

Economic and Financial Outlook

ttb analytics

March 2026



Global Economy

- Middle East tensions have become a global focal point following US and Israeli strikes on Iran, which have sparked a broader regional escalation, including attacks on energy infrastructure. Oil prices have surged, reflecting patterns seen in previous supply shocks. Historically, prices tend to remain elevated for several months before gradually normalizing. In addition, Other commodity prices are beginning to rise alongside oil prices, raising the risk of potential shortages.
- Recent US economic data have suggested a continuing slowdown, especially in labor market, but oil-driven inflation risks keep the Fed cautious. China's data showed a stronger-than-expected start to the year. Nonetheless, China set its 2026 growth target at 4.5–5% – the lowest since 1991 and the first cut since 2023 amid Middle East risks.



Thai Economy

- In January 2026, overall economic activity expanded from the previous month in most categories, as reflected by the increase on both private consumption and private investment, particularly in the vehicle segment, driven by accelerated purchases ahead of the expiration of the EV 3.0 incentive scheme. The external demand had solid, led to a corresponding expansion in tourism activity and merchandised trade.
- In the first meeting of 2026, the Monetary Policy Committee (MPC) voted to cut the policy rate to 1.00%, to ensure that financial conditions remain supportive of economic recovery and to further alleviate debt burdens for SMEs and households, as well as to anchor medium-term inflation expectations amid heightened downside risks.
- The escalation of tensions between the US and Iran, pushing elevated and prolonged oil price, could lead to more downside risk on economic growth and inflationary pressure. In the short term, the impact on Thai industries is expected to arise mainly from the supply side. Disruptions to energy and intermediate goods supply chains—particularly crude oil and natural gas, petrochemical products, chemical and packaging products.



Financial Markets

- In global financial markets, the recent Middle East tensions have triggered a broad risk-off sentiment. Equity markets sold off as investors moved away from risky assets. A similar pattern was seen in the bond market, with selling pressure pushing yields higher, driven by concerns over rising inflation and potential shifts in global central bank policies.
- The US dollar regained strength, supported by its status as a petrodollar currency and partly driven by the market's revision of Fed rate cut expectations from roughly two cuts to less than one. Among regional currencies, the Thai baht has experienced the largest decline, reflecting its high dependence on energy. Looking ahead, amid ongoing Middle East tensions, the baht faces further depreciation risk in the coming months.

PART 1

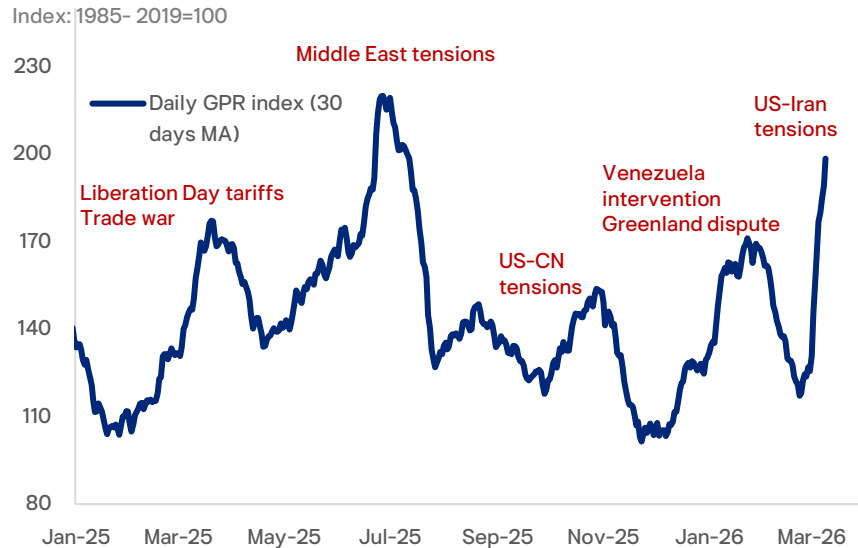
Global Economy



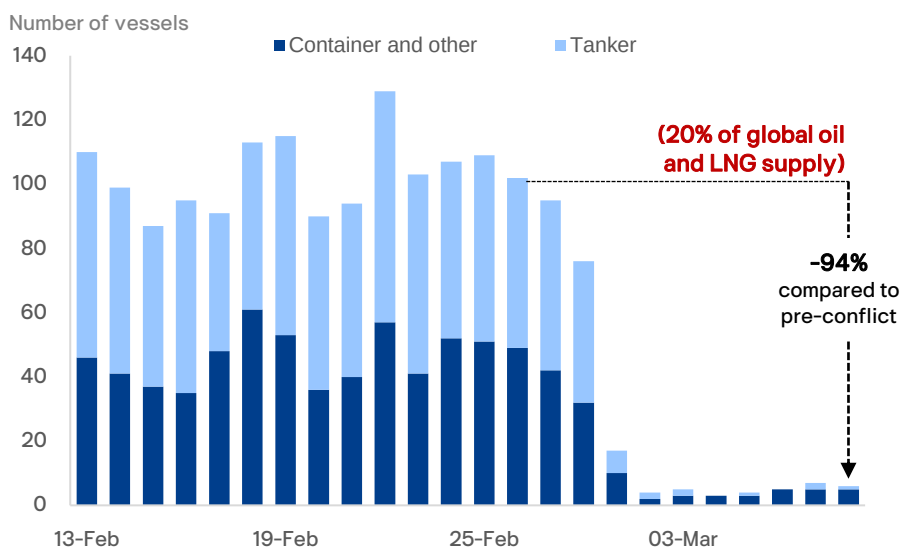
Escalating US–Iran tensions raise concerns over the global economic outlook



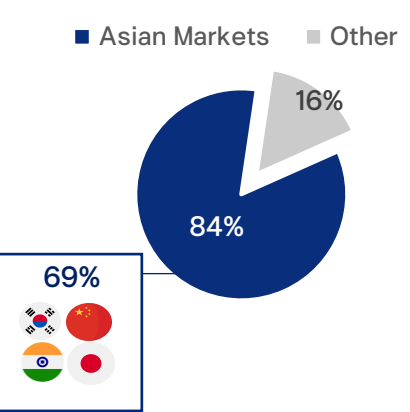
Geopolitical risk index (GPR)



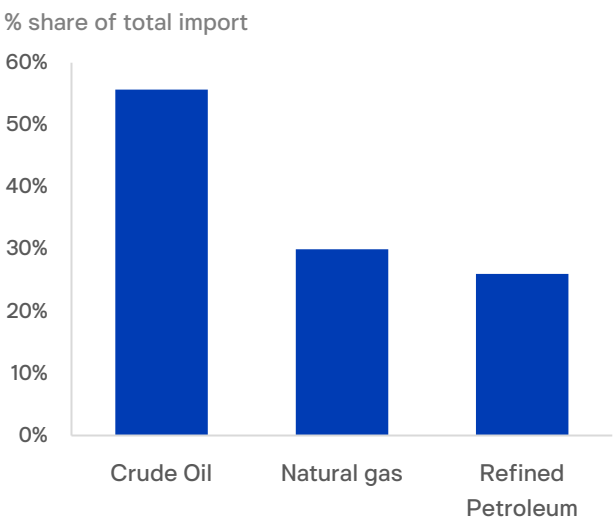
Arrival of vessels pass through the Strait of Hormuz



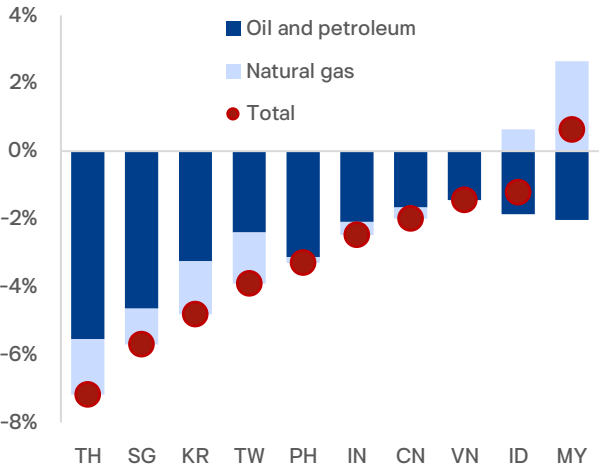
Crude oil transported through the Strait of Hormuz by destination



Asia's energy imports from Middle East



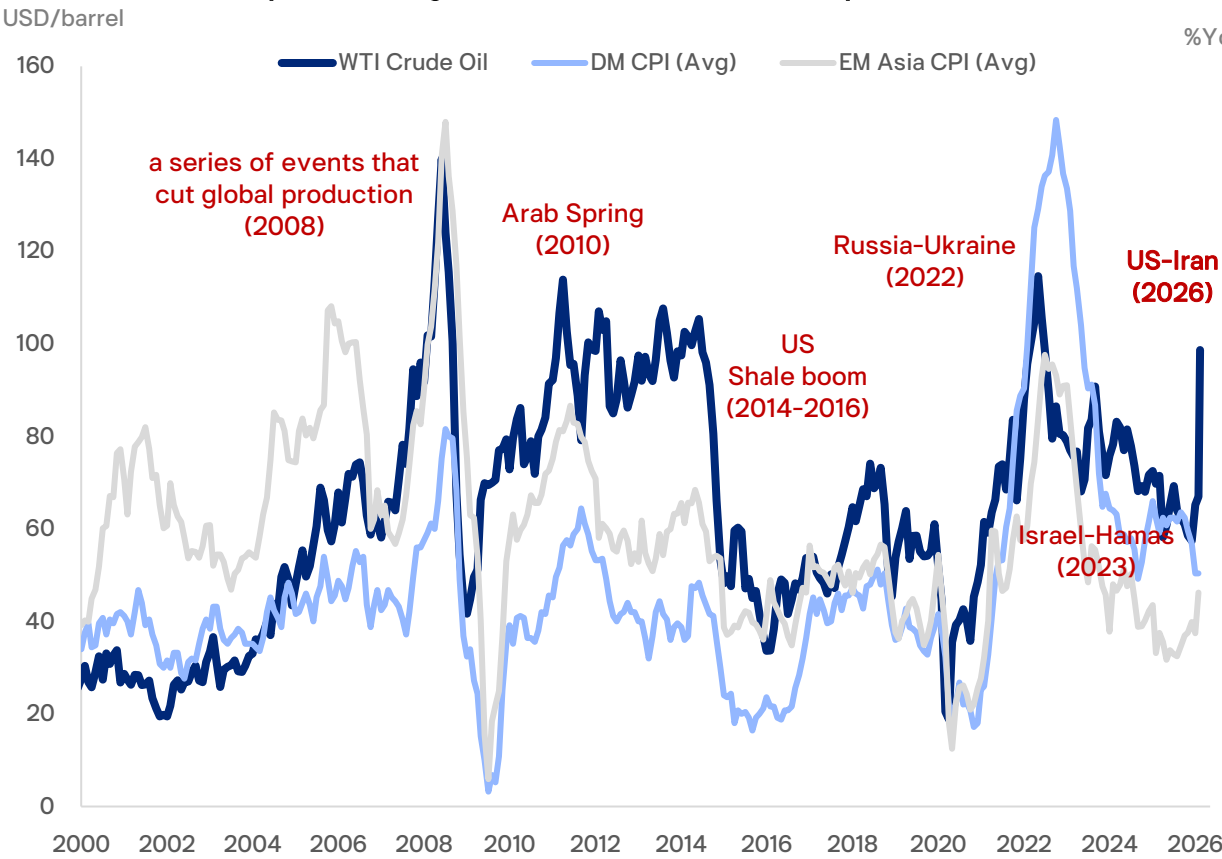
Oil and gas net trade by selected Asian countries



- Middle East tensions have become a global focal point following US and Israeli strikes on Iran, which have sparked a broader regional escalation, including attacks on energy infrastructure. A key concern is the potential disruption of the Strait of Hormuz—a vital corridor for oil and LNG shipments that handles roughly 20% of global supply—although some non-US vessels may still be able to transit. Despite the risk of a global energy crunch, both sides have maintained a defiant stance, deepening uncertainty over the months ahead.
- Beyond Middle Eastern economies in the conflict zone, Asian economies are also highly exposed, as this shipping route primarily supplies energy to Asia and most countries in the region are net energy importers, with the exception of Malaysia.

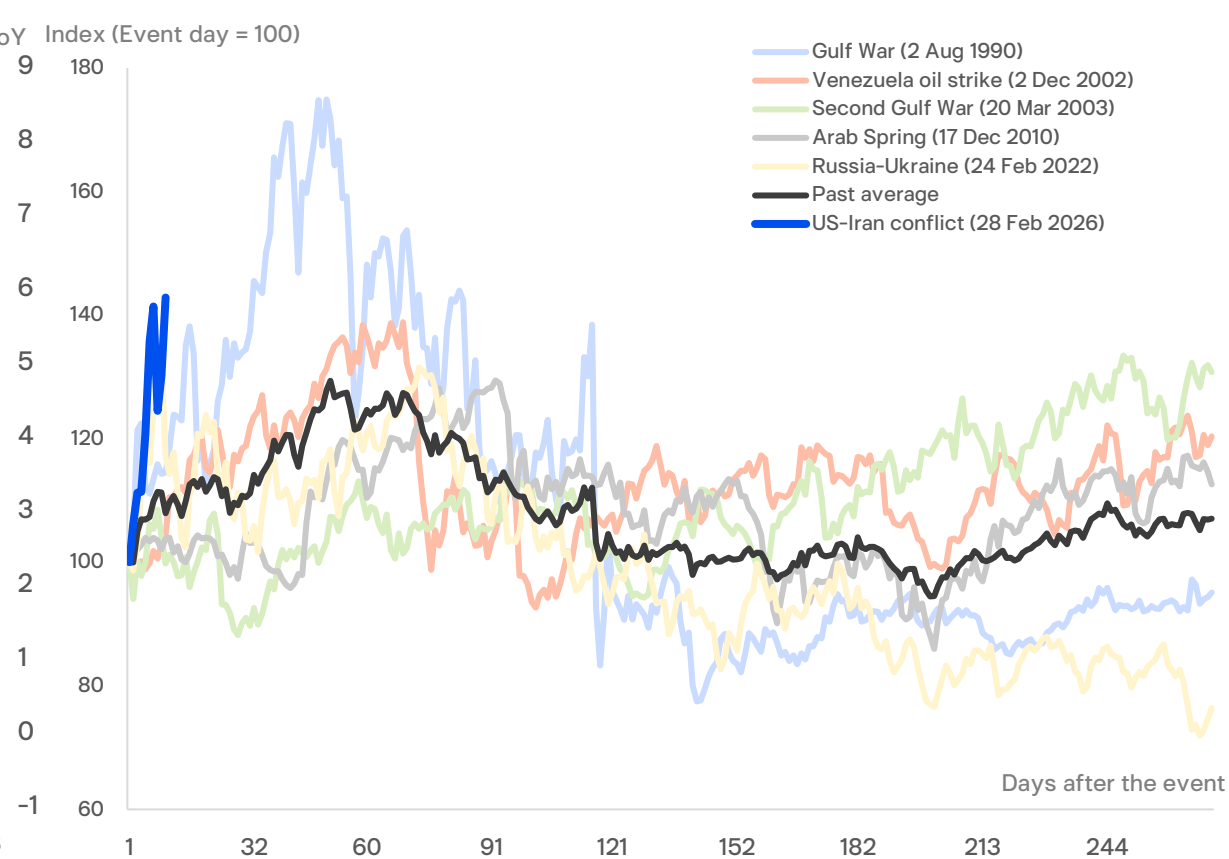
Oil price spikes are mostly driven by supply shocks and take time to normalize

Relationship between global inflation and crude oil price movement (WTI)



Notes: EM Asia CPI is calculated by equally average CPI from CN, KR, TW, TH, MY, ID and PH
DM CPI is calculated by equally average CPI from US, EU, JP and UK

Crude oil price movement after the geopolitical events

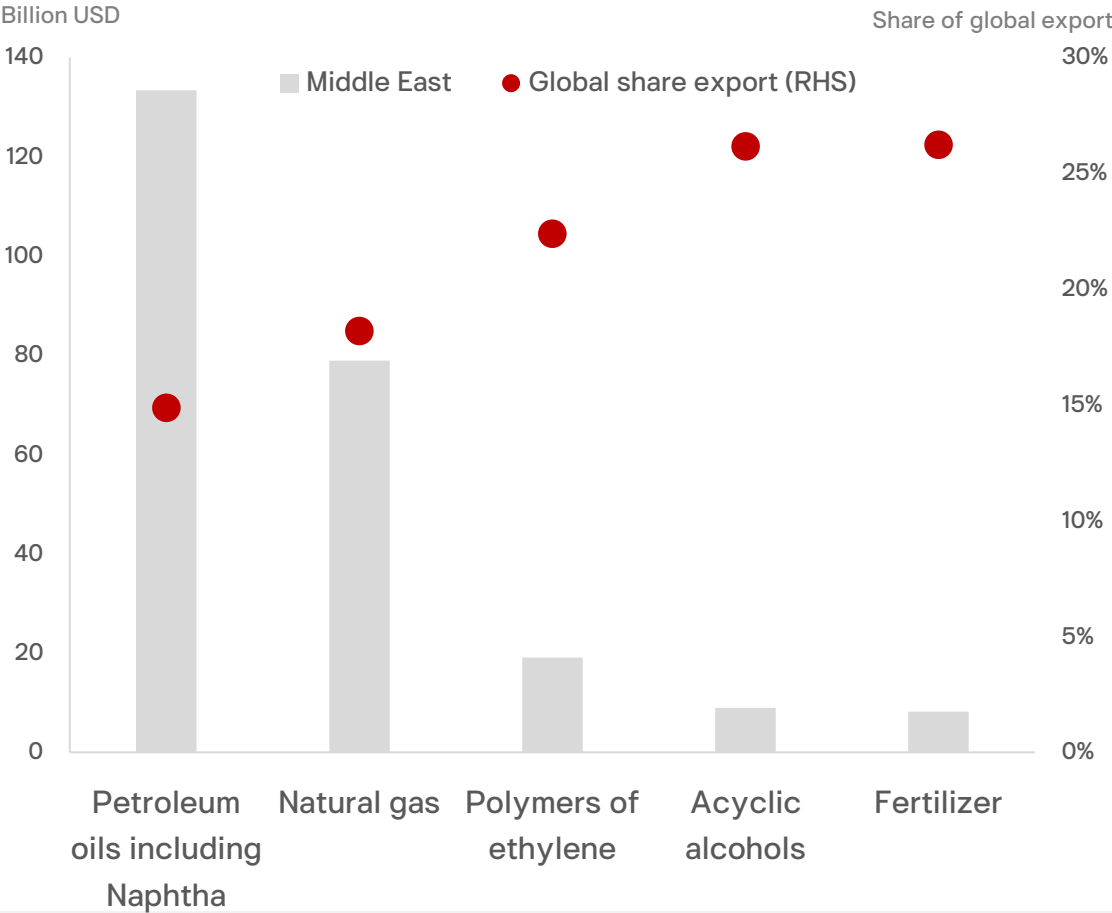


- Amid rising tensions in the Middle East, oil prices have surged, reflecting patterns seen in previous supply shocks. Historically, prices tend to remain elevated for several months before gradually normalizing. Given the current situation—where energy infrastructure is being targeted—history may well repeat itself. With oil prices on the rise, global CPI in both developed and emerging markets tends to follow—a pattern observed in past episodes. This dynamic is fueling growing concerns about inflation risks worldwide.

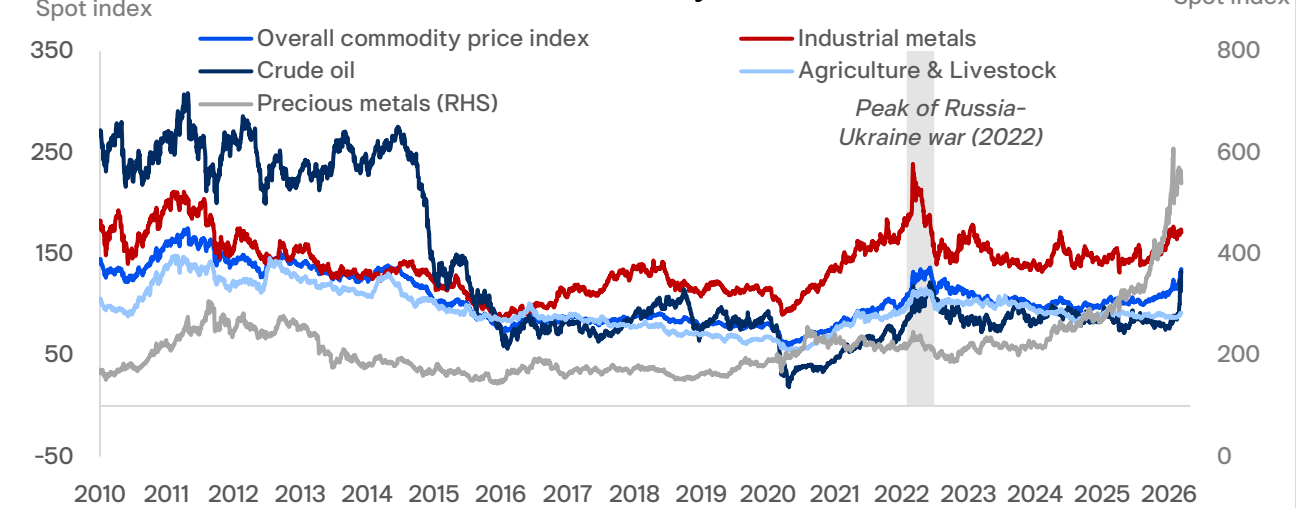
Other commodity prices are beginning to rise alongside oil prices, raising the risk of potential shortages



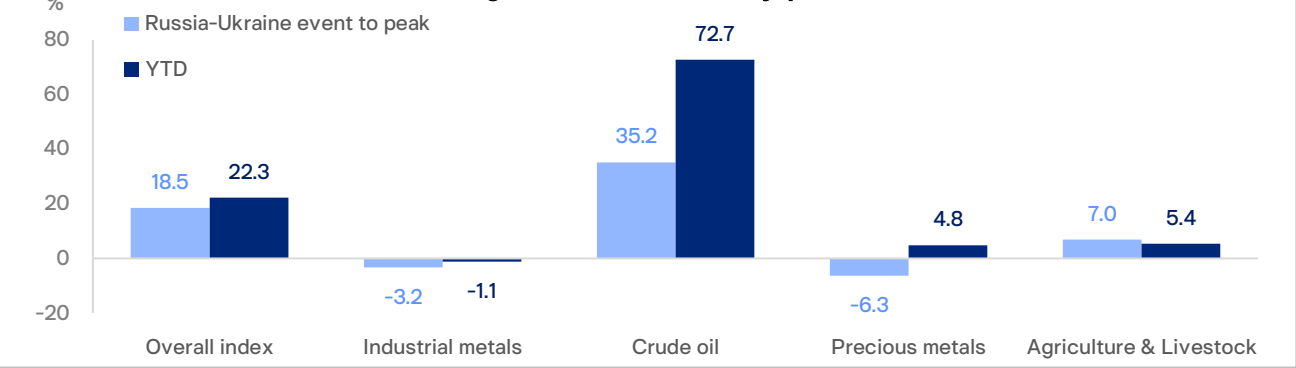
Selected key Middle East exports beyond crude oil



Global Commodity Price Index

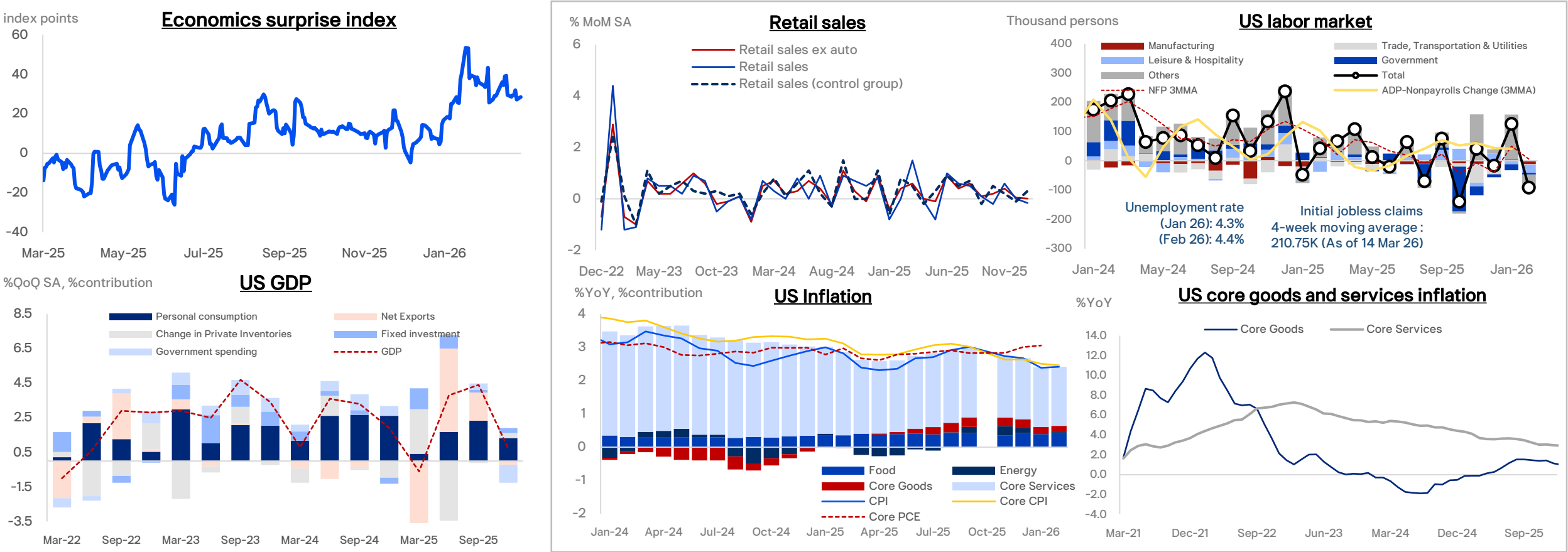


Change in the commodity price index



- In addition to crude oil, the Middle East plays a significant role in exporting other commodities, such as fertilizers, which make up roughly a quarter of global exports—potentially impacting food inflation. The region is also a major supplier of LNG (natural gas). Amid ongoing uncertainties, prices of these commodities are likely to rise alongside oil. As demonstrated during the 2022 Russia-Ukraine crisis, not only oil but other commodity prices surged, underscoring the risk of broader supply shortages beyond crude oil.

US data signals continued slowdown, but oil-driven inflation risks keep the Fed cautious



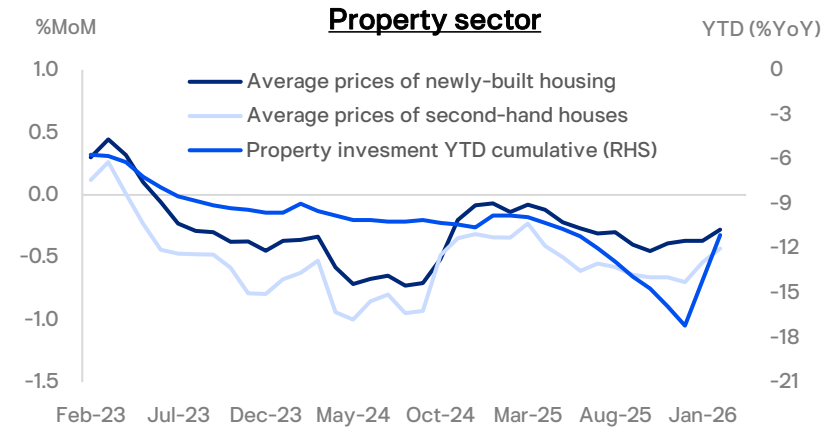
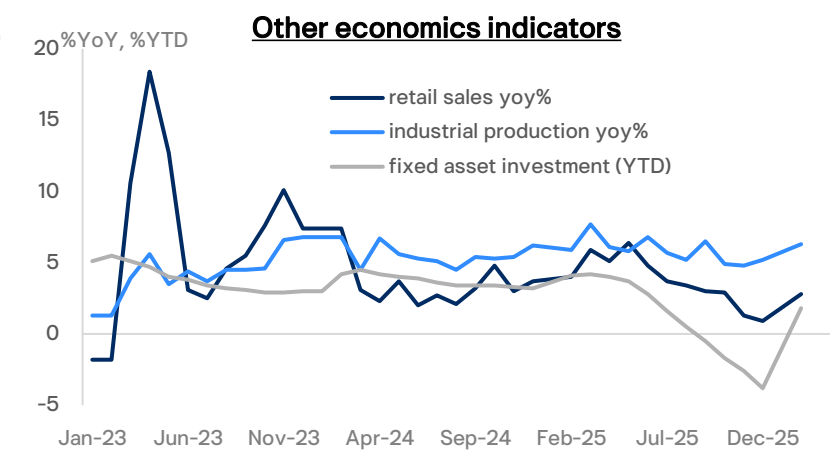
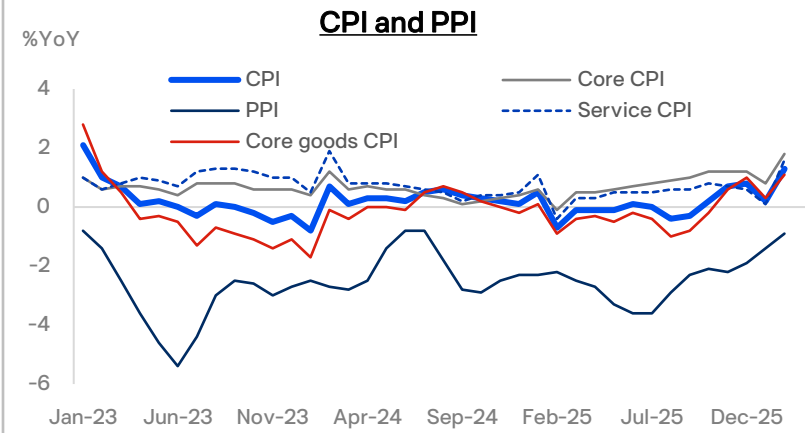
- Recent US economic data have suggested a continuing slowdown. The second estimate of Q4 2025 GDP was revised down to 0.7% from 1.4% initially and 4.4% in Q3. The downgrade reflected broad downward revisions, particularly to exports and spending. Meanwhile, US retail sales, a proxy for consumption, declined in January, restrained by weakness at auto dealers as winter weather-related disruptions tempered activity. Nonetheless, the soft data appear solid, as the preliminary March University of Michigan survey showed strong sentiment, lower inflation expectations, and JOLTS job openings exceeded forecasts.
- For Fed-watch indicators, nonfarm payrolls dropped by 92,000, with widespread job cuts across leisure and hospitality, construction, and health care, while the unemployment rate edged higher, reflecting ongoing labor market fragility. Inflation, measured by both CPI and PCE, largely met expectations. However, rising oil prices and potential supply disruptions around the Strait of Hormuz pose upside risks. Against this backdrop, the Fed is likely to remain cautious before adjusting policy rates.

Despite strong data, China signals slower growth amid Middle East risks



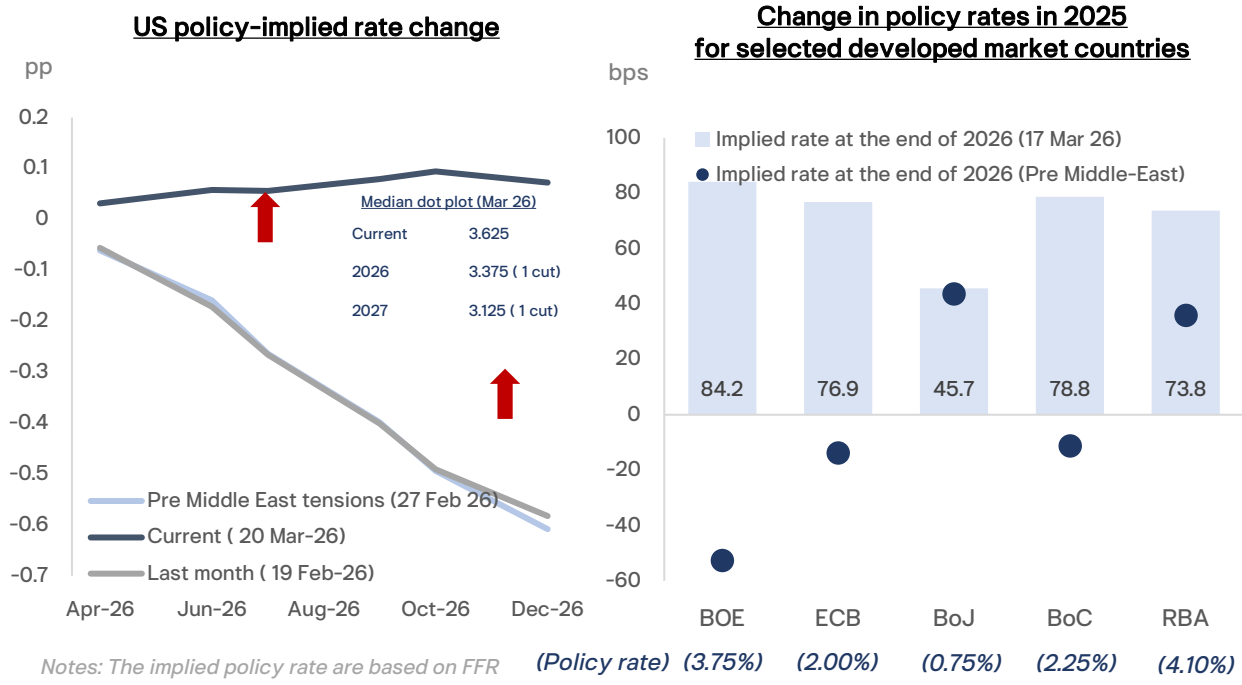
Compare the targets for 2025 and 2026

	2025	2026
GDP	Around 5%	4.5%-5%
CPI	Around 2%	Around 2%
Budget deficit (% of GDP)	Around 4%	Around 4%
Special sovereign bond	1.3 Trillion yuan	1.3 Trillion yuan
Local government bond	4.4 Trillion yuan	4.4 Trillion yuan
New urban jobs	Over 12M	Over 12M



- China set its 2026 growth target at 4.5–5% – the lowest since 1991 and the first cut since 2023 – signaling Beijing's acceptance of slower expansion in pursuit of a more sustainable model. The fiscal deficit remains at a record 4% of GDP to support domestic demand amid property sector weakness.
- China's data showed a stronger-than-expected start to the year. Export growth surged in the first two months, with shipments increasingly driven by markets outside the US, while imports also rebounded. Other indicators were also firm, with industrial production up 6.3%YoY, retail sales rising 2.8% (from 0.9% in December and above the 2.5% forecast), and fixed-asset investment growing 1.8% after contracting in 2025. The property sector remained weak but showed tentative improvement in house prices. Meanwhile, CPI picked up to the fastest pace in over three years and PPI eased, supported by higher energy prices and strong Lunar New Year spending.

Expected policy rate changes by selected major central banks by the end of 2025



Asian countries' expectations

Country	Current Policy Rate	Changes in policy rate in this cycle (bps)	Current Headline CPI (Feb 2026)	GDP 2025
MY	2.75	-25	1.60%	5.2%
KR	2.50	-100	2.00%	1.0%
ID	4.75	-150	4.76%	5.1%
IN	5.25	-125	3.21%	6.6%
PH	4.25	-225	2.40%	4.4%
TW	2.00	0	1.75%	8.7%

Latest Monetary Policy development

DM

- FOMC held rates at 3.50–3.75% in an 11–1 vote, with the latest dot plot signaling one rate cut this year. Powell cited US–Iran tensions as a source of uncertainty, supporting a cautious near-term stance. OIS pricing shows markets now expect the Fed to hold rates this year.

- The ECB held rates as expected, emphasizing it is not pre-committing to a specific path—a stance reinforced by President Lagarde—with the move leaning slightly hawkish due to upgraded inflation forecasts. Given current CPI and economic data, markets still expect some rate hikes later this year

- The BoJ held its short-term rate at 0.75% in an 8–1 vote, with Takata dissenting for a 25bps hike, and reaffirmed it will raise rates if economic and inflation trends support its 2% target.

- The BoE held the Bank Rate at 3.75% in a unanimous 9–0 vote, compared with a 5–4 vote previously. The Bank removed references to future cuts while retaining flexibility if the shock proves short-lived. Rising inflation risks have prompted markets to shift their expectations from potential rate cuts to possible rate hikes later this year.

EM

- The PBOC is likely to maintain its easing stance despite the oil price shock, supported by persistently low inflation after years of deflation and the need to stay aligned with national stimulus efforts.

- The policy outlook in EM Asia is increasingly uncertain, as rising oil prices heighten inflation risks for net oil-importing countries. Nonetheless, each country's response will differ based on macroeconomic conditions, fiscal risks, and exposure to the Strait of Hormuz.

PART 2

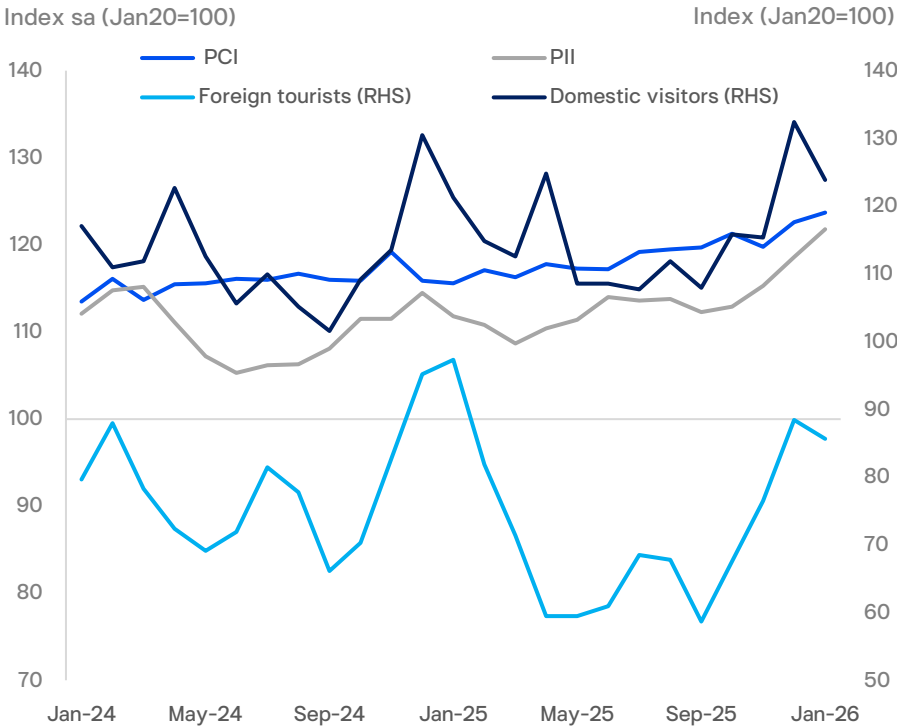
Thai Economy



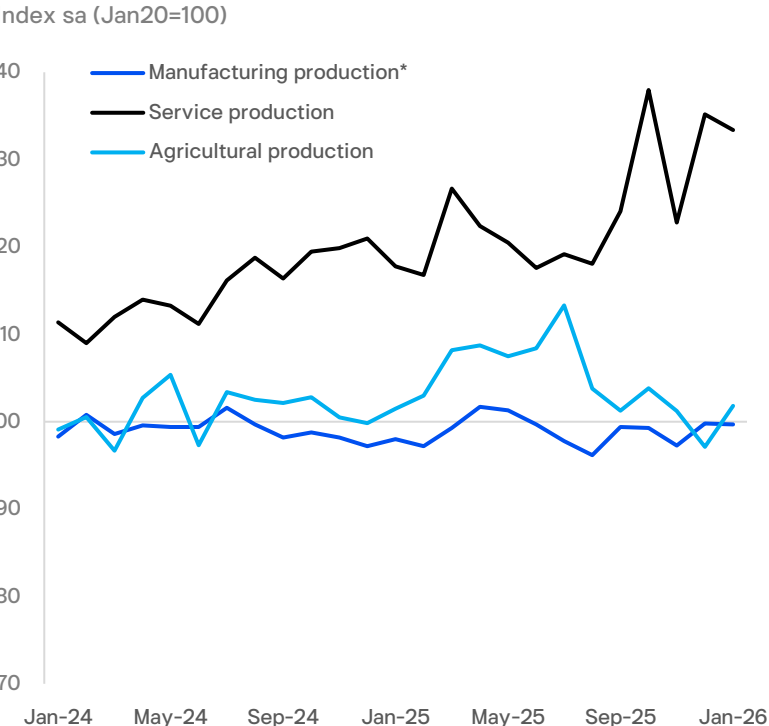
In January 2026, Thailand economic activities expanded from the previous month, while momentum may weaken ahead of Middle East tension



Demand-side indicators



Supply-side indicators



- In January 2026, overall economic activity expanded from the previous month in most categories, as reflected by the increase on both private consumption and private investment, particularly in the vehicle segment, driven by the benefit of accelerated purchases ahead of the expiration of the EV 3.0 incentive scheme. The external demand had solid, led to a corresponding expansion in tourism activity and merchandised trade.
- The escalation of tensions between the US and Iran, pushing elevated and prolonged oil price, could lead to more downside risk on economic growth and inflation, and eventually shift in the monetary policy narrative going forward.

Leading Economic Index (sa) (Jan2020=100)

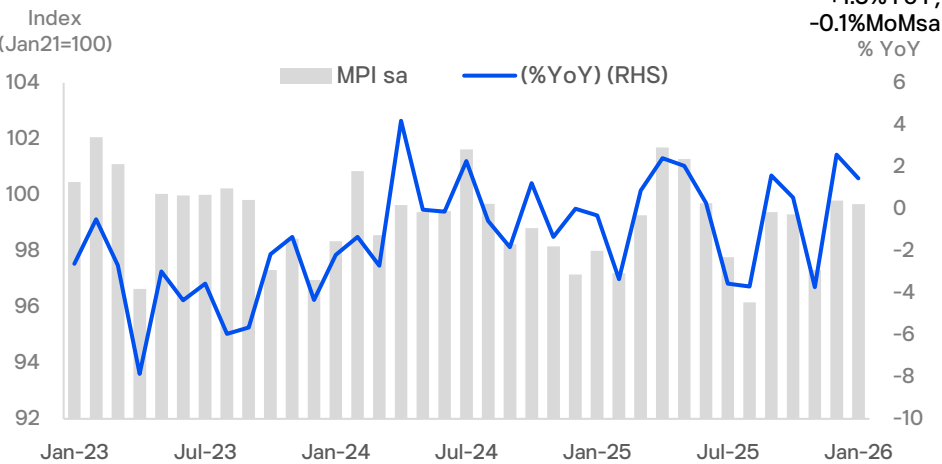
Leading Economic Index and Components (SA)	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Authorized Capital of Newly Registered Companies (Million Baht)	141.4	92.6	219.4	183.5	108.0	103.3	125.8	132.6	126.1	124.5	84.8	76.1	95.1
Construction Areas Permitted (1000 sq. m)	77.1	83.1	100.3	83.9	99.7	97.4	94.3	106.9	114.1	114.6	103.5	120.5	104.7
Export Volume index (exclude Gold)	119.5	126.8	123.9	121.2	132.5	125.8	126.3	126.7	128.4	129.6	132.3	133.5	142.9
Business Sentiment Index (3 months)	97.8	99.7	101.1	95.7	98.2	97.6	96.0	100.0	100.6	101.7	102.7	103.0	99.8
SET index	86.8	79.5	76.5	79.1	75.9	72.0	82.6	84.5	85.4	86.5	83.0	83.2	87.5
Oil Price Inverse Index (Dubai)	1.2	1.3	1.4	1.5	1.6	1.5	1.4	1.4	1.4	1.5	1.6	1.6	1.7

Source: Bank of Thailand and ttb analytics
Remark: *rebase Jan21 due to OIE new rebase data

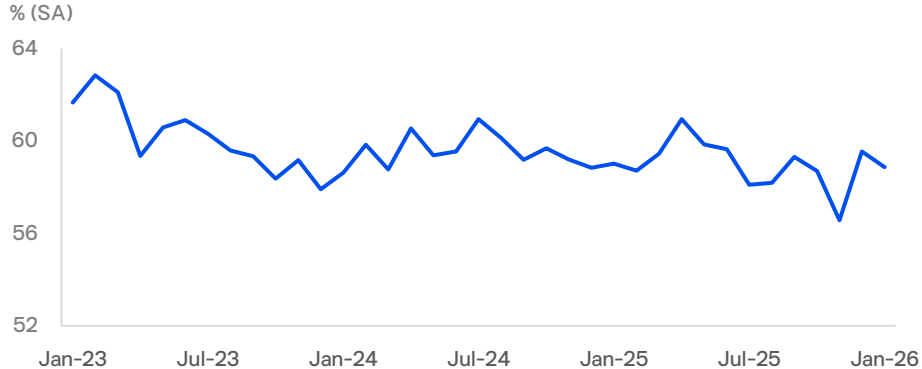
Manufacturing output holds steady amid uneven sectoral performance



Manufacturing Production Index (MPI)



Capacity Utilization (CapU)



MPI by sector (base year 2021)

Unit: % YoY

Contribution	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Food products (16.7%)													
Beverages (3.8%)													
Tobacco products (0.7%)													
Textiles (1.9%)													
Wearing apparel (1.6%)													
Leather products (0.8%)													
Paper products (2.1%)													
Coke and refined petroleum products (10.7%)													
Chemicals (8.8%)													
Pharmaceutical products (1.2%)													
Rubber and plastics products (8.8%)													
Other non-metallic mineral products (5.4%)													
Basic metals (3.4%)													
Fabricated metal products (2.3%)													
Computer and electronic products (9.4%)													
Electrical equipment (3.5%)													
Machinery and equipment (2.8%)													
Motor vehicles (11.2%)													
Other transport equipment (1.1%)													
Furniture (0.9%)													
Others (2.3%)													
MPI (%YoY)	-0.3	-3.4	0.9	2.4	2.0	0.3	-3.6	-3.7	1.6	0.5	-3.7	2.6	1.5

- As of January 2026, Manufacturing Production Index (MPI) was relatively stable from the previous month. This was driven by a weaker production of construction materials (e.g., concrete, foundation pile) in line with the continued slowdown in domestic real estate demand. Moreover, lower production of chemical and nitrogenous fertilizers had emerged due to halt production and the impact of border conflict. However, industries with higher export exposure expanded, supported by increased production of electronics products, such as electronic components and hard disk drives, consistent with continued growth in exports.

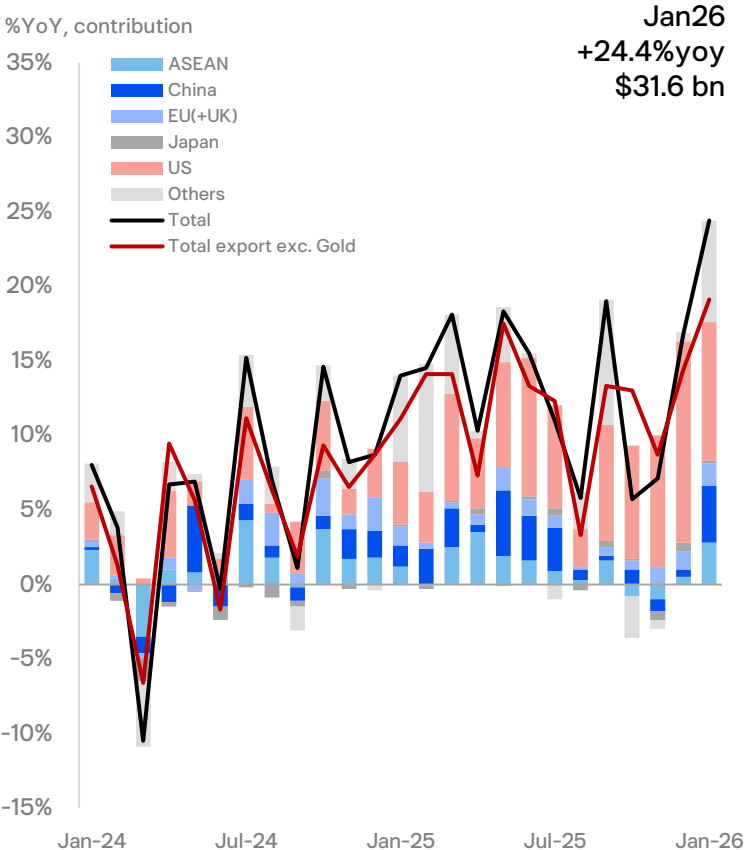
Thai merchandise export accelerated in January, while import growth skyrocketed led by import of electronic products and gold



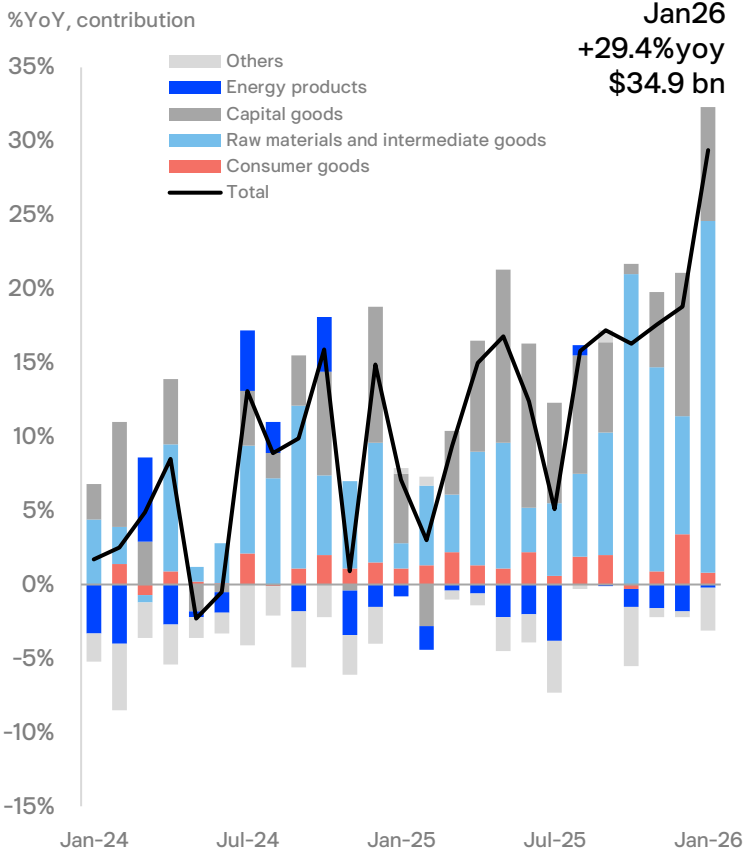
Exports value growth by major product and major destination

Unit: %YoY

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Agri-agro products													
Rice	-32.2%	-34.2%	-22.6%	-43.8%	-9.9%	-41.2%	-16.3%	-30.0%	-31.4%	-38.6%	-18.7%	-27.4%	-23.9%
Rubber	45.5%	35.7%	19.5%	22.5%	-7.8%	-0.2%	-19.9%	-27.9%	-15.4%	-12.5%	-12.0%	-1.9%	-19.3%
Tapioca products	-4.3%	-14.7%	-15.0%	-2.4%	15.5%	5.7%	-12.6%	-5.6%	-9.8%	-19.2%	-28.8%	-4.0%	-21.4%
Fresh, Frozen & Dried vegetable and Fruit	-2.8%	8.3%	14.0%	-29.1%	11.8%	48.5%	74.0%	-11.0%	-35.6%	-16.4%	-24.5%	12.1%	34.5%
Poultry	12.3%	9.3%	5.1%	8.6%	9.3%	15.8%	9.8%	-3.8%	6.4%	1.2%	-7.4%	14.6%	1.0%
Sugar	1.1%	32.8%	-25.8%	38.2%	-1.0%	37.2%	36.2%	-14.2%	43.4%	8.9%	-10.3%	-8.4%	-36.5%
Animal feeding	12.9%	14.3%	12.5%	10.1%	6.7%	10.9%	9.1%	-5.6%	2.9%	7.7%	1.1%	18.4%	8.2%
Industrial products													
Motor Cars, Parts, Accessories	-11.1%	5.8%	2.7%	-7.8%	15.2%	-8.5%	4.2%	1.3%	15.4%	14.9%	-5.9%	5.4%	11.3%
Computer and parts	45.0%	51.3%	80.2%	75.1%	103.9%	57.7%	61.0%	44.1%	57.9%	67.8%	59.9%	51.5%	68.2%
HDD	36.7%	45.2%	45.5%	40.4%	42.1%	13.0%	14.9%	-6.8%	-7.2%	15.3%	-16.2%	-14.5%	27.3%
Integrated Circuits	9.0%	24.4%	41.5%	39.0%	41.4%	46.2%	54.9%	37.0%	8.1%	10.8%	17.1%	14.6%	10.9%
Air Conditioning Machine	33.2%	32.7%	19.0%	1.2%	8.0%	9.7%	6.8%	-14.0%	-5.9%	-2.9%	-14.6%	8.2%	3.8%
Refrigerating	-20.9%	4.4%	-1.5%	35.5%	50.6%	40.8%	56.8%	22.4%	86.3%	69.9%	25.1%	45.1%	48.3%
Electronic Machines	17.3%	21.5%	47.8%	34.4%	53.2%	33.5%	35.2%	28.3%	42.6%	38.8%	46.2%	52.8%	67.0%
Plastic pallet	4.1%	1.3%	7.6%	-5.6%	-4.4%	0.7%	-7.1%	-8.7%	-4.3%	-6.6%	-11.4%	-12.2%	-7.5%
Chemical Products	6.6%	19.5%	6.3%	8.6%	-1.3%	-4.3%	-15.2%	-8.5%	-0.6%	-5.0%	-13.6%	-4.2%	0.6%
Machinery & Parts	28.1%	17.4%	17.2%	-12.2%	34.4%	16.3%	44.1%	10.2%	11.3%	2.5%	5.1%	22.8%	9.7%
Rubber Products	19.8%	16.9%	17.6%	15.9%	34.3%	22.4%	9.7%	-3.1%	7.4%	1.3%	-12.1%	-0.3%	-5.6%
Refined oil	-2.7%	-3.4%	-8.0%	-3.6%	-20.1%	-20.1%	-43.5%	-23.7%	-30.4%	-22.1%	-31.8%	-15.2%	14.9%
Jewelry ex gold	148.8%	106.3%	68.1%	42.1%	2.3%	8.4%	41.9%	24.4%	16.9%	25.6%	66.7%	-24.3%	4.5%
Total export	14.0%	14.5%	18.1%	10.3%	18.3%	15.5%	11.0%	5.8%	19.0%	5.7%	7.1%	16.8%	24.4%



Imports value by groups

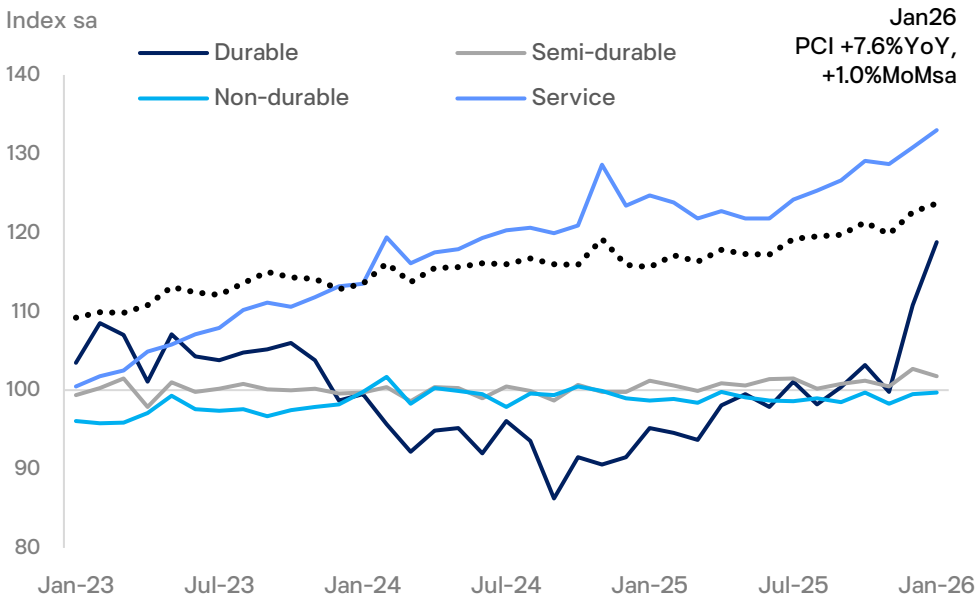


- Thailand's exports in January 2026 edged up to 24.4%, highest growth in four years, which strongly supported by ongoing growth of export of electronic products such as computer and parts, electronic machines and electrical appliance. Moreover, export of auto and parts – particularly export of pickup truck to Australia. Meanwhile, contraction in major agricultural product exports remained persisted. On the other hand, the import value growth also elevated to 29.4%, led by import of raw materials and intermediate goods such as integrated circuit, electronic parts as well as gold, resulting in the trade deficit of USD 3.3 billions.

Private consumption indicators in January continued to expand, as strongly supported by purchase of durable goods

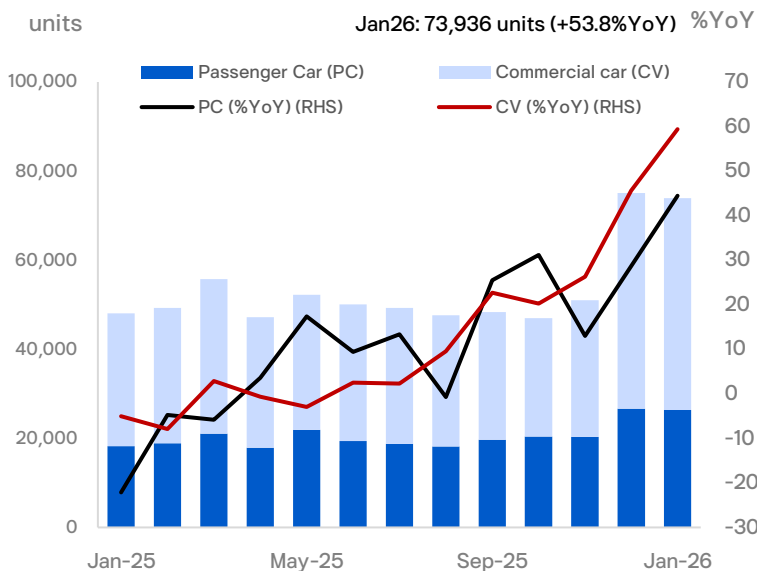


Private Consumption Indicators (SA)

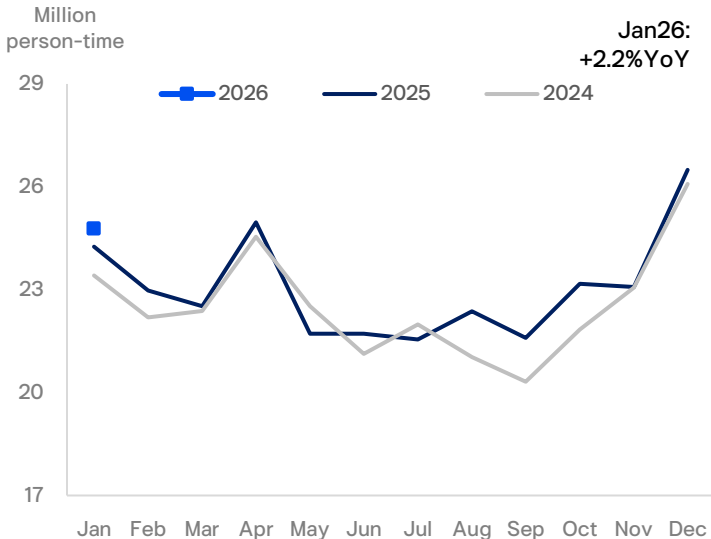


- Private consumption indicators expanded at a slower pace compared with the previous month, reflecting reduced spending in non-durable and semi-durable goods following the expiration of economic stimulus measures. Nevertheless, consumption of durable goods continued to grow, as supported by motor vehicle sales—particularly passenger cars—some of which remained in the delivery pipeline after earlier front-loaded purchases ahead of the expiration of the EV 3.0 scheme as reflected by higher EV new registration. Additionally, service consumption index increased in line with higher spending on hotels and restaurants, consistent with a rise in foreign tourist receipts.

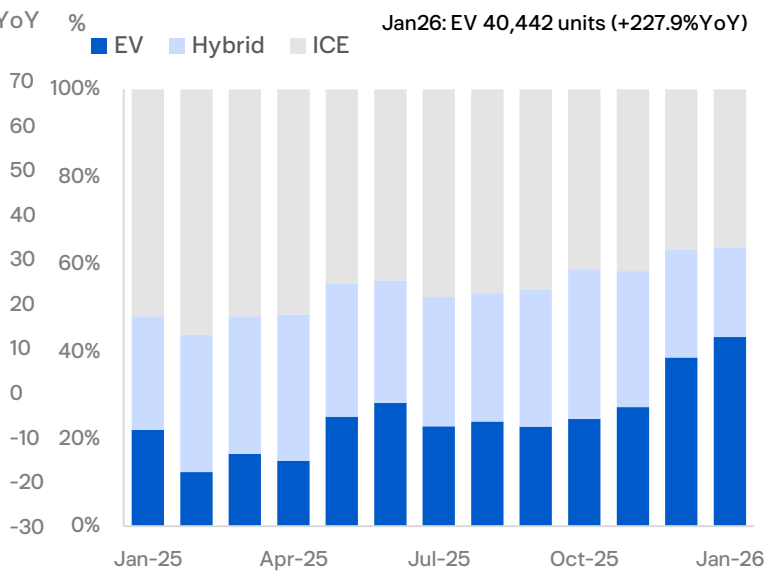
Domestic car sales**



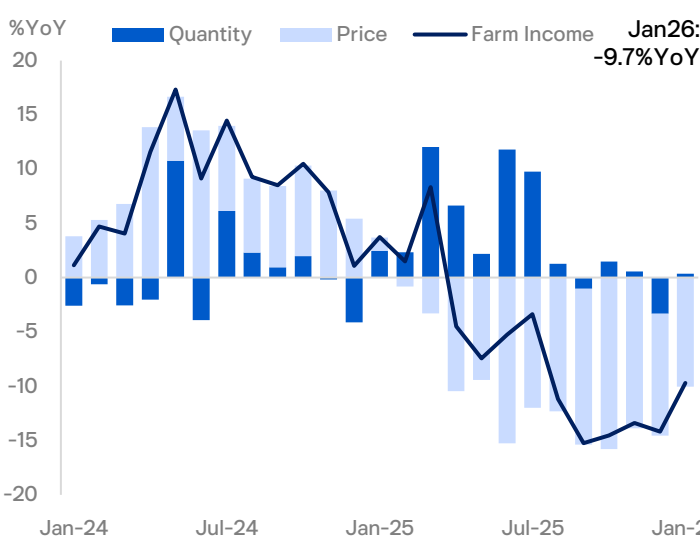
Thai domestic visitors*



EV penetration of type 1 registration



Farm Incomes



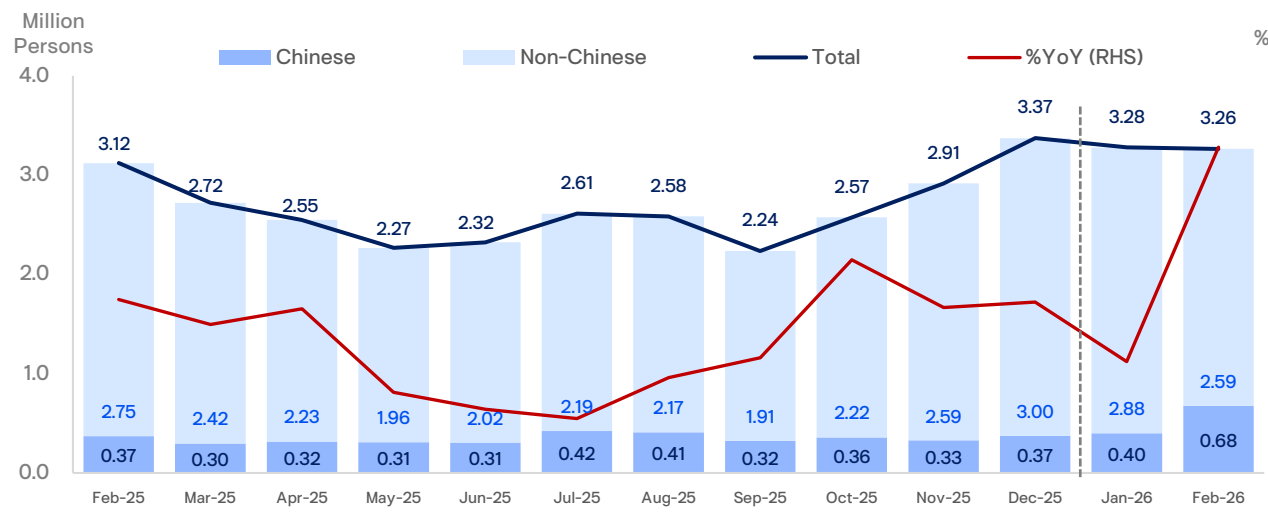
Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics

Remark: *Data not include replication in number of visitors **Commercial Vehicle (CV) * covering pickup, PPV and others commercial car, Passenger Car (PC) ** covering sedan and SUVs,

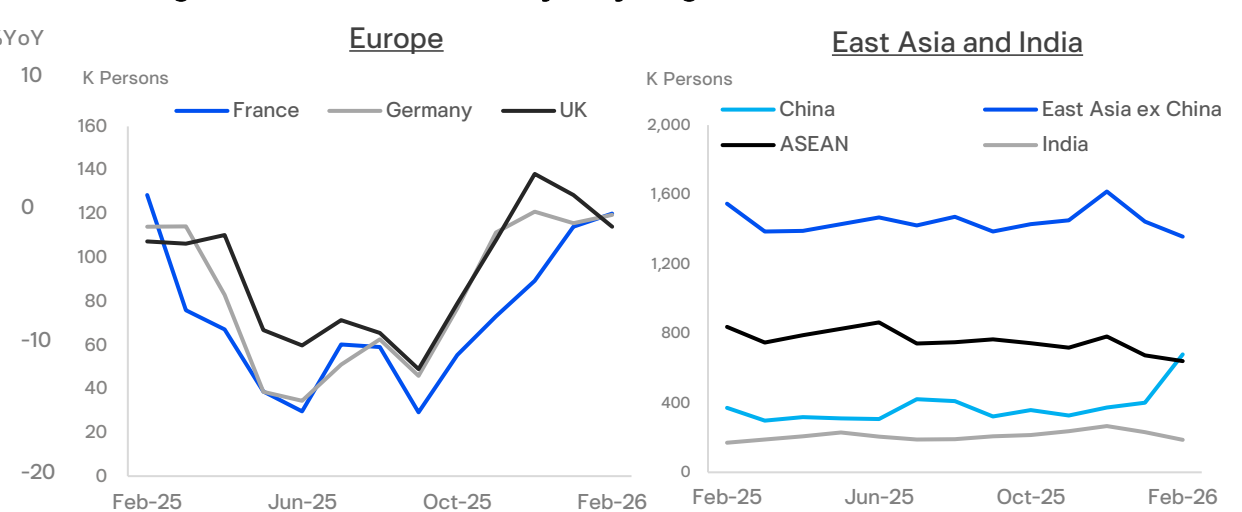
Foreign tourist arrivals in February improved from Chinese arrivals thanks to the Chinese new year season, while long-haul tourists marked slowdown; impact of US-Iran conflicts dampen the outlook



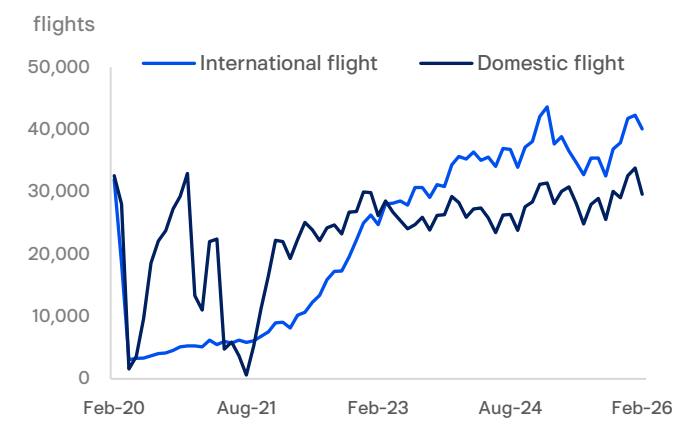
Total Foreign Tourist Inbounds



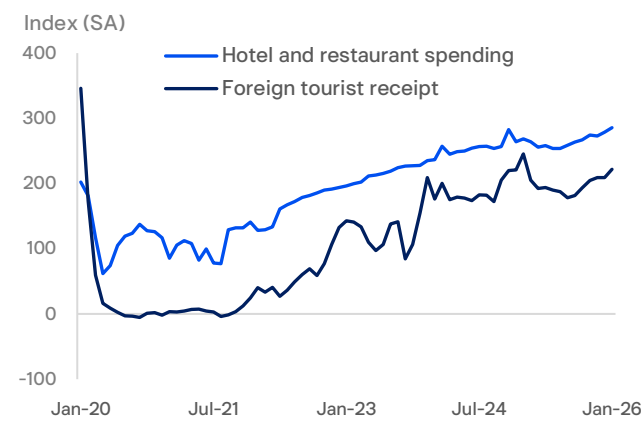
Foreign Tourist Inbounds by key regions



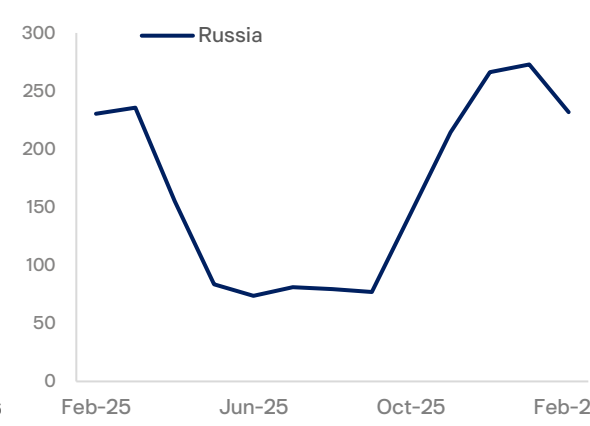
Number of flights via Thailand's airports (total)



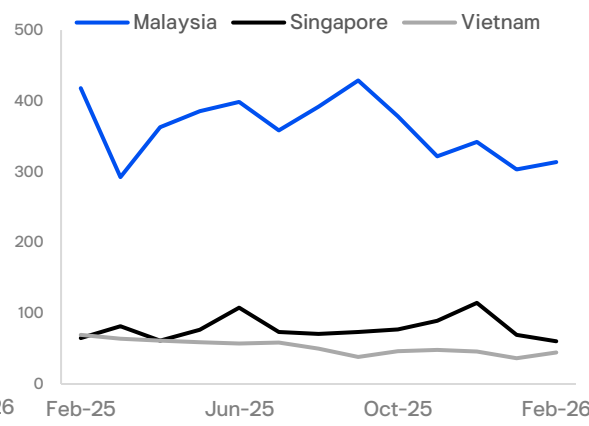
Tourism spending indicators



Foreign Tourist Inbounds by key regions



Foreign Tourist Inbounds by key regions

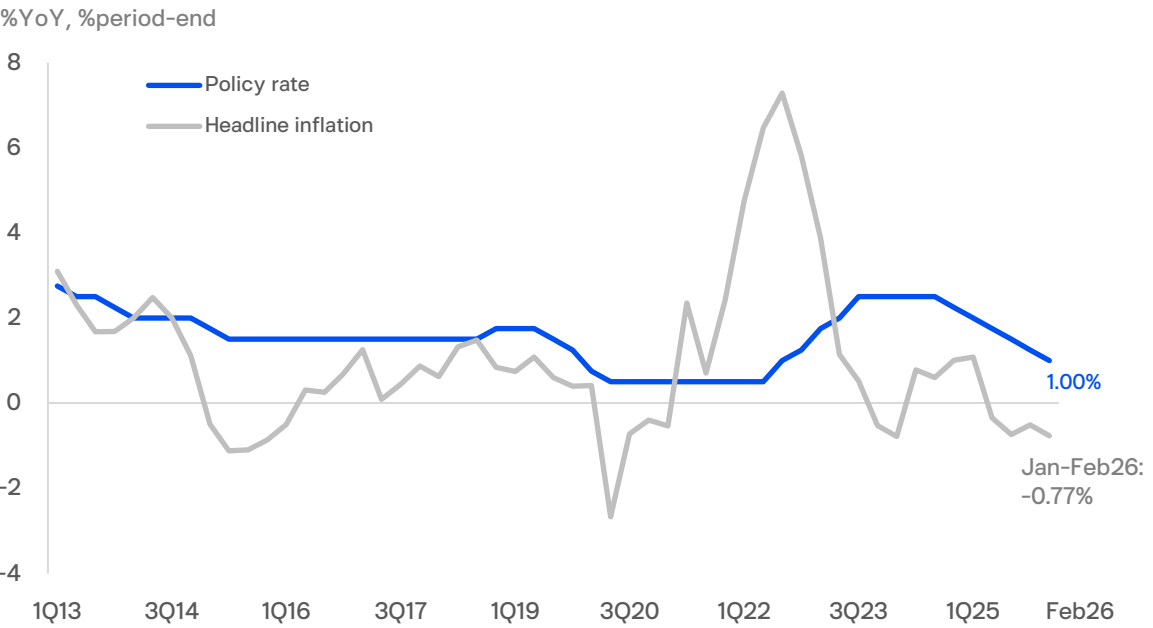


■ In February 2026, the number of foreign tourist arrivals was increased remarkably compared to the previous year due to the Chinese new year holiday, bringing about the spike in Chinese arrivals to 82.4%YoY. However, overall number of tourist arrival slightly declined from the preceding period, particularly in long-haul tourists from Europe including Russia and the Americas. Over the period from March 1–8, 2026, tourist arrivals from Europe and the Middle East declined by 18% compared with normal travel trends due to the impact of US-Iran conflict.

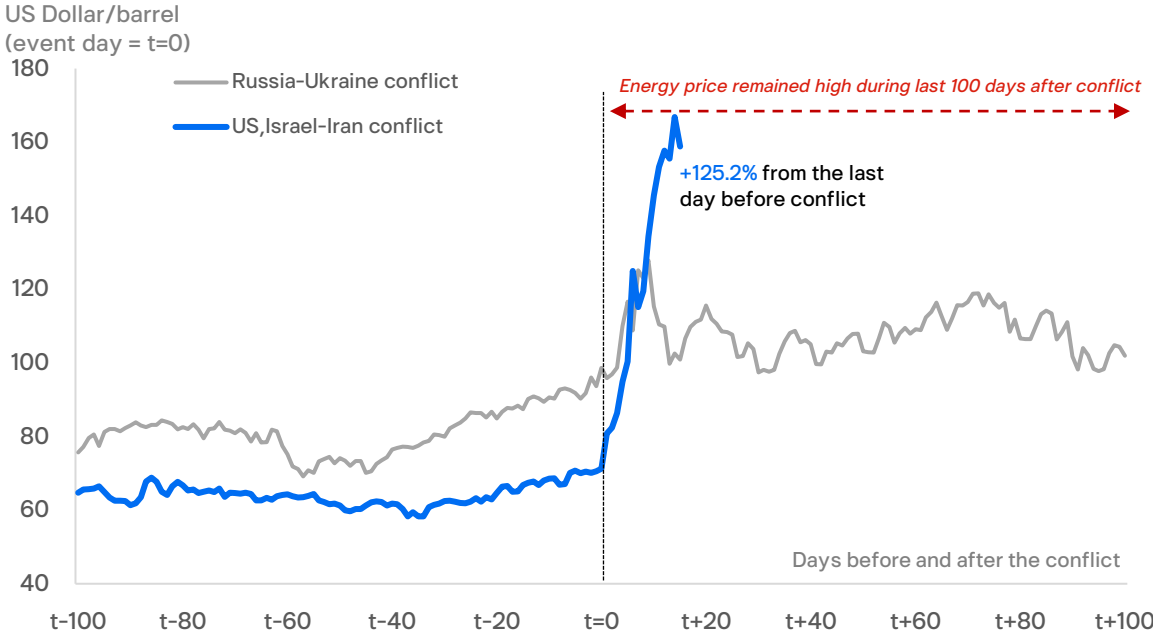
MPC surprised cut policy rate to 1% in the first meeting of 2026, indicating a sufficiently accommodative stance; tension could pose upside inflation risk



Thailand's policy rate and headline inflation

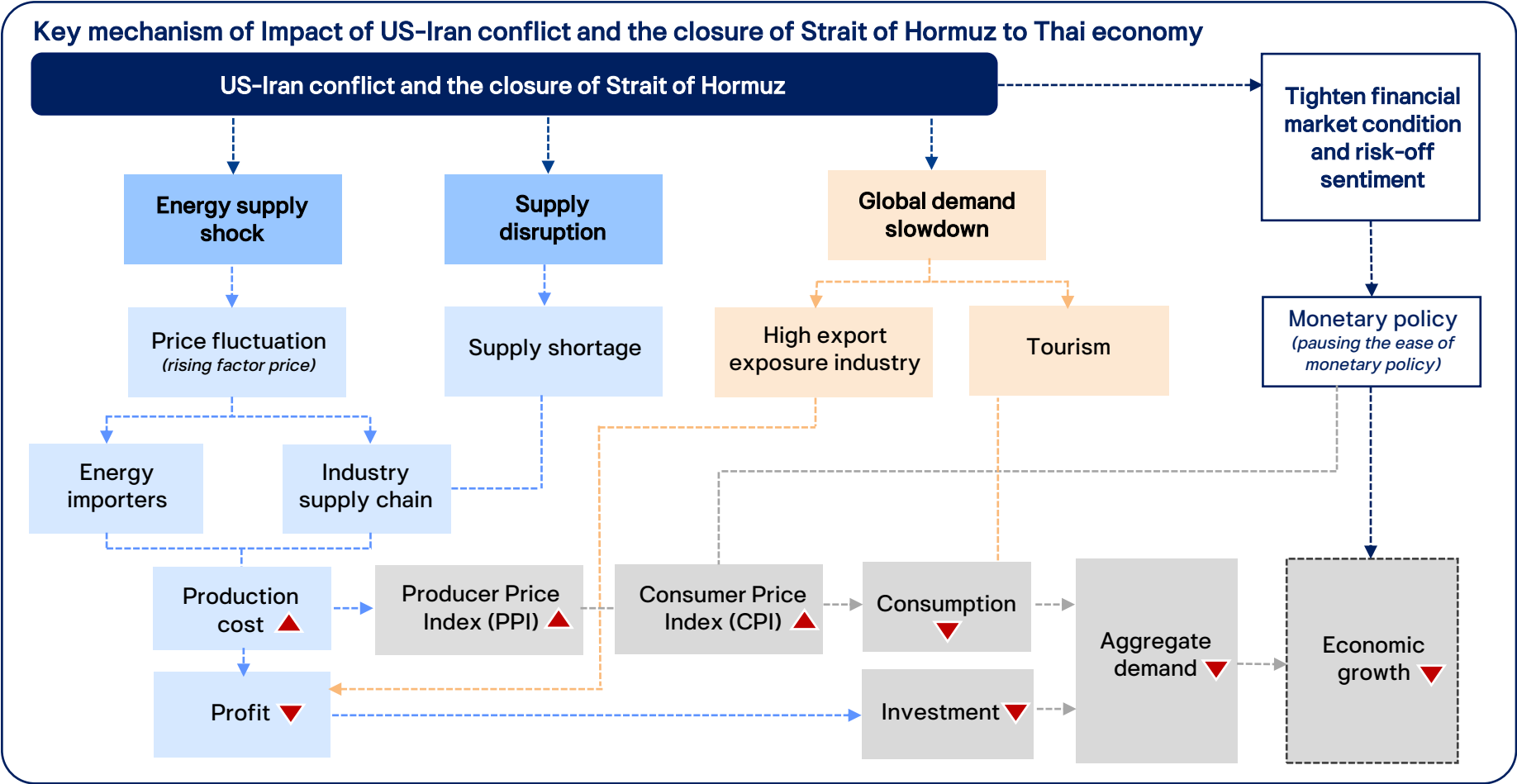


Dubai oil prices during recent events of supply shock



- In the first meeting of 2026, the Monetary Policy Committee (MPC) voted 4 : 2 to cut the policy rate from 1.25 to 1.00%, to ensure that financial conditions remain supportive of economic recovery and to further alleviate debt burdens for SMEs and households, as well as to anchor medium-term inflation expectations amid heightened downside risks.
- The MPC also assesses that despite stronger-than-expected economic growth in Q4 2025, Thailand's growth outlook is expected to remain below potential due to persistent structural impediments, increasingly concentrated and lower value-added growth in technology-related export and investment sectors, and rising uncertainties from US tariff measures, the delayed FY2027 budget, and ongoing SME adjustments amid tighter competition, limited credit access, and baht appreciation, while inflation faces heightened downside risks from declining energy prices, which delaying headline inflation's return to the target range to the second half of 2027.
- However, ttb analytics assesses that the escalation of tensions between the US and Iran, pushing elevated and prolonged oil price above the levels observed during the Russia-Ukraine conflict in early 2022, could lead to a shift in the monetary policy narrative going forward. We projected that the policy rate could maintain at 1% during the rest of the year due to upside risks to economic outlook and inflation trajectory.

Thailand would face rising headline inflation while declining economic growth amid surging global energy prices, higher production and logistics costs including weaker domestic and external demand



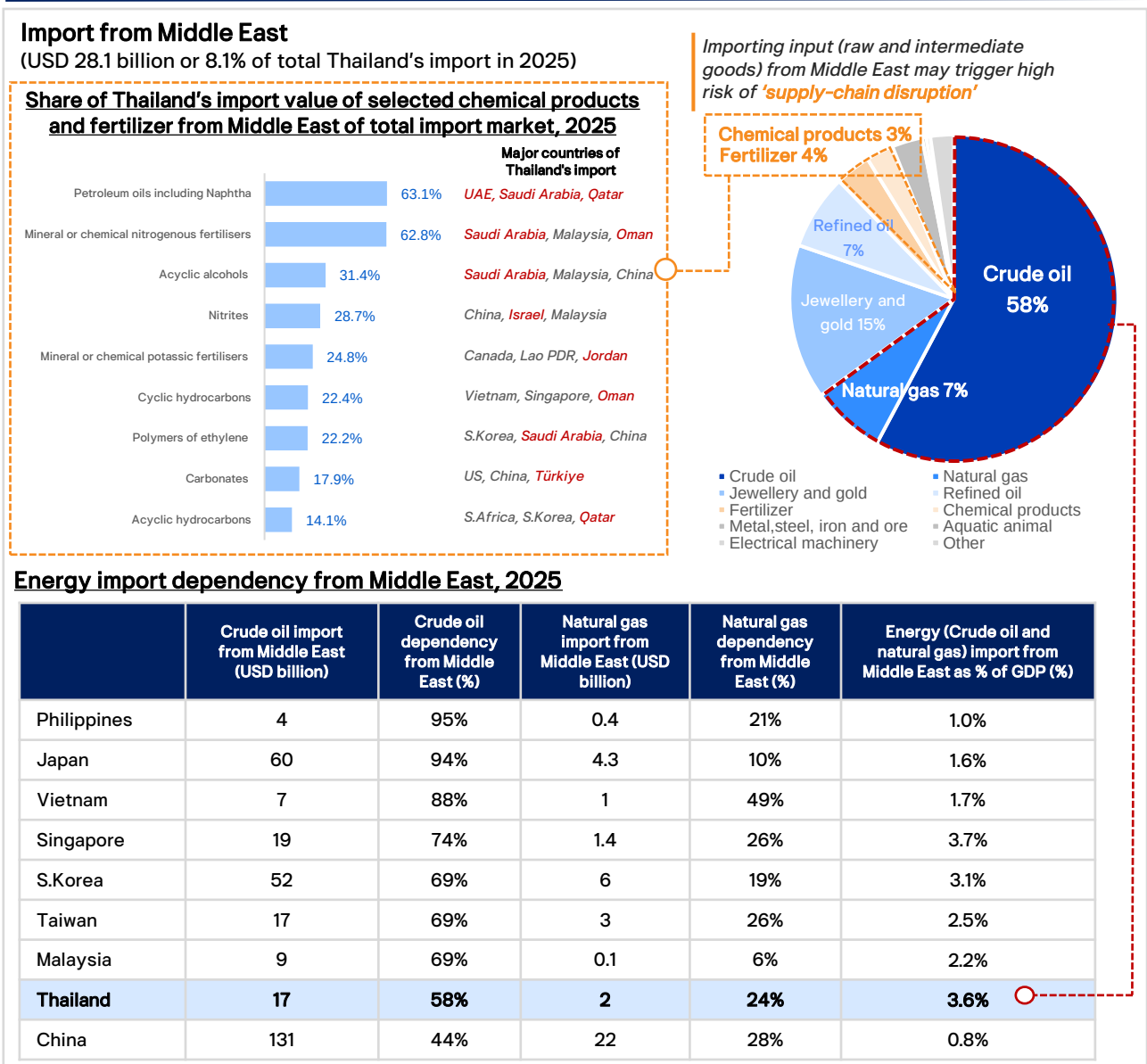
- Under ttb analytics' baseline scenario, where tensions remain elevated and the conflict is prolonged for approximately six months, we estimate that headline inflation in Thailand would increase by around 3.0–4.1 ppt, driven primarily by a surge in global energy prices. At the same time, Thailand's economic growth is expected to decline by approximately 0.2–0.4 ppt, reflecting higher production costs, weaker domestic demand, and deteriorating external conditions.
- Conversely, Thailand's exports to the Middle East and European markets would also face greater constraints, particularly pickup trucks, construction materials, and electrical appliances. This may necessitate rerouting shipments via the Cape of Good Hope, which is expected to extend delivery times by approximately 10–20 days and eventually increase logistic cost.

Thailand's inflation and economic growth impact from different oil price assumption

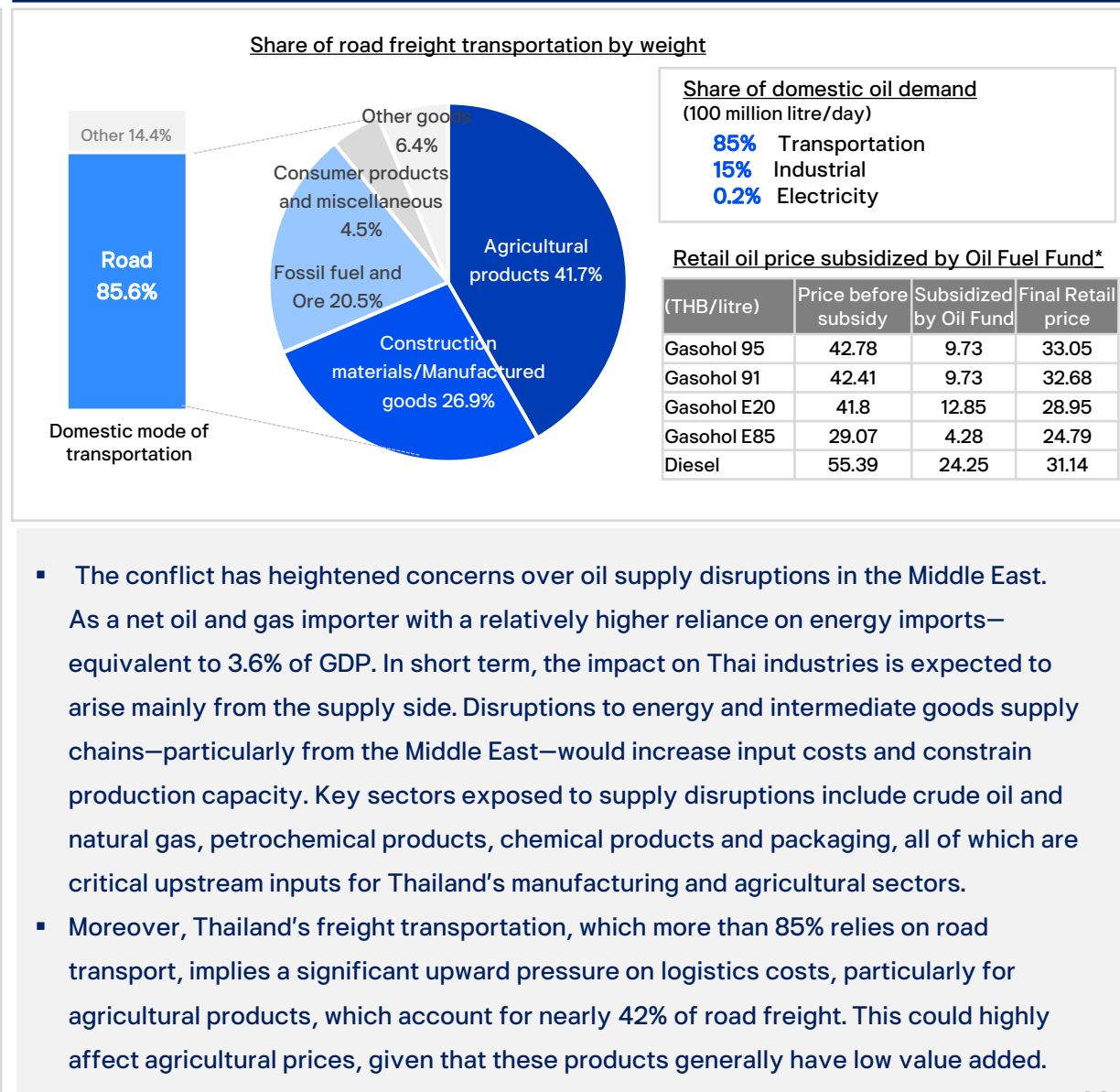
	Conflict duration (months)	Average oil price in 2026 (USD/Barrel)	Impact on inflation in 2026 (ppt)	Impact on economic growth in 2026 (ppt)
Base	6	90-110	(+3.0) - (+4.1)	(-0.2) - (-0.4)
Moderate	12	100-120	(+4.5) - (+6.0)	(-0.5) - (-0.8)
Severe	>12	120-140	(+6.6) - (+7.5)	(-1.0) - (-1.5)

Source: ttb analytics (As of 20 Mar26)

Impact to import of energy and input : **HIGH**



Impact to domestic transportation : **HIGH**

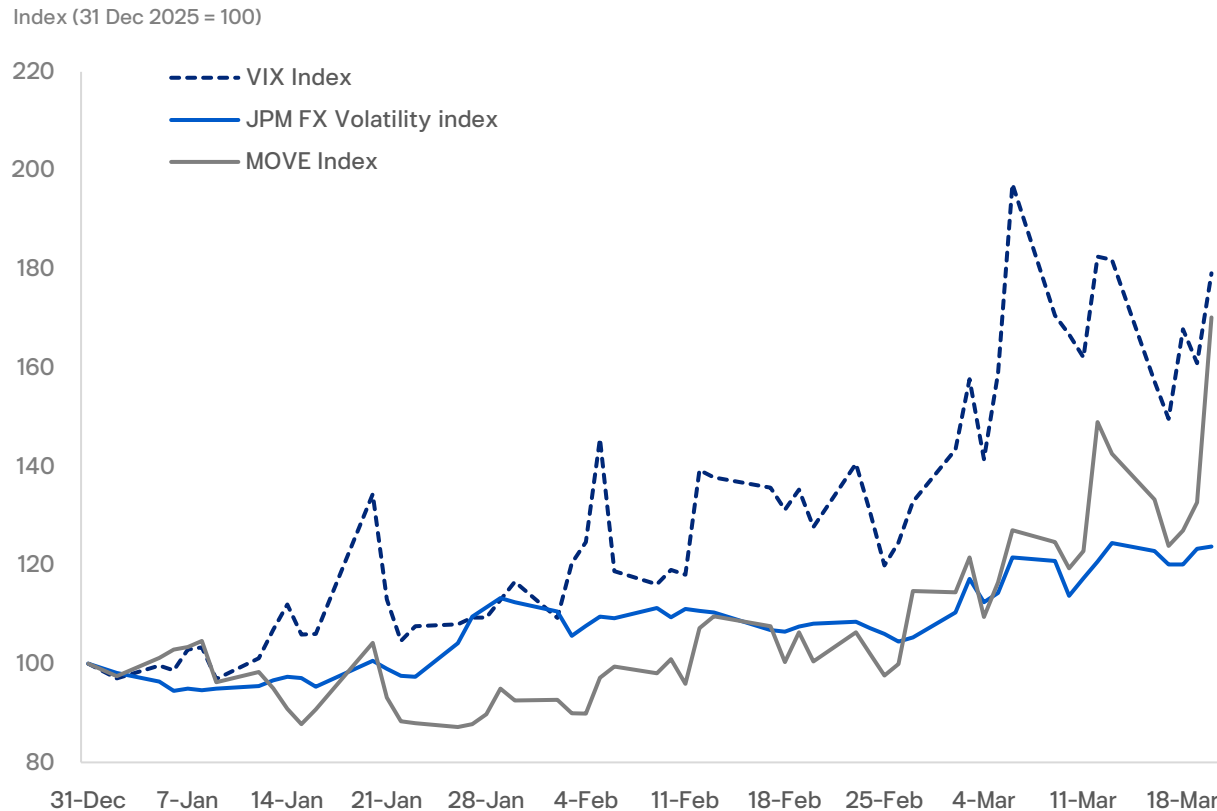


PART 3

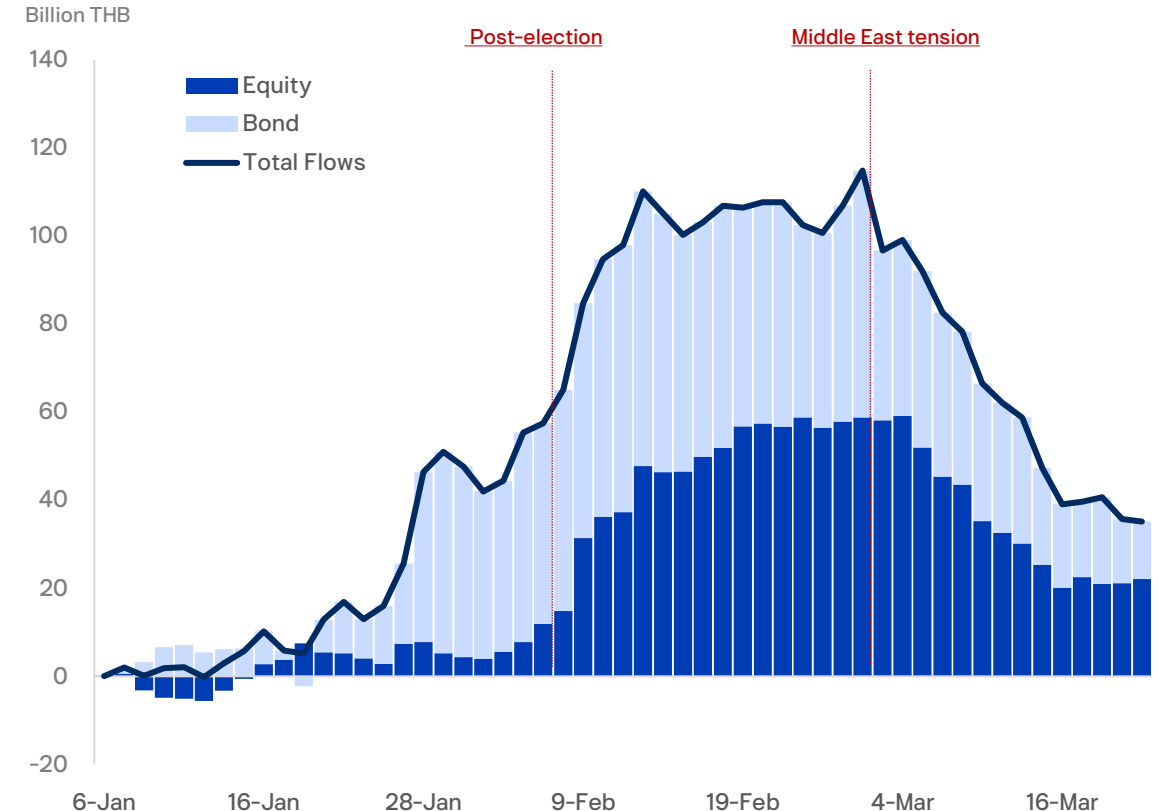
Financial Market



Market volatility across asset classes

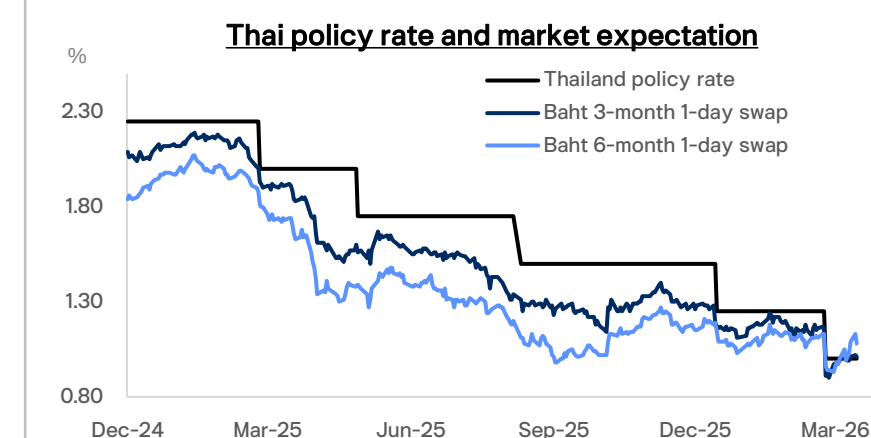
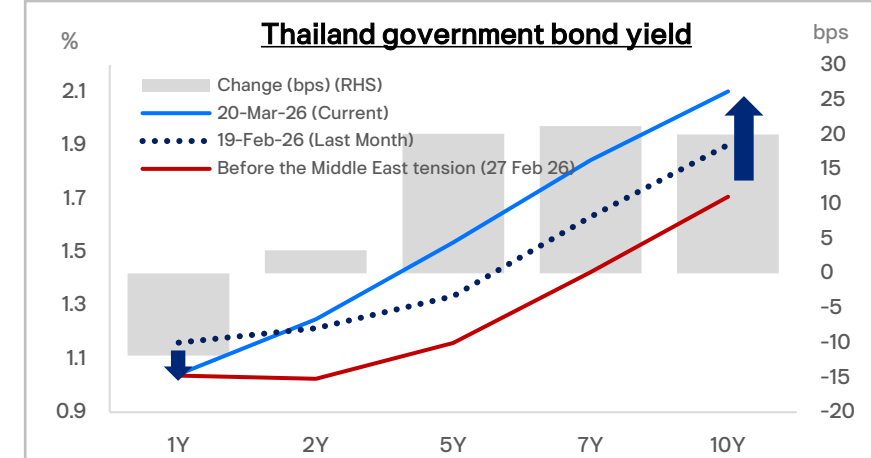
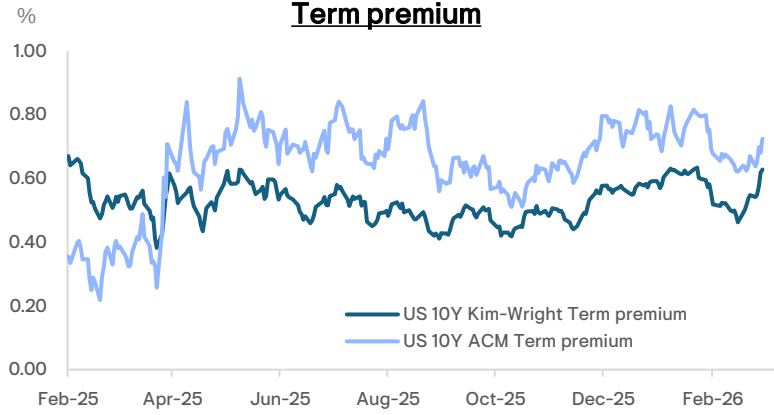
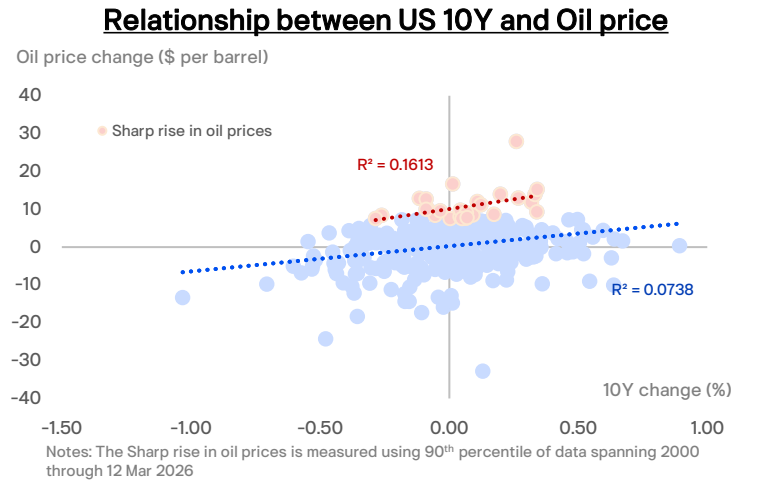
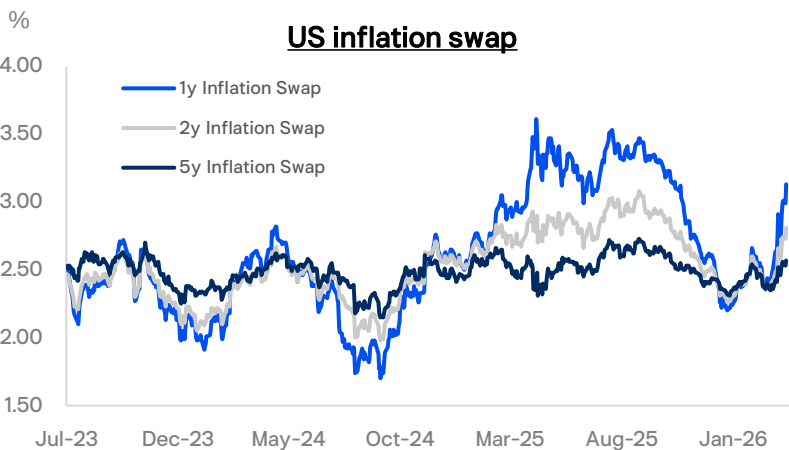
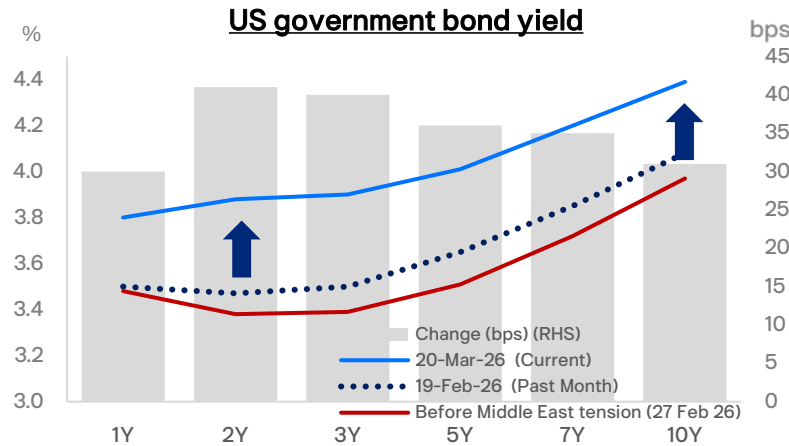


Thailand: Cumulative foreign portfolio flows (2026)

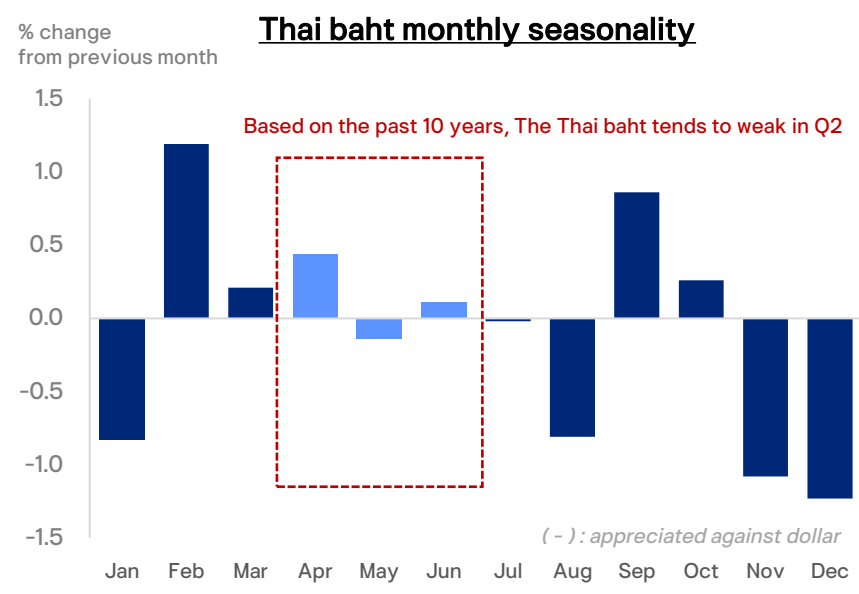
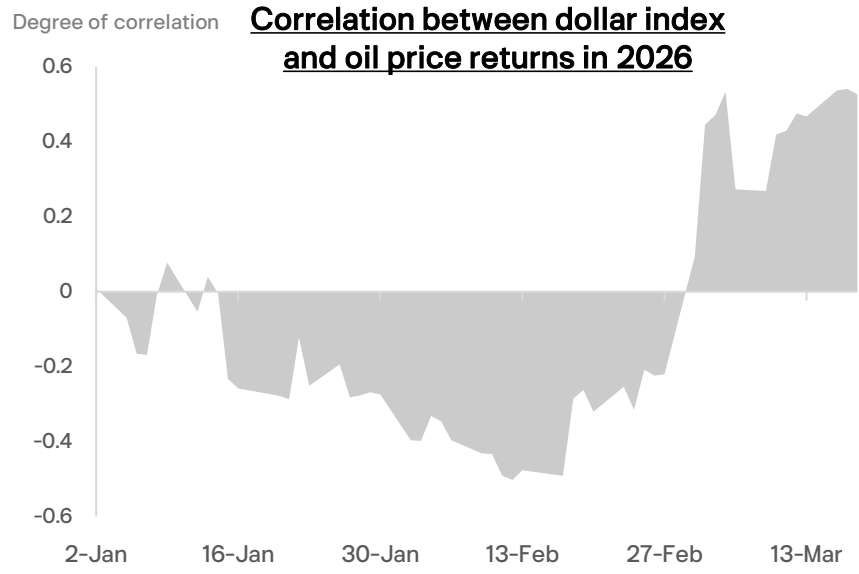
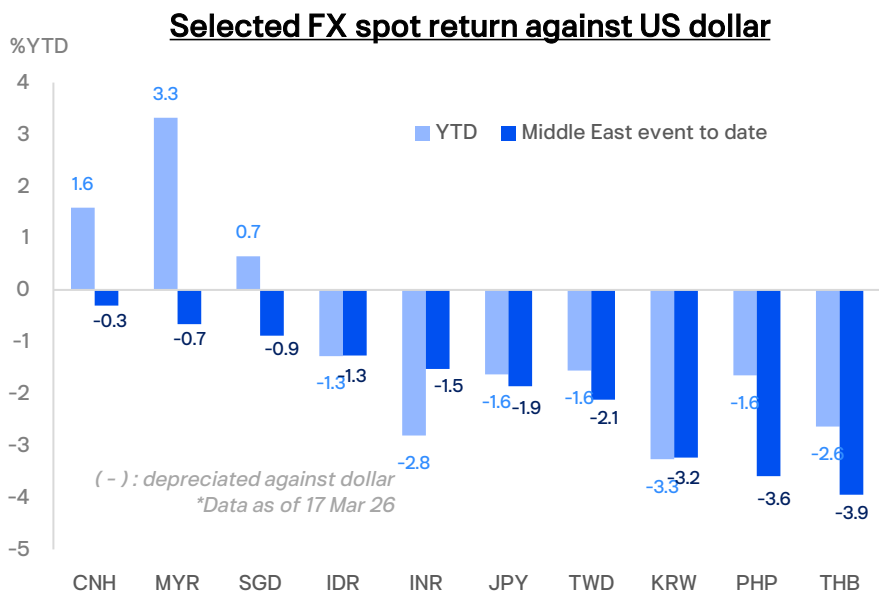
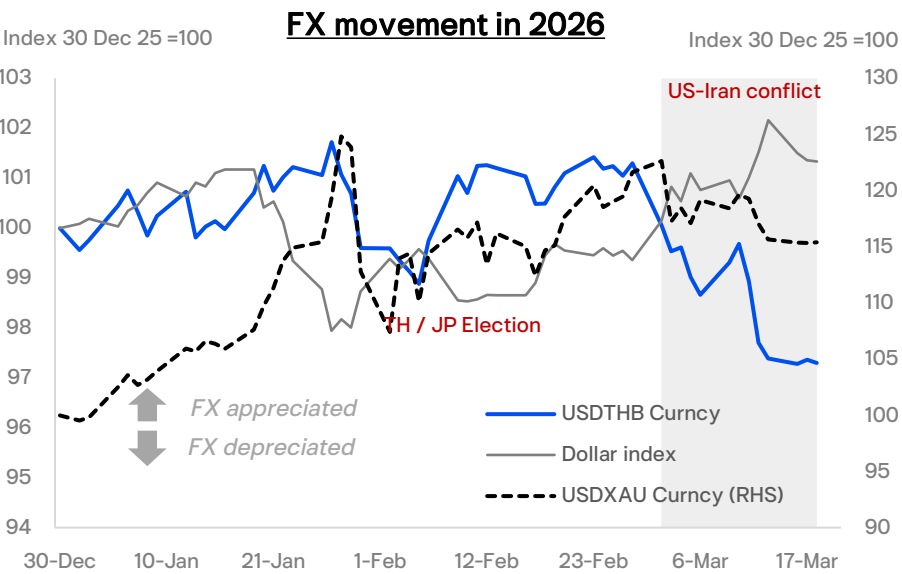


- In global financial markets, the recent Middle East tensions have triggered a broad risk-off sentiment. Equity markets sold off as investors moved away from risky assets. A similar pattern was seen in the bond market, with selling pressure pushing yields higher, driven by concerns over rising inflation and potential shifts in global central bank policies. Volatility spiked sharply across all asset classes.
- Regarding fund flows, amid the risk-off sentiment, risky assets have lost appeal, including in EM Asia, where most countries saw outflows from both bonds and equities. For Thailand, fund flows have mirrored the regional trend since the event. Outflows from both bonds and equities have largely offset the inflows recorded since the election, though year-to-date the country still posts a net inflow.

Global bond yields spike on rising inflation fears driven by higher oil prices



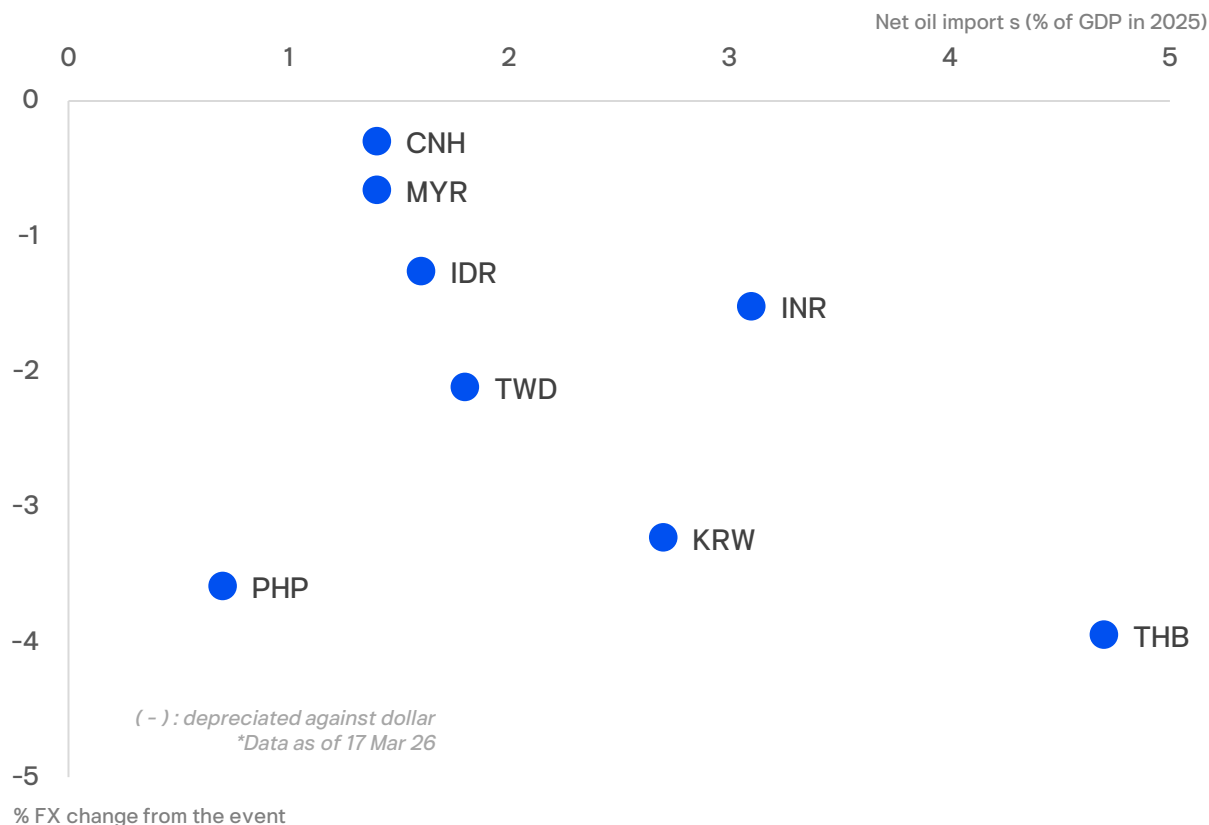
- US Treasury yields rose across the curve following heightened Middle East tensions. Short-term yields were primarily influenced by a reduced expectation of Fed rate cuts amid inflation risks, as reflected in inflation swaps. Longer-term yields climbed in line with the term premium. Historically, long-term yields tend to move with oil prices, particularly during sharp oil price spikes.
- Similarly, Thai bond yields rose amid risk-off sentiment, as both equity and bond flows turned to outflows following the massive inflows around the election period. The 1-year yield was an exception, influenced by the surprise BOT policy cut in February. Overall, the curve exhibited a bear steepening, with longer-term yields rising more due to their higher sensitivity of Thai CPI to oil prices and fiscal risks. It should be noted that some yield spikes were also driven by idiosyncratic factors, such as bond-switching days.



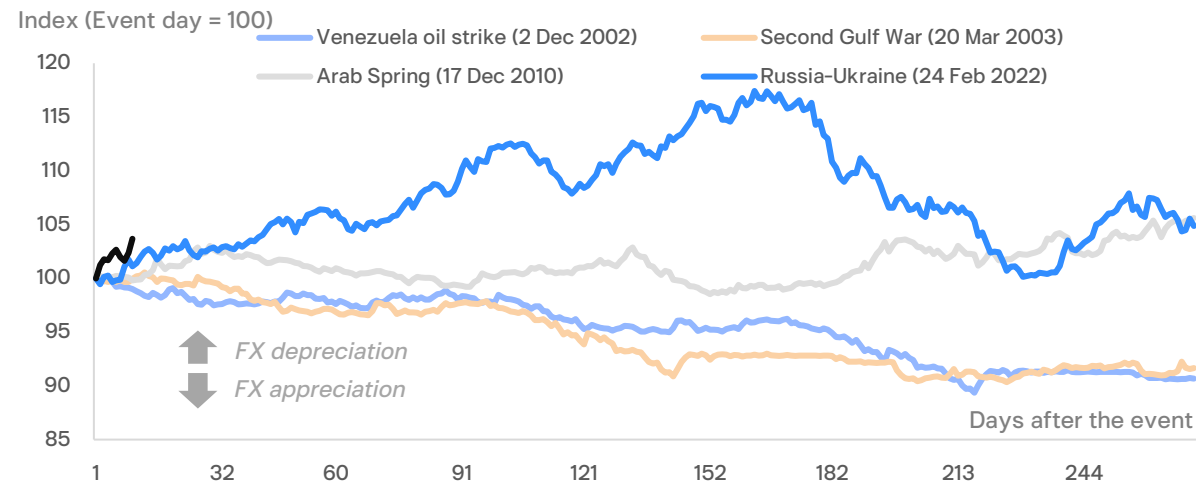
- The US dollar regained strength, rising from around 97 to a peak above 100, supported by its status as a petrodollar currency—evident in its recent correlation with oil prices—and partly driven by the market’s revision of Fed rate cut expectations from roughly two cuts to less than one. Meanwhile, other major and regional currencies weakened broadly. Even traditional safe-haven currencies like the Japanese yen fell, reflecting Japan’s reliance on energy imports. The euro weakened from around 1.18 to below 1.16, pressured by dollar strength and the euro area’s exposure to energy prices.
- The Thai baht weakened from around 31.05 to over 32.50, mainly because of its heavy reliance on energy imports. Meanwhile, the typically strong correlation between the Thai baht and gold has played a limited role this month, as inflation risks have exerted downward pressure on gold prices. Following recent events, gold has fallen well below \$5,000 per troy ounce.

The Thai baht weakens the most in the region, pressured by high energy dependence, seasonal depreciation, and lower gold prices

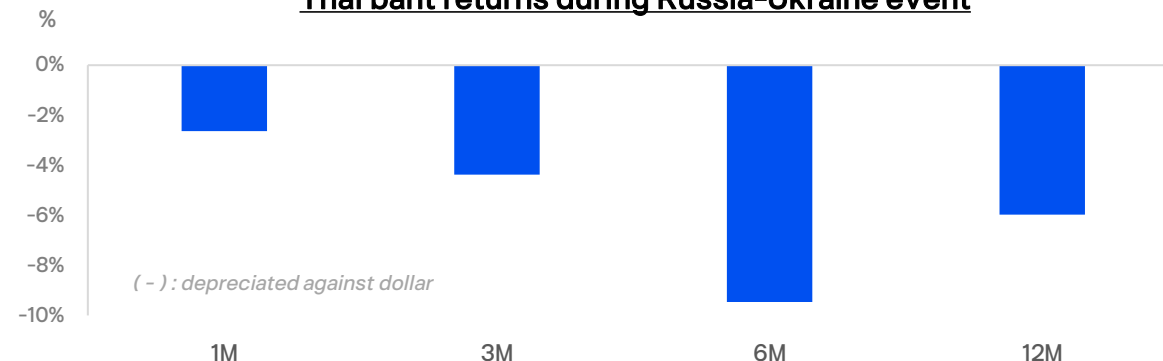
FX event-to-date change and oil dependency



The Thai baht movement after the geopolitical events



Thai baht returns during Russia-Ukraine event



- Among regional currencies, the Thai baht has experienced the largest decline, reflecting its high dependence on energy compared with peers like Malaysia and Indonesia, which are less sensitive to oil price spikes. Despite strong reactions to oil price spikes, historical data since 2000 show that the Thai baht has generally been relatively resilient, except during the Russia-Ukraine crisis, when it depreciated nearly 10% within six months. Some of this movement was likely reinforced by the Fed entering a rate hiking cycle in 2022. Looking ahead, amid ongoing Middle East tensions, the baht faces further depreciation risk in the coming months, amplified by seasonal Q2 depreciation and muted gold price spikes amid inflation concerns.

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