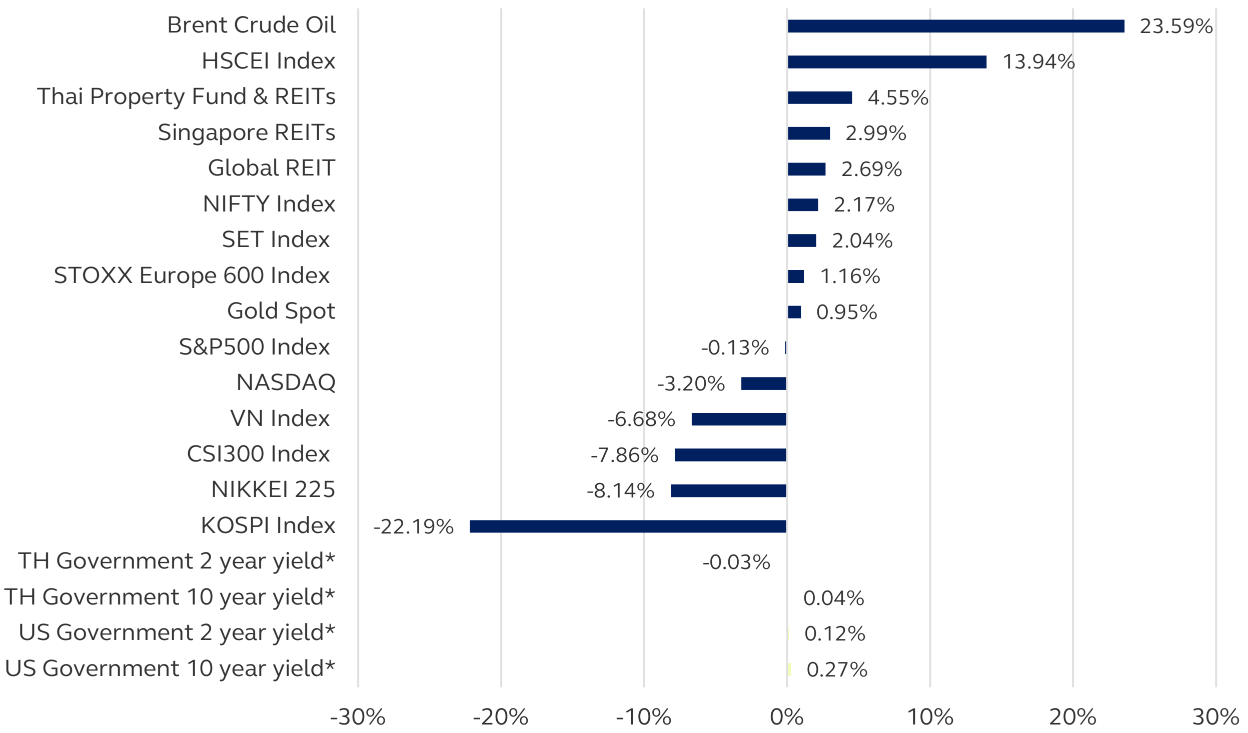
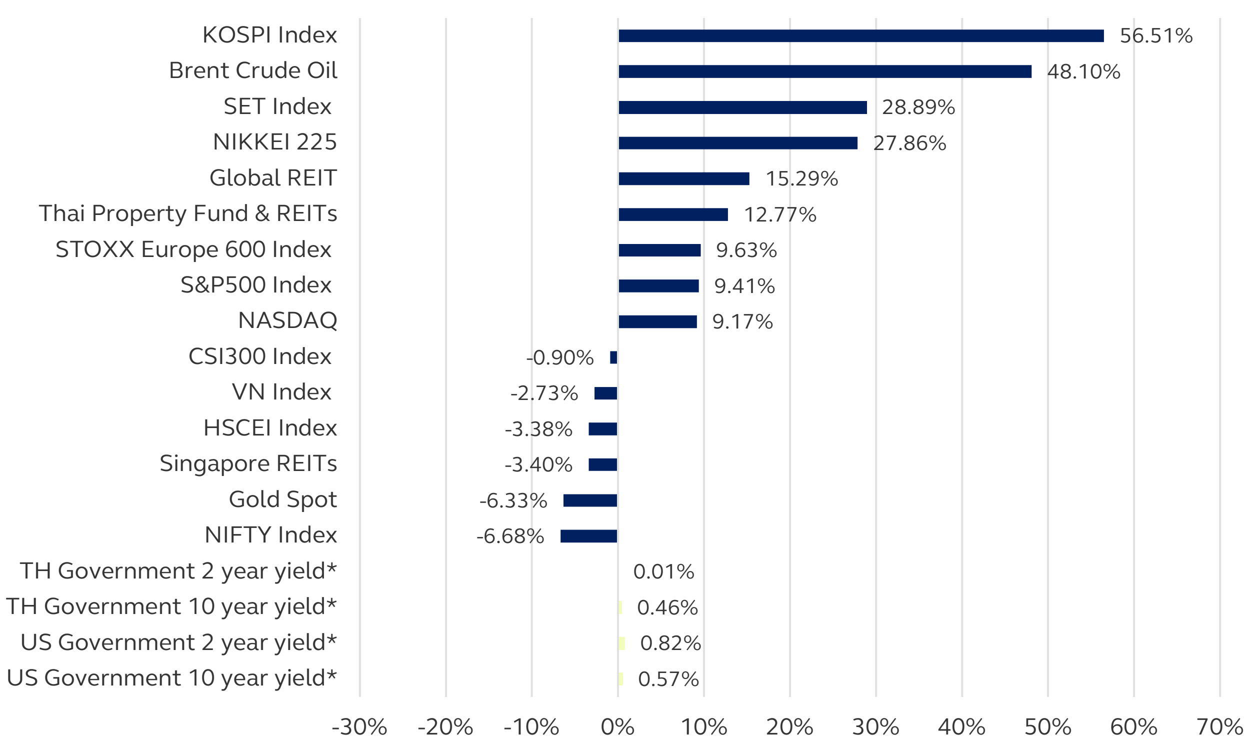
Market Outlook

1-month performance (July)



Year-to-date performance (Jan-Jul)



*Information illustrated percentage of bond yield change not return.
Source : Bloomberg, data as of 31 July 2026

Global equity markets were volatile in July, with a clear rotation of investment flows across asset classes. A sharp increase in global oil prices supported a strong performance from energy stocks, while profit-taking in AI and semiconductor-related technology shares weighed on several equity markets, particularly in the U.S., Japan, and South Korea, which had previously delivered strong gains. In addition, yields on both 2-year and 10-year U.S. Treasury bonds moved higher, reflecting market concerns over inflation and the prospect of interest rates remaining higher for longer. Principal Asset Management maintains a Neutral view on overall asset allocation, while Positive view on Thai equity and Property Funds/REITs.

Fixed Income: U.S. Treasury yields both the 2-year and 10-year increased in July, driven by inflation concerns and the hawkish stance of the Federal Reserve. Although the Fed kept its policy rate unchanged at the latest meeting, markets continue to expect one additional rate hike before year-end. Meanwhile, short-dated Thai government bond yields declined slightly, reflecting ongoing market volatility driven by expectations regarding the global interest rate outlook. Principal Asset Management maintains a Neutral view on fixed income investments.

Global Equity: We maintains a Neutral view on major global equity markets. Short-term volatility increased due to profit-taking in technology and AI-related stocks following their strong gains earlier in the year, as well as concerns over valuations. In the U.S., the NASDAQ declined in July, while the S&P 500 remained broadly unchanged. However, corporate earnings growth and continued investment in innovation remain supportive long-term factors.

In Europe, the STOXX 600 index rose 1.16%, supported by solid second-quarter earnings and a shift in investment flows toward more defensive sectors. However, higher oil prices remain a risk to inflation and business costs in Europe, particularly given the region’s dependence on imported energy. Elevated interest rates also continue to pose challenges.

In Japan, the Nikkei 225 declined 8.14%, primarily due to profit-taking in semiconductor and AI-related stocks following their strong performance in previous months. Nevertheless, ongoing corporate governance reforms, improving capital efficiency, and Japan’s key role in the global technology supply chain continue to support the market.

Indian Equity: The Nifty 50 gained 2.17% in July, outperforming many markets in the region. The market was supported by resilient domestic consumption and a strong local investor base. However, higher oil prices remain a risk to inflation, the current account balance, and the Indian rupee. In addition, continued net foreign selling remains a headwind. As a result, Principal Asset Management maintains a Neutral view on Indian Equity.

Thai Equity: The SET Index rose 2.04%, supported by improving domestic sentiment, attractive valuations, and expectations of economic stimulus measures and tourism recovery. However, higher oil prices may pressure business costs and consumer spending going forward. Principal Asset Management maintains a Positive view on Thai equity, favoring companies that benefit from domestic recovery and possess strong financial fundamentals.

Vietnam Equity: The VN Index declined 6.68% in July due to profit-taking and concerns over short-term capital flows. Despite this, the country’s economic fundamentals remain solid, supported by continued growth in foreign direct investment (FDI) and healthy earnings growth among listed companies. However, persistent foreign investor net selling and volatility across emerging markets continue to weigh on sentiment. Principal Asset Management therefore maintains a Neutral view on Vietnam Equity in the near term.

Property Funds / REITs: Global, Thai, and Singapore property funds and REITs posted gains in July, supported by demand for stable income-generating assets amid equity market volatility. Attractive yield levels also continued to support investor interest. Principal Asset Management maintains a Positive view on property funds/REITs.

Gold: Gold prices increased modestly in July. While geopolitical risks and inflation concerns provided support, higher U.S. Treasury yields, a stronger U.S. dollar, and expectations of higher-for-longer interest rates continued to limit upside potential. Principal Asset Management maintains a Negative view on gold.

Asset Allocation Outlook

	Negative	Neutral	Positive
Cash	●	○	○
Fixed Income	○	●	○
• Global	○	●	○
• Thailand	○	●	○
Equity	○	●	○
• Global	○	●	○
• Thailand	○	○	●
• India	○	●	○
• Vietnam	○	●	○
Property Funds/REITs	○	○	●
Gold	○	●	○

Viewpoints reflect a 1-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

- Negative: Indicates a negative view on the asset.
- Neutral: Indicates a neutral view on the asset.
- Positive: Indicates a positive view on the asset.

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. / Past performance does not guarantee future results.

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