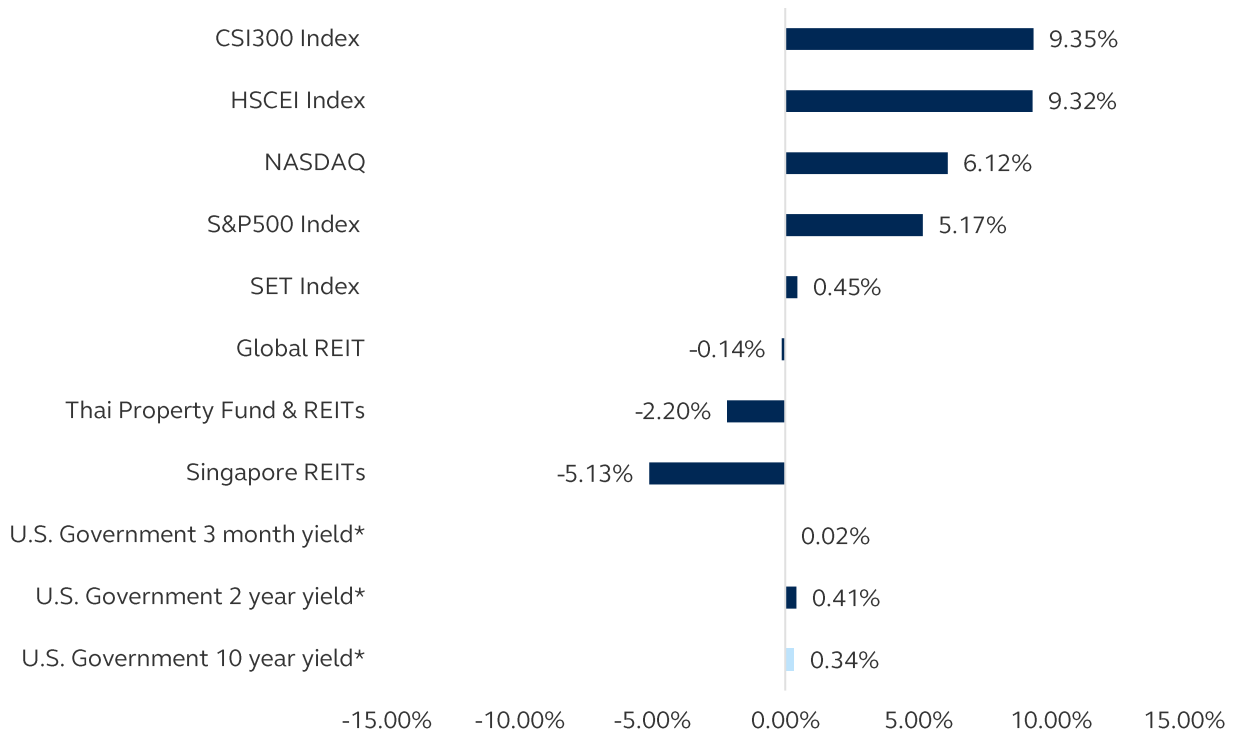
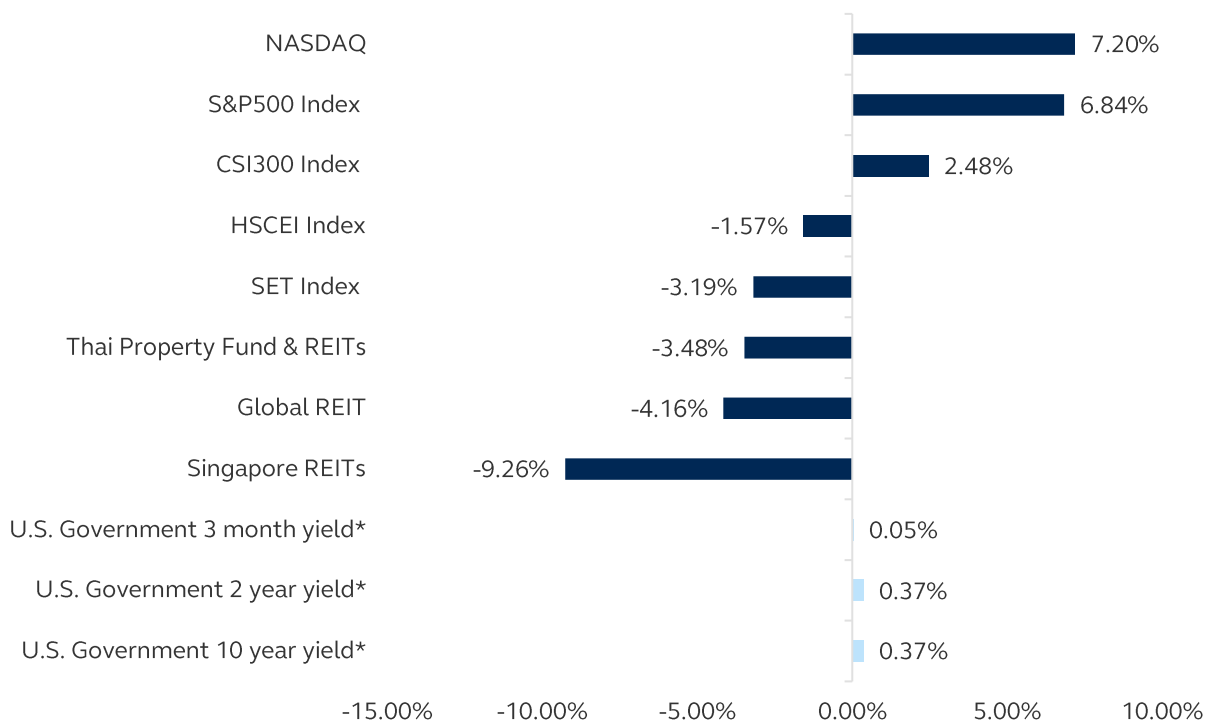


Market Outlook

1-month return



year-to-date return (YTD)



*Information illustrated percentage of bond yield change not return.

Source : Bloomberg, data as of 29 February 2024

Major stock markets around the world rose in February, contrary to a concern that there will be a mild recession in 2024. The U.S. stock markets continue increasing as Q4/2024 earnings reports are surprisingly better than expectations, especially in technology sector like NVIDIA and Microsoft. This also benefits Europe stock market because most investors perceive that Europe economy has already bottomed out. Besides, ECB cuts during the middle of this year will also help drive the stock market. Regarding Japan stock market, yen depreciation supported the market sentiment although several economic indicators signal macroeconomic weakness. China stock markets, finally, recovered for the first time after the government issued several necessary measures to support the stock markets such as cutting LPR rate to stimulate real estate demand. Thai property funds and REITs fell as Thailand economy has not yet fully recovered. Although hotel sector has positive outlook from the higher number of international tourists, the spending per trip has decreased.

Fixed Income: The 2- and 10-year U.S. government bond yield considerably increased from previous month 41 bps (0.41%) and 34 bps (0.34%), respectively, after the Fed signaled that rate cuts are unlikely to happen soon if they cannot ensure that a decline in inflation can be sustained especially after inflation of Jan 24 was slightly above market expectations. Meanwhile, 2- and 10-year Thai government bond yield slightly dropped after the MPC decided to keep the policy rates unchanged at 2.5% in the last meeting. Although Thai economy grew at a slower pace, they claimed that lowering interest rates will not noticeably stimulate the economy, because financing costs have aligned with the policy rates since last September. Furthermore, most private companies were able to repay debts and loan growth continued rising in the economic system.

Global Equity: U.S. stock market performed better than last month. S&P 500 index went up 5.2% and NASDAQ Index rose by 6.1% after Q4/2023 earning reports positively surprised the market, especially with large technology stocks like NVIDIA, Meta and Microsoft. On top of that, the economy is still red-hot, although interest rates are high. Europe stock market increased by 1.8% aligned with U.S. stock market and received a positive sentiment from the expectation that ECB tends to cut its rate in the middle of this year. Japan stock market reached the highest level in 34 years, rose by 7.9%, mainly from yen depreciation. While Japan economic indicators displayed the contrast picture from what happened with the stock market. China stock markets, both A-Shares and H-Shares, rebounded with 9.4% and 9.3%, respectively after the government issued measurements, such as short-selling prohibition and quant funds trading limitation, to stabilize the market. Moreover, PBOC decided to decrease 5-year LPR rate to 3.95%, which is historically sharpest lowering rate decision, with the hope to stimulate real estate demands.

Thai Equity: Thai stock market slightly increased by 0.5% from January, supported by retail and foreign investors net inflow. Sectors benefitted from “Easy E-Receipt” policy, such as consumer staples and commerce pulled the index up. Moreover, Thai inflation was in low level, rose only by 0.2% MoM, from supportive measures of the government. Export went up 10% YoY, which is the fastest pace since last June, with around USD 22.65 billion. The impressive number is supported by agricultural and agro-industrial products.

Thai Property funds and REITs: Thai property funds and REITs index dropped compared to last month end due to the MPC decision to hold the interest rate unchanged. Moreover, real estate sector are negatively affected by the slowdown in economic growth. Hotel sector seems to improve after international tourists, especially Chinese tourists, came back. However, investors must be cautious that the impact of Chinese tourists flocking to Thailand may not reached what market expected as tourists spending per trip declined after several global businesses reduced the time for remote work.

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 as 10Y US treasury yield tends to go down as a result of cutting rate although the first time of cuts will be likely to happen during the middle of this year according to the latest Fed meeting. Our **equities** positioning is neutral. Although US stock markets increased continuously, resulting in possible a shallow market correction, its valuation is lower thanks to positive earnings revisions. **REITs** is neutral because the Fed hikes peaked, and the Fed also indicated 3 cuts in 2024. Nevertheless, US recession should be closely monitored as it can cause a negative sentiment and REITs in developed markets will probably outperform that in domestic market because of its own problems. Selection wise, we prefer global REITs rather than domestic REITs.

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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