Bangkok Post
Section: Business/NATIONAL
Date: Saturday 18 April 2026
Volume: - No: - Page: 2(Right)
Bangkok Post
Circulation: 70,000
Ad Rate: 1,331
Col.Inch: 40.94 Ad Value: 54,491.14 PRValue (x3): 163,473.42 Clip: Full Color
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STOCK FOCUS

BUALUANG SECURITIES

INVESTORS HANGING ON NEWS OF PEACE TALKS

Global shares enjoyed a decent run-up while the Thai stock market was closed for the Songkran holidays, with the Nasdaq and S&P500 hitting new highs.

Locally, market sentiment was weighed down by the imposition of a 100% cash balance requirement for trading in shares of Delta Electronics after regulators noted unusual trading patterns in the speculators' favourite.

However, investors soon shifted their focus to the possibility of a new round of US-Iran peace talks over the weekend. We do not anticipate further negatives during the negotiation process, based on the actions of both sides when approaching previous deadlines. We are also optimistic in light of signals from China and Russia at a recent UN meeting.

Although the US-Iran conflict remains a key risk, we believe the tension has peaked and we will start to see a de-escalation phase this month.

There has been plenty of noise during the two-week ceasefire period, including reports about attacks on the energy infrastructure of Arab states and confusion about the Strait of Hormuz closure. Whether positive or negative news flows are accurate or inaccurate, we think they will become less influential on the Thai market during the grace period of the ceasefire.

We continue to recommend accumulating shares in sectors that will benefit from post-war rehabilitation, along with renewable energy, industrial estates, and the shifting of AI data centres from the Middle East to East Asia.

For short-term trading, we recommend beaten-down stocks of businesses affected by shortages resulting from transport disruption caused by the Middle East war. We believe more goods will start moving through the Strait of Hormuz in the near term and production plans of factories will not be disrupted.

The market will also be focusing on domestic stimulus policies like "Thai Help Thai Plus" and "BoI Fast Pass", as outlined by the prime minister in the government's policy statement. This should include measures that will help ease the cost of living, stabilise energy prices, and accelerate investment from both the public and private sectors.

Keep in mind that while this is still a volatile period, investment opportunities do exist, with four main themes:

- National infrastructure supercycle: GULF, GUNKUL, TRUE, WHA and WHAUP.
- War-resilient domestic earnings with stimulus-driven upside: CPN and CPALL.
- Dividend leaders with inflows driven by Thailand Individual Savings Account (TISA) purchases: KTB and BBL.
- Companies penalised more than their fundamentals warranted, and now due for a post-war re-rating: BH, MINT and ITC.

Among negative factors, the higher cost of living will contribute to short-term risk with oil prices still moving in a wide range in response to daily news developments. The price of diesel in particular has created cost pressure that has started to affect the real sector.

After pushing above 50 baht a litre earlier this month, diesel has fallen back to 42.90 baht. In our base case scenario, if diesel were to stay around 50-55 baht per litre for one month, GDP could be trimmed by 0.4% to 0.5%, with full-year growth of 1.3% to 1.4%. SET earnings could decline by 1.2% to 1.5%, with market earnings per share at 92 to 92.50 baht, growing by less than 1% from the year before. The year-end target for the SET index would be 1,550 points.

In the worst-case scenario, with diesel prices remaining high for two months, we foresee the SET downside at around 1,340 points. With every 10% increase in the diesel price from 50 baht a litre, GDP will fall by 0.1% while SET earnings per share will fall by 0.3% to 0.4%.