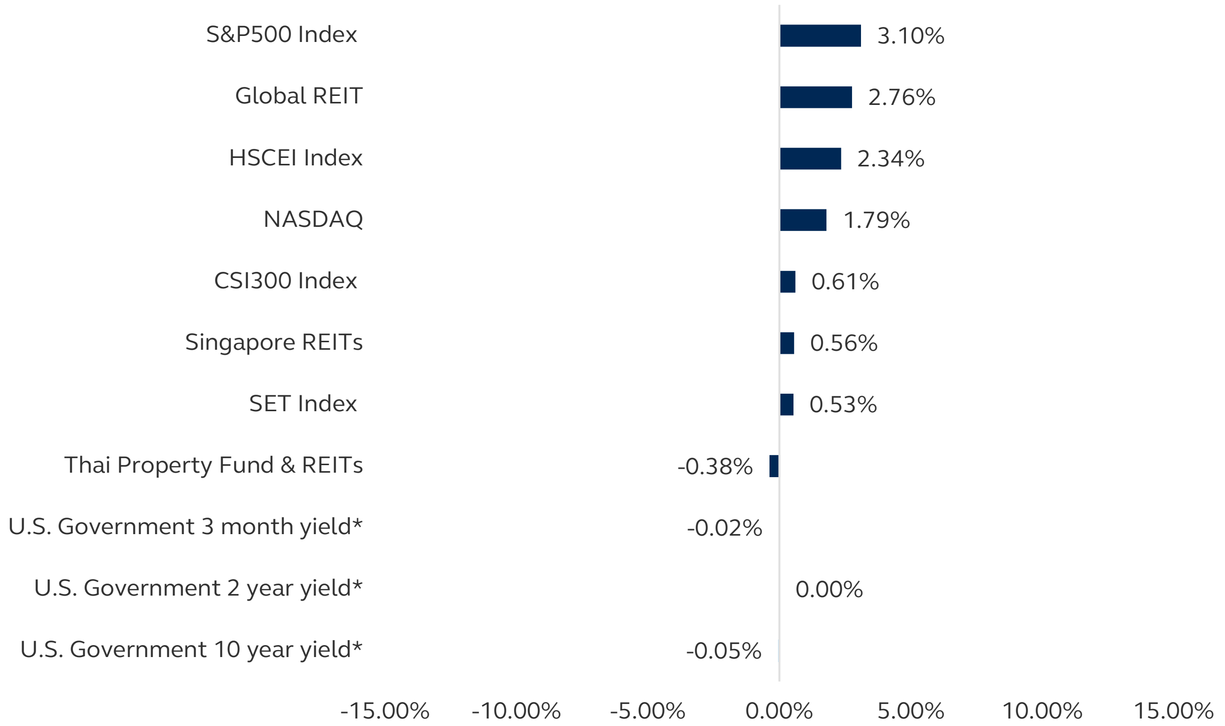
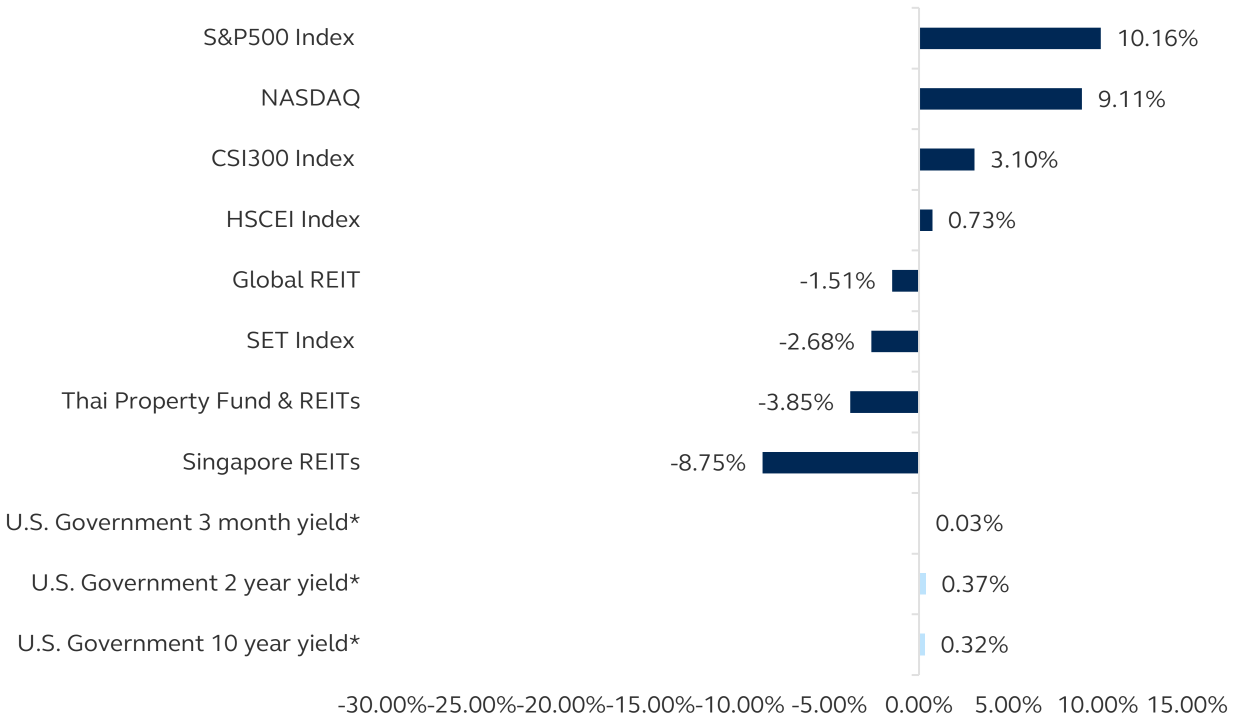
Market Outlook

1-month return



year-to-date return (YTD)



*Information illustrated percentage of bond yield change not return.
Source : Bloomberg, data as of 31 March 2024

Major central banks' decisions aligned with market expectation in March meeting. Federal Reserve (Fed) decided to keep rates stable but signaled that it plans to cut 3 times within this year. Bank of Japan (BoJ) cancelled the negative rates policy and, finally, decided to raise its policy rates for the first time in 17 years for the economy structural improvement. China's economy has started recovering. Therefore, major stock markets have continuously risen. Alternative investments like global property funds/REITs, gold and crude oil, rose from several factors, for example, global monetary easing, a depreciation of U.S. dollar, and geopolitical risks.

Fixed Income: The U.S. government bond yield shifted down from February after Fed decision on keeping rates the same at 5.25% - 5.50%. However, Fed indicated that there are high chances of 3 times cut, bringing the rates to 4.50% - 4.75% during 2024. The U.S. bond yield curve was more inverted compared to last month because long-term (10-year) bond yield slightly dropped by 0.05%, while 2-year bond yield almost unchanged. Thai government bond yield stayed at the same level from the previous month after the Monetary Policy Committee (MPC) kept policy rates unchanged, although several economic data indicated weakness in Thai economy system. The MPC believes that rate reduction will not significantly improve the economy because the low economic growth in the past decade resulted from structural problems, for example Thai labors are not as efficient as our neighbors in the same region while the labor cost is much higher than others or Thai government has not launched any extraordinary policies to support research and development (R&D). To sum up, lower bond yields imply the market begins to absorb the coming three cuts. Thus, we still have a positive view on this asset class.

Global Equity: In March, the U.S. stocks markets were heated. S&P500 and Nasdaq rose 3.1% and 1.8% respectively, although the policy rates were kept steady as the inflation rate (CPI) started to rise higher than market forecast. Nevertheless, the Fed designated that rate reduction cycle may start this year. With this optimistic statement, stock markets continued to rise. Europe stock index also increased benefitting from the positive sentiment in the U.S. market and market expectation of rate decreasing in June from Europe Central Bank (ECB). However, it can be seen that Europe economy has not fully recovered. Contrary with the west side, BoJ canceled negative rate and yield curve control (YCC) policies and made a huge decision by rising policy for the first time in 17 years. Still, Japan stock market was able to rise as BoJ has consistently bought its government bond at the same level as it did. Moreover, Japan average wages increased by 5.28%, the highest growth rate in one-third century, encouraging domestic consumption. China stock markets, A-shares and H-shares increased 0.61% and 2.34% respectively as most of economic indicators were enhanced. Nevertheless, the policy makers have not yet launched any strong policies, especially for real estate industry, to improve its economy.

Thai Equity: SET index slightly increased by 0.5% from last month because local investors' buys position offset foreign investors' sells position. The positively contributing sectors were technology sector, specifically electronic components producers like DELTA and HANA, in line with current global trend, and petrochemical sector, which had higher exportation of plastic and synthetic rubber to China. Economic indicators remained weak. Tourism hiked after Chinese tourists came back thanks to free visa policy and long holidays during Chinese New Year. Inflation rate was less negative because of higher Benzin oil price. Exportation number of electronic parts and vehicles were not meet expectation.

Thai Property funds and REITs: Thai property funds/REITs were laggard due to low growth of economy and Bank of Thailand's (BOT) monetary decision to keep rate at 2.5% although several economic indicators disappointed the market.

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 particularly after the latest Fed meeting as most of the Fed officials agreed with 3 cuts happening this year. Our equities positioning is neutral though US stock markets keep rising in March. Mutual funds with high quality and long-term growth stocks are primarily recommended. REITs shifts to slightly overweight because typically this kind of asset class will outperform if the rate hiking cycle comes to an end. However, our main focus is REITs in developed markets more than that in domestic market because of the existence of the weak sentiment in Thai stock market.

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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