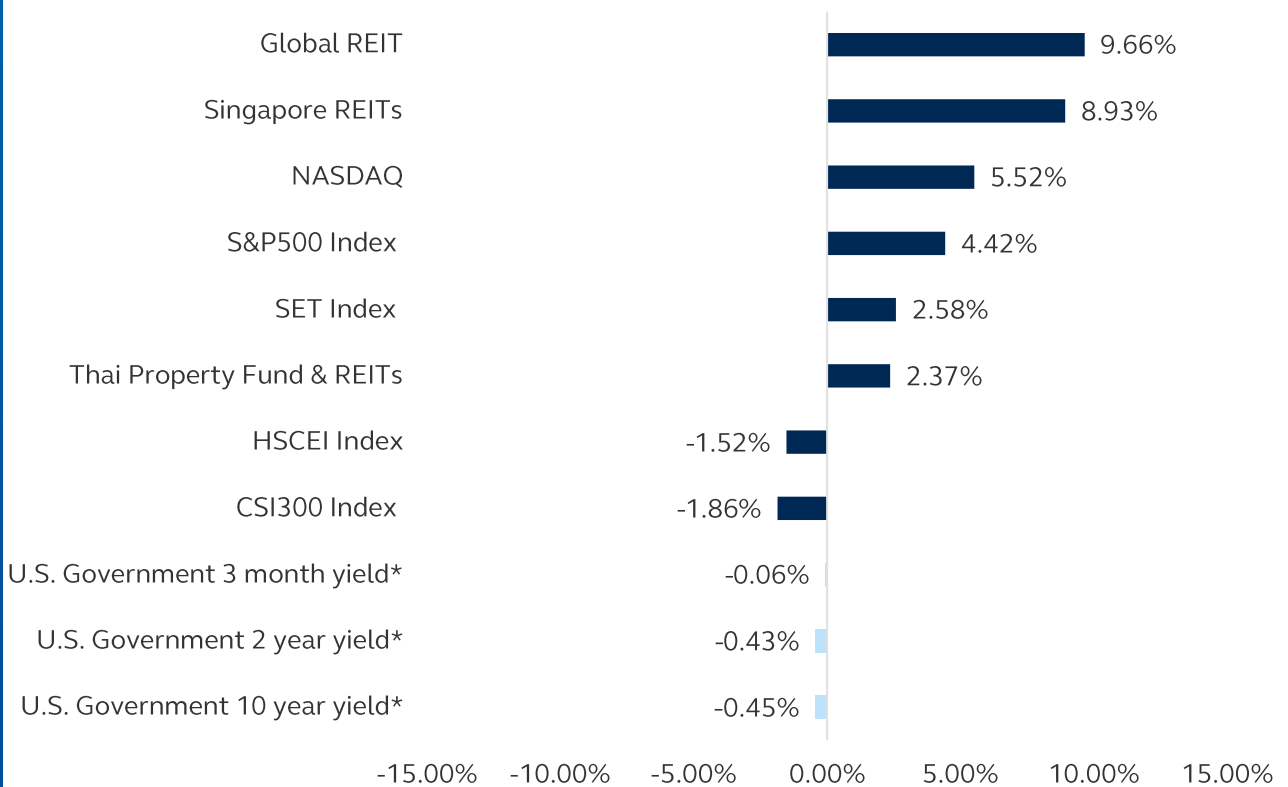
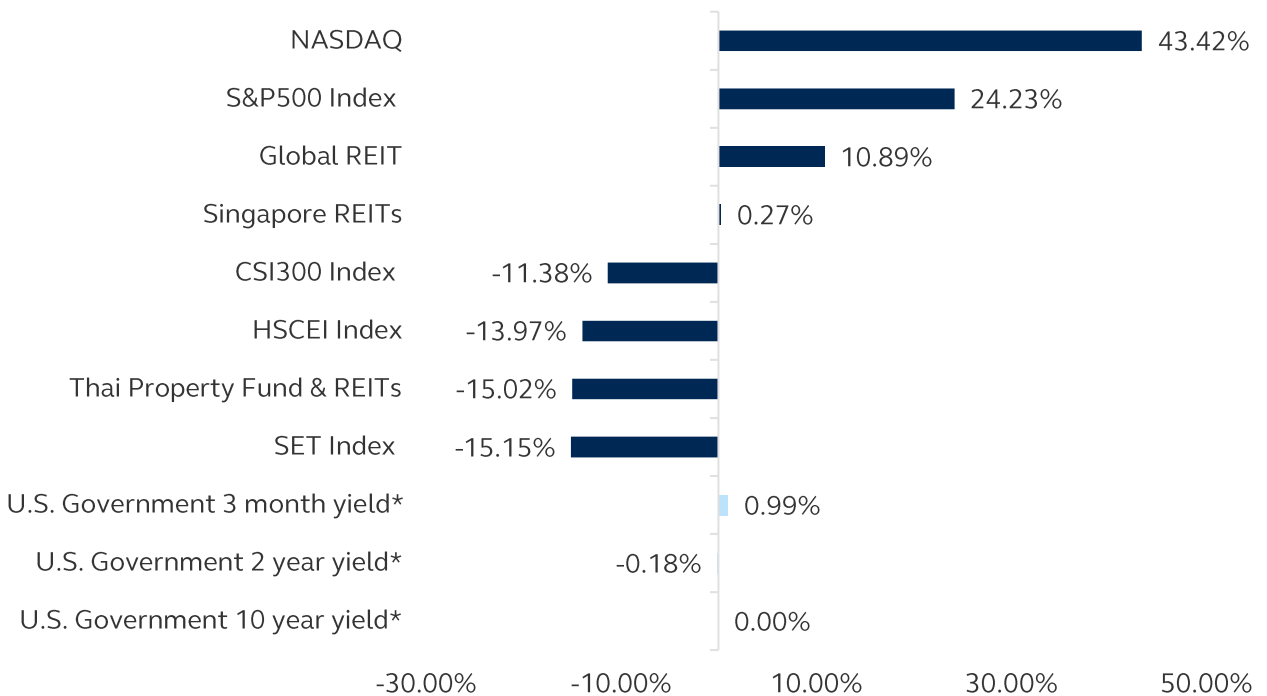


Market Outlook

1-month (Nov-Dec 2023) return



YTD (Jan – Dec 2023) return



*Information illustrated percentage of bond yield change not return.

Source : Bloomberg, data as of 31 December 2023

After US inflation rate has significantly dropped to appropriate low level, the Fed seems to be less hawkish in monetary policy. In December 2023, the Fed decided to hold policy rate steady at 5.50% for the third straight time. Therefore, market is expecting for multiple cuts in 2024. Following the release of this decision, most of investment assets considerably rose, especially in global property funds/REITs. Stock markets in countries implementing the tightening monetary policy in 2023, such as the US, Europe also went higher than last month. In contrast, China stock markets, both A-Share and H-Share markets, underperformed others in December, resulted from the slow economic recovery. Finally, investing in foreign and domestic fixed income markets become more interesting after bond yield has been dropping.

Fixed income : During the last quarter of 2023, the US government bond yield in all durations has dropped. In December 2023, the 10-year government bond yield decreased -0.45% from last month to 3.88% after FOMC members decided to hold rates steady in the last meeting. Furthermore, the members signaled that the monetary policy would be less hawkish in 2024 after inflation dropped to 3.1% from a year earlier as the Fed took into account a chance of economic recession. Similar with Thailand, the Monetary Policy Committee (MPC) decided to end interest rates hiking cycle as the latest inflation rate was just under 1.5% YoY. Thai economy grew at a slower pace, lower than what markets expected, especially in the service sector, which was affected by the lower-than-expected number of Chinese tourists. In December 2023, 10-year Thai government bond yield went down -0.22% and reached 2.75%. However, foreign investors posted around THB 11.8 billion of a net outflow in Thai fixed income market.

Equity : Overall, stock markets for the countries, such as the US, Europe, and Thailand, using tightening monetary policies at the beginning of last year, rose in the last month of 2023. Especially, the US technology stock index, Nasdaq, rose by 5.52% from November after Fed hold rates at 5.50% for the third straight time. However, Fed will continue to be cautious to sustainably curb inflation rate as many economic indicators, for example retail sales growth, consumer confidence index, were still announced to be better than the market expectation. As a result, instead of mild recession, soft landing is likely to happen soon. In December, Europe stock index also increased by 3.77% from the previous month because ECB tends to ease the policy rates as core inflation rate dropped from 4.2% (YoY) in October to 3.6% (YoY) in November. On top of that, Europe economy are still vulnerable in terms of weak retail sales, manufacturing and service Purchasing Manager Index (PMI), which more likely allow Europe to experience a recession in 2024. Contrary with other major economies, China stock indexes, both A-Share and H-Share markets, underperformed in 2023 because of slower-than-expected economic recovery and less-than-expected economic stimulus.

Property Fund & REITs : Global, Singapore and Thai property fund/REIT indexes picked up 9.66%, 8.93% and 2.37%, respectively, from last month as a result of Fed rate holding decision in December. The market expects rate cutting in 2024. Consequently, the yield spread will be more attractive for investors. Historically, property funds/REITs significantly outperformed during the rate-easing period.



Asset Allocation Outlook

| | UW | Slightly UW | Neutral | Slightly OW | OW |
|--------------------------|----|-------------|---------|-------------|----|
| Thai Fixed Income | | | | | |
| • Short-term | | | | | |
| • Medium-term | | | | | |
| Equities | | | | | |
| • Global | | | | | |
| • Thai | | | | | |
| REITs | | | | | |

Viewpoints reflect a 12-month horizon

→ indicates a change in preference from the previous month (light blue) to the current month (dark blue)

Description of Asset Allocation Outlook table

- OW or Overweight : Allocate asset more than its benchmark
- Slightly OW or Slightly Overweight : Allocate asset slightly more than its benchmark
- Neutral : Allocate asset equal to its benchmark
- Slightly UW or Slightly Underweight : Allocate asset slightly less than its benchmark
- UW or Underweight : Allocate asset less than its benchmark

Our **fixed income** positioning remains slightly overweight, focusing on investment grade (IG) with the good quality due to a tendency of 10Y US treasury yield to decline during the first half of this year and currently attractive yield of investment-grade bonds. Our **equities** positioning is neutral. As stock markets particularly in the US rose drastically at the end of last year, a shallow correction may happen. However, overall economic environments are favorable for stocks (three rate cuts in 2024 and the strong labor market). **REITs** is neutral because the Fed hikes have peaked and the Fed indicated 3 cuts coming in 2024, according to the latest meeting. Read [CIO View December 2023: Q&A on 2024 Outlook: A tale of two halves](#) for more information about our 2024 outlook.

Caution: Principal Asset Allocation Plan is a service providing advice on allocating investment portfolios by diversifying investment into various financial assets according to investor’s investment risk tolerance. Advisement is considered on market conditions to create or adjust balance portfolio, which will be monthly evaluated and adjusted investment mix or portfolio to ensure that the portfolio is well-diversified and consistent with investment outlooks. Due to market price changing from market conditions, the proportion of each asset may deviate from appropriate allocation. This may cause the portfolio to be at higher or lower risk than it should be. Principal Asset Allocation Plan is only advice from Principal Asset Management and investors may not receive return as expected. Investors should make sure that understand about basic investment allocation, recommended by SEC. / Investors should understand product characteristics (mutual funds), conditions of return and risk before making an investment decision.

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