP range (%)	SET holding period returns (%)	SET returns (% monthly compounded)
Nov 09 - Mar 12	29	-0.3 to -2.9	+74.6	+1.9
Sep 12 - Feb 13	6	0.0 to -0.9	+25.6	+3.9
Apr 14 - Aug 14	5	-0.1 to -0.6	+13.5	+2.6
Apr 21 - Jun 21	3	-0.8 to -2.9	0.0	0.0
Sep 21 - Apr 23	20	-0.9 to -7.2	-6.7	-0.3
Apr 26 - Current	2	-1.8 to -1.9	+8.3	+4.1



The same argument can be applied to real Thai deposit rate (1Y) as well - but should not be beyond -4.0% (implying CPI should not be over 4.75% for the current episode)



Note: Data as of April 2026

Source: Bloomberg



Retail participation is supported by M2 growth



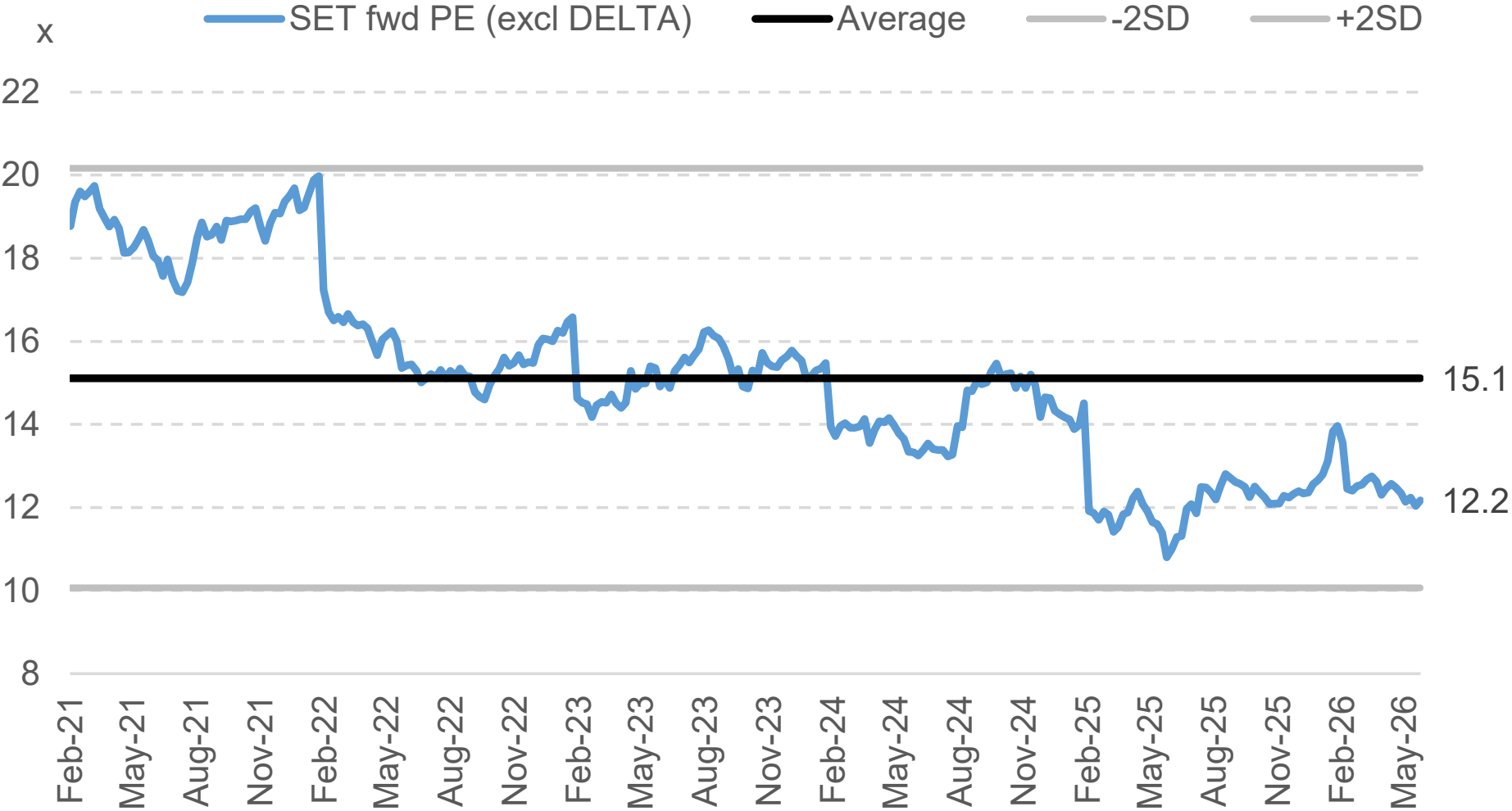
Note: Data as of April 2026

Sources: Bloomberg, Trinity Research



Valuation (Excluded DELTA)

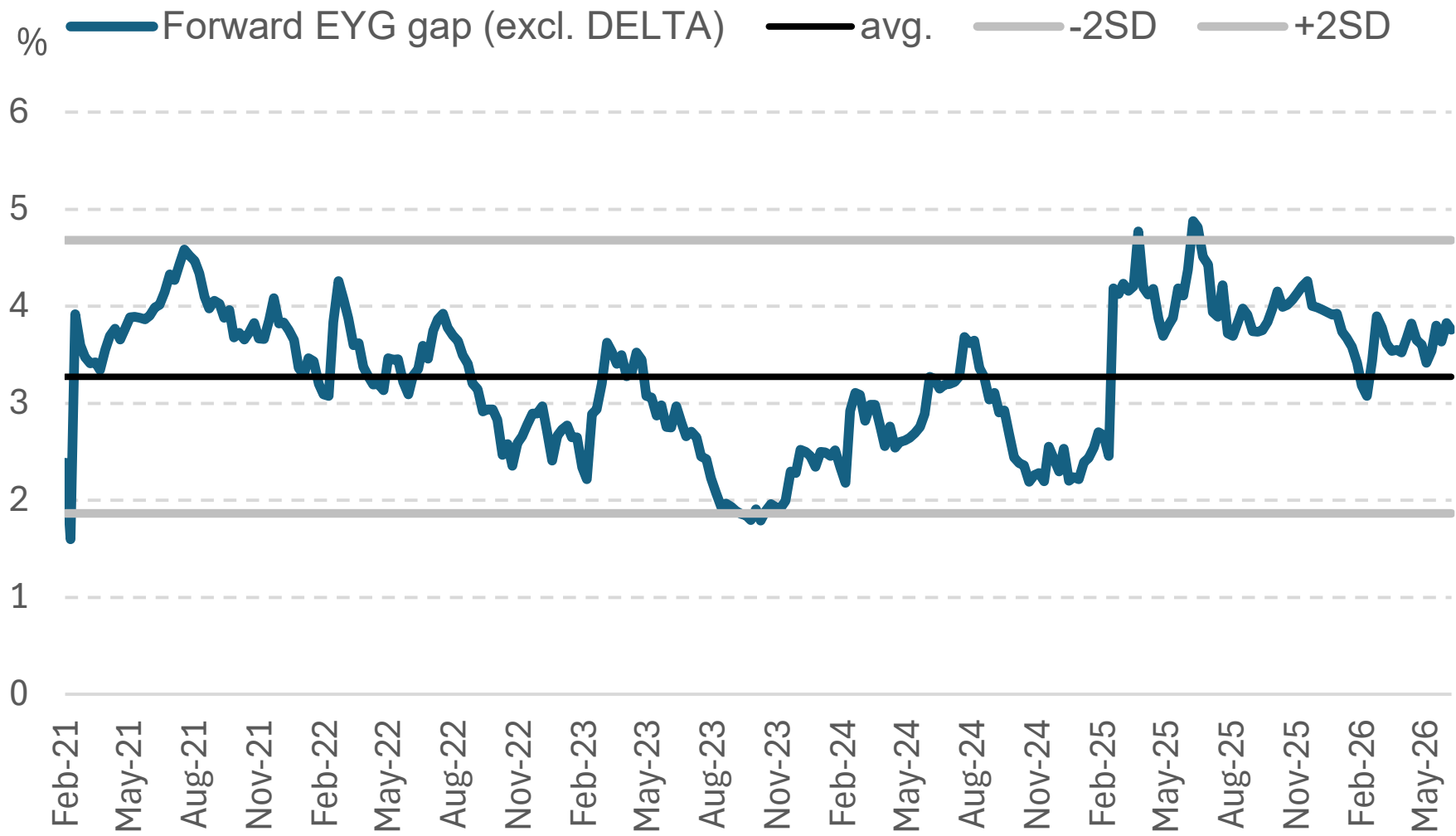
SET forward PE excluded DELTA



Note: Data as of 19 June 2026

Sources: Bloomberg, Trinity Research

SET forward EYG excluded DELTA

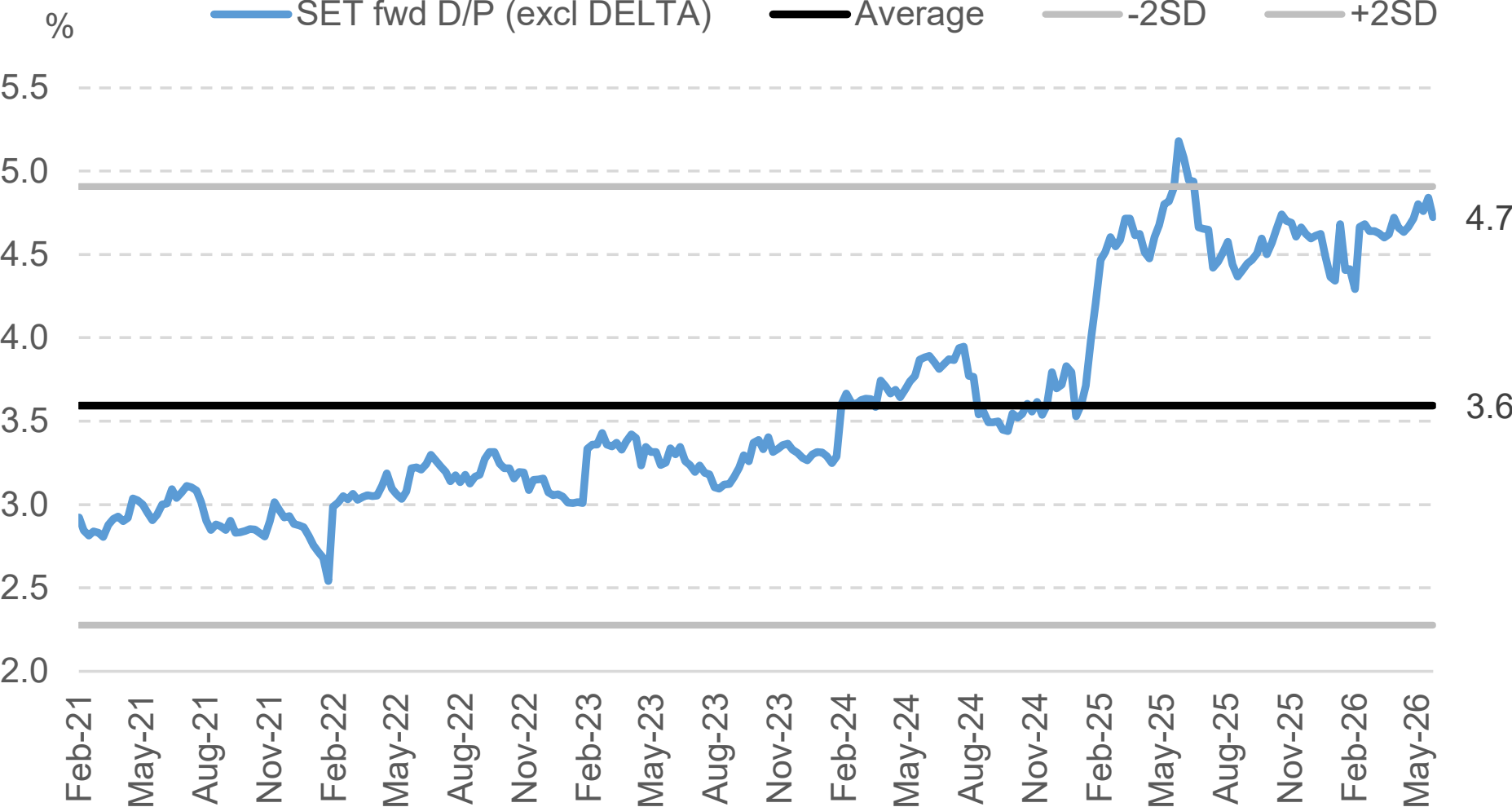


Note: Data as of 19 June 2026

Sources: Bloomberg, Trinity Research



SET forward dividend yield excluded DELTA

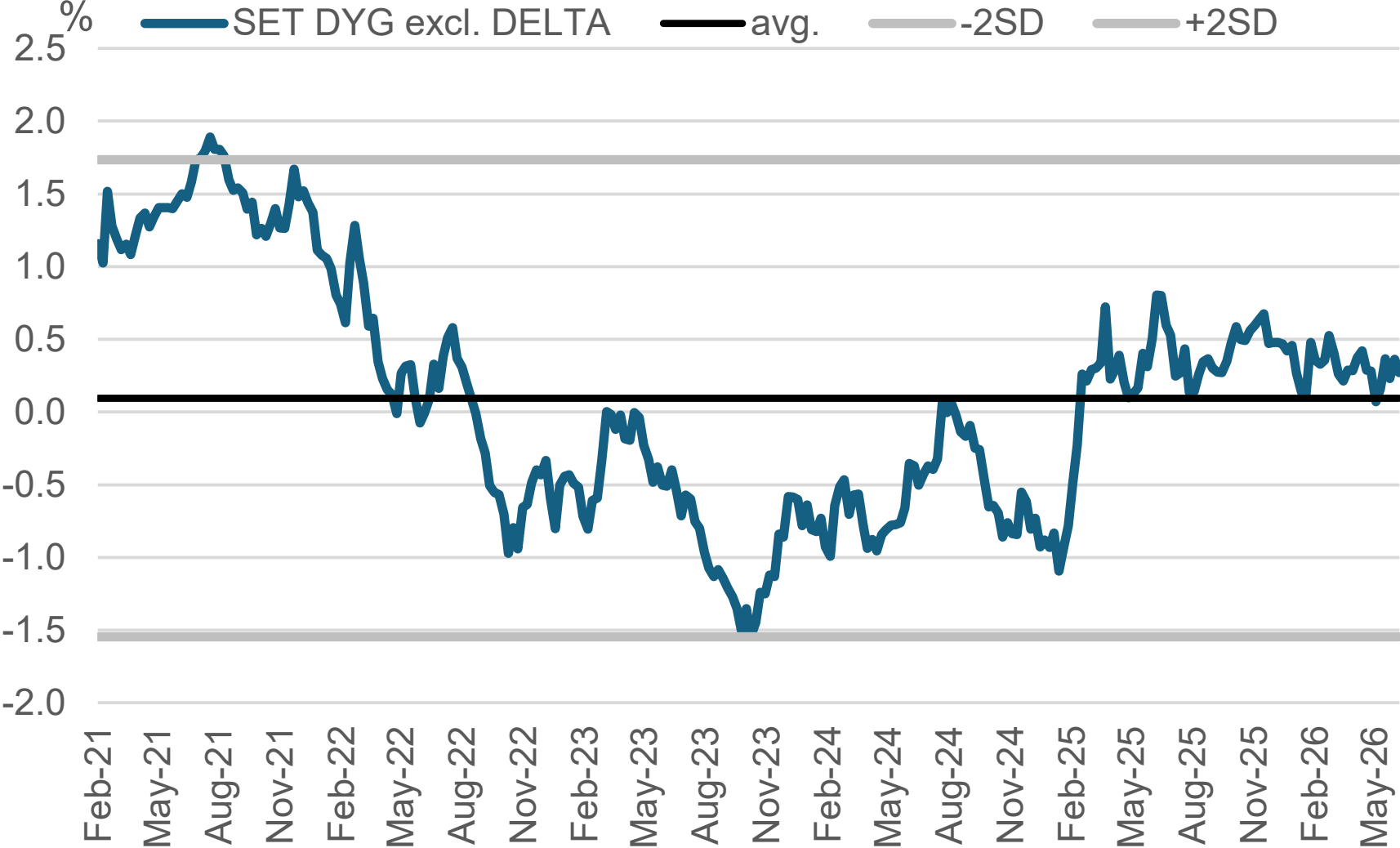


Note: Data as of 19 June 2026

Sources: Bloomberg, Trinity Research



SET forward dividend yield gap excluded DELTA



Note: Data as of 19 June 2026

Sources: Bloomberg, Trinity Research



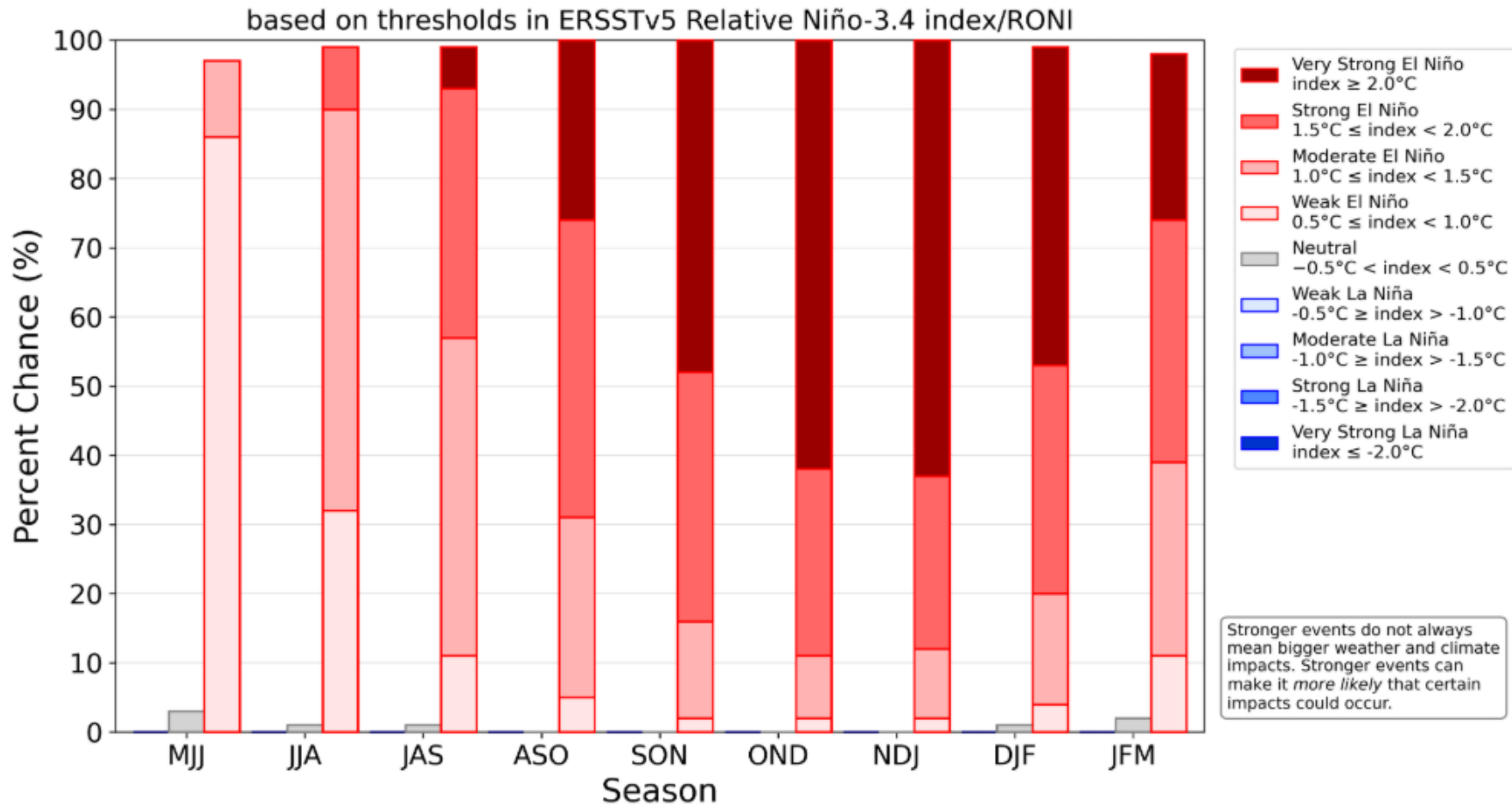
Thematic Play

Our stock pick for 3Q26

- 1) Power producers who benefit from declining oil prices and Thailand's strategy to establish itself as a data center hub: **GULF, BGRIM and GPSC**
- 2) Banking sector that is likely to attract renewed investor interest amid expectations of high interim dividend yields: **BBL, KKP, KBANK, SCB**
- 3) Hospital sector that has bottomed out from the Iran conflict impact and is approaching its high season: **BH, BDMS, and CHG**
- 4) Livestock firms who benefit from a recovery in pork prices and a declining trend in feed costs: **CPF, TFG and BTG**
- 5) Beverage companies who benefit from the Super El Niño phenomenon and declining packaging costs: **OSP, ICHI and SAPPE**

NOAA currently predicts 42% chance of strong El-Nino in 3Q26 ...

NOAA CPC ENSO Strength Probabilities (issued June 2026)

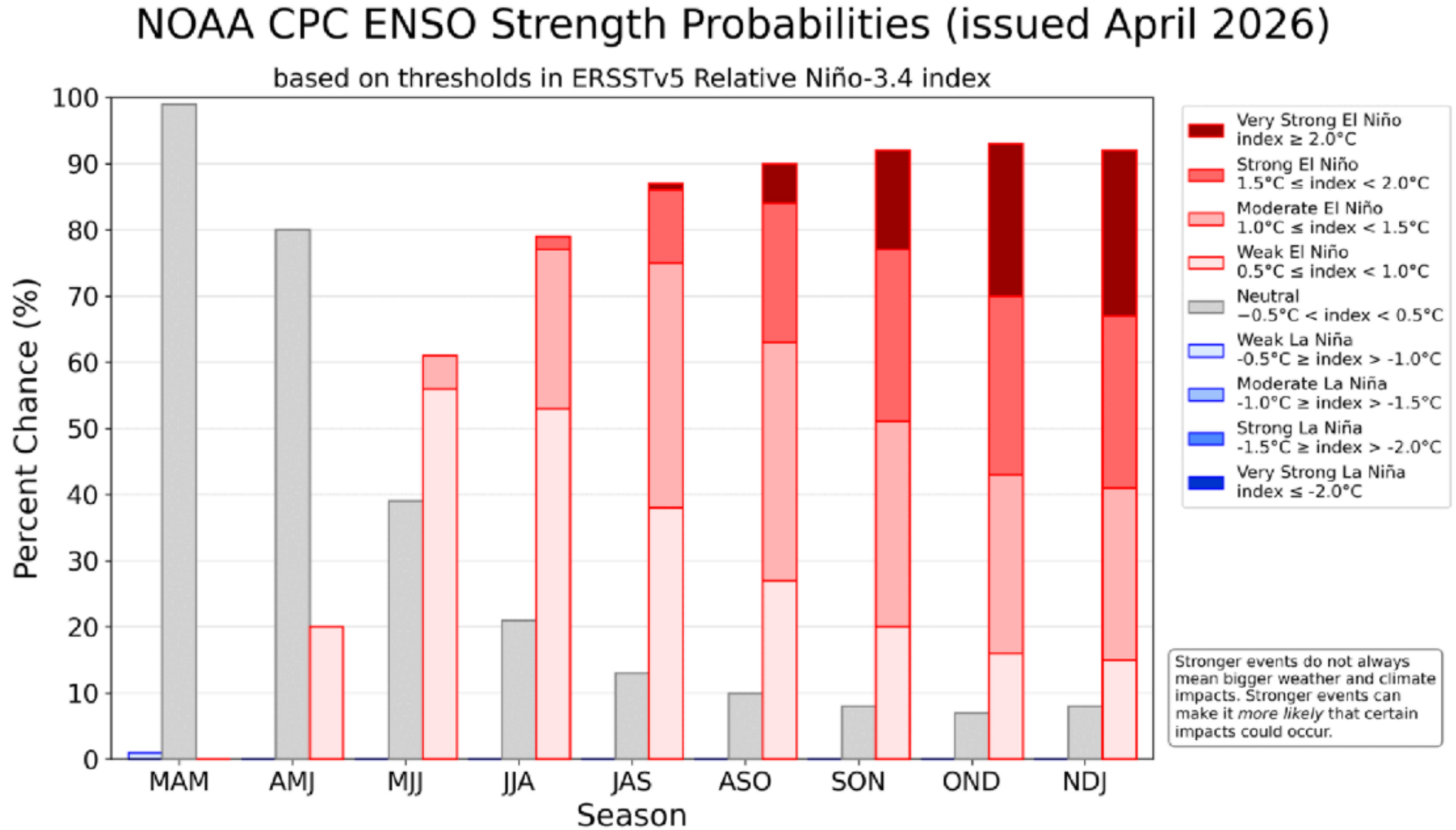


Note: Data as of 22 June 2026

Source: NOAA



... which is way higher than their April forecast



Note: Data as of 30 April 2026

Source: NOAA



Soft commodity price such as soybean and corn normally dropped during Super El Nino

