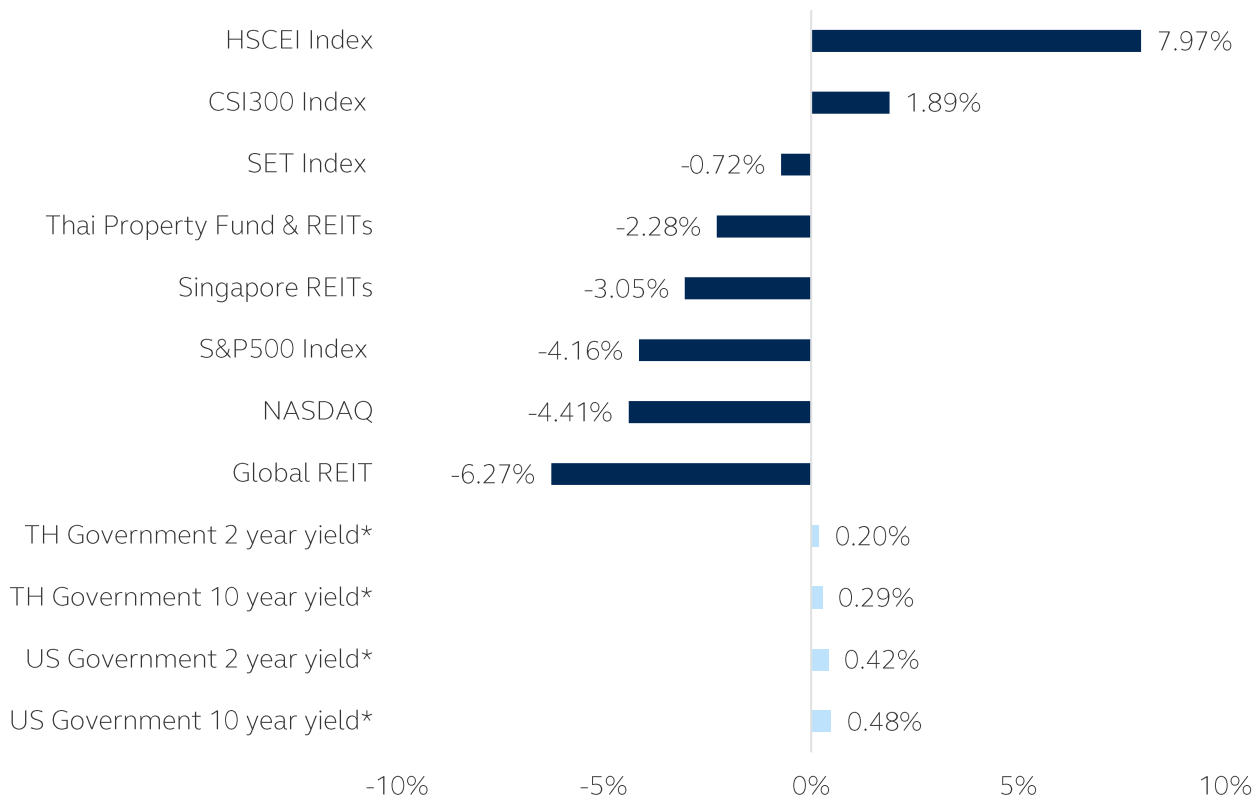
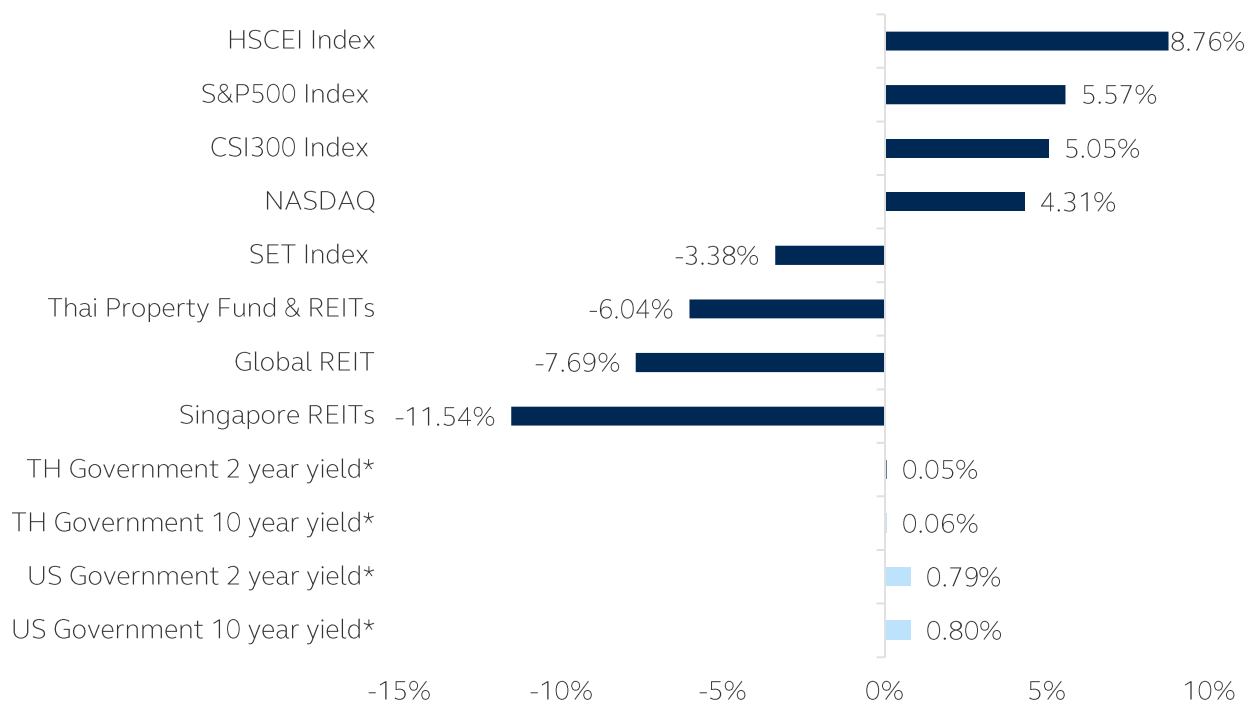


Market outlook

1 month return (price change)



Year to date (Jan – April 2024) return



\*Information illustrated percentage of bond yield change not return.  
Source : Bloomberg, data as of 30 April 2024

In April, Fed announced signal, which drastically create negative impact to global investment market, as its members may maintain the high rate for longer as the inflation rate has been over 3% since last year. The U.S. and international bond markets immediately absorbed the information, creating negative return to most fixed income funds. Rising of bond yield also lessen attractiveness of property funds/REITs investment. Moreover, the geopolitical instability in Middle-East is rising concerns to investors. Overall fund flows moved from high-risk assets to safe haven assets such as gold or USD currency, allows USD to continue appreciating especially comparing to emerging and frontier markets' currencies. On top of that, most of those stock markets, except China, went down. However, we think that Thai stock market become more interesting after "Digital Wallet" has clear progression.

**Fixed income:** In April, the U.S. government bond yield shifted from last month as the Fed chairman, Jerome Powell, gave opinion that Fed may maintain the high rates for longer as FOMC members want confidence that the U.S. inflation will sustainably decrease to 2% target. Because of tight labor market, most analysts expect the Fed to cut rates no more than twice this year, and the first is possibly in September meeting. In contrast, market expects ECB to start rate reduction cycle before the U.S. with likely to happen in this July. As economic indicators in Eurozone showed weakness in the system and its inflation has stayed around the target. Thai govern bond yield rose up in line with global markets and market expectation that the Thai central bank (BoT) will not reduce interest rates in 2024, especially when the economy will be stimulated from the "Digital Wallet" policy.

**Global stock markets:** S&P 500 Index had a correction in April after the market continued rising since November 2023. This is because the Fed signaled the delay of rate cuts after CPI for March was higher markets' expectation and Fed's target. US CPI increased by 3.5% YoY and 0.4% MOM. STOXX Europe 600 Index declined by -1.52% aligned with US stock market. However, the ECB's president, Christine Lagarde continued to emphasize the likelihood of the first rate cut in June but the effect of oil prices from the Iran-Israel conflict will be closely monitored. However, based on initial estimation such an impact is likely to be limited. As for Japan stock market, Nikkei 225 Index dropped drastically by 4.86% because of the weak sentiment and a concern about higher core CPI (MoM) in March. As a result, investors have kept an eye on the BOJ meeting though the latest move of BOJ was to keep interest rates unchanged at 0.1%. Overall, China stock markets soared in April, contrasting with most other markets. The outlook of global investors on China stock markets began to shift to slightly overweight thanks to low valuation compared to an average of 5 years ago. Nikkei225 significantly dropped from last month from weak sentiment and core inflation rate concerns because, although, YoY core CPI rate in March was below last year level, MoM rate increased. As a results, investors are doubting whether BoJ will continue increasing policy rates or not. However, the BOJ decided to maintain interest rates unchanged at 0.1%. Contrast with what was mentioned, Hong Kong and China stock markets rose as many asset managements start increasing weight on both markets because of attractive valuation compared to last 5 years. Moreover, markets expect that the PBOC will inject money into the system (QE) to further stimulate the economy through purchasing fixed income in the secondary market. Many of China's economic figures for March came out better than expected.

**Thai stock market:** SET Index dropped -3.38% from March like other emerging markets. The main reason is that many listed companies paid huge amount of dividend. Defensive and healthcare sectors outperform SET index because 2023 released earning surprised the markets. Tourism sector is brighter from Songkran and concert festival. Most of Thai economic indicators stayed at the same level from last month. However, Thai economy has hope with on "Digital Wallet" policy, which will increase domestic consumption in the last quarter this year.

**Property funds/REITs:** Property funds and REITs has continued dropping, especially global REITs, which affected from Fed "High rate for longer" decision as mentioned earlier.

### 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 continues to be slightly overweight, focusing on investment grade (IG) with the good quality. According to the latest Fed meeting, rate cuts is on table this year though only 1 – 2 cuts can be expected by the market. Meanwhile, our **equities** positioning is neutral after the market correction has happened, starting from the middle of April due to a tendency for higher-for-longer rates. However, we have a positive outlook on Thai equities thanks to strong positive catalysts such as approvals of national budget for 2024 which can be used in Q2 /2024 and digital wallet which will be handed out in Q4 / 2024. These will significantly stimulate the economy especially in domestic consumption. Regarding valuation, Thai stock market is traded at -1.7 SD of forward PE resulting in the limited downside.

**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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