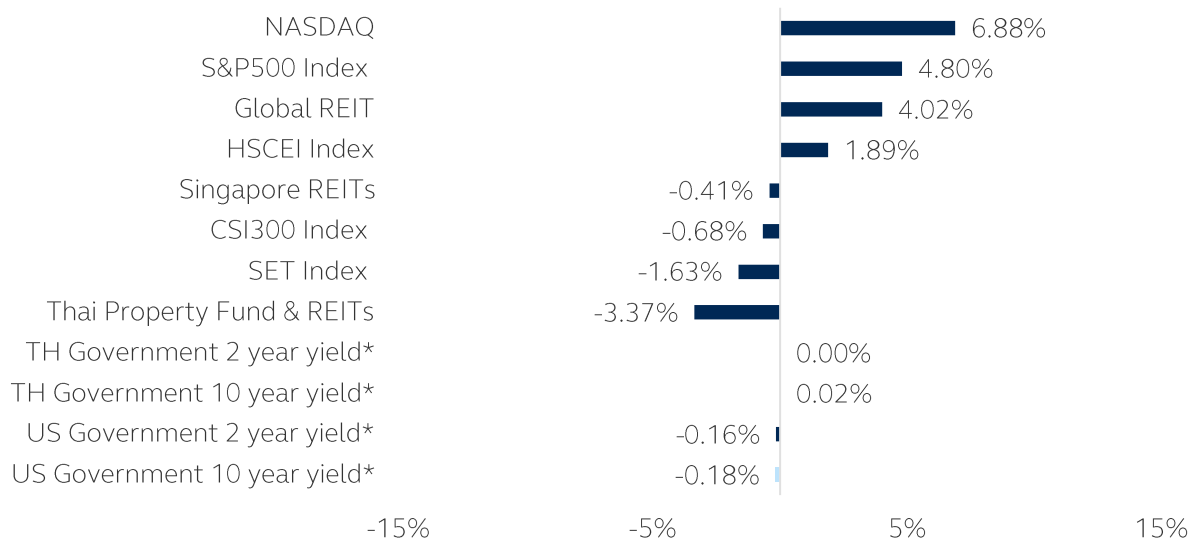
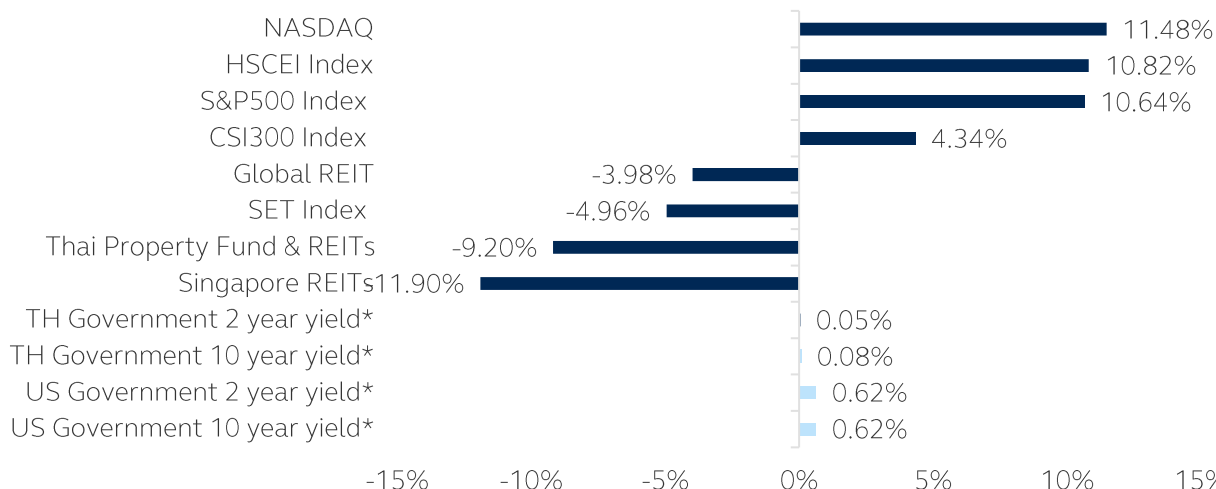


Market outlook

1M Performance



YTD Performance



*Information illustrated percentage of bond yield change not return.

Source : Bloomberg, data as of 31 May 2024

The global bond yield appears to have reached its peak after the Federal Reserve (Fed) adopted more neutral stance due to mixed economic data. While inflation rate remains above Fed’s target, recent labor figures have fallen short of market expectations. The European Central Bank (ECB) has strong determination to cut the rate next month to stimulate its sluggish economy as inflation rate in Eurozone has continue decreased towards its 2% target. Major stock markets, such as those in the U.S. and Europe, rose as concerns over rate cut decision diminished, and most 1Q/2024 earnings exceeded market expectation. The stock markets in China and Hong Kong have continued to be volatile after government policies aimed at stimulating the economy and improving the real estate sector may affect the economy slower than expected. In contrast with other stock markets, the Thai stock market has been under high pressure due to unstable political issues. While global property funds and REITs, particularly in Europe and Asia-Pacific region, become more positive, Thai property funds and REITs remain stagnant because of tightening monetary policies and the absence of significant economic stimulus measures.

Fixed income : In May, the U.S. bond yield dropped across the board compared to the previous month, despite the Fed signaling a delay in the rate cut cycle because recent inflation rate surpassing its 2% target. Weaker than expected employment indicators were the main reasons for this bond yield trend. For example, the unemployment rate stood at 3.9% versus an expected 3.8%. Eurozone's bond yield curve also declined as ECB's chairwoman confirmed plans to cut policy rate next month. This decision comes after the inflation rate in Eurozone has been below 3% since last October, with the aim of mitigating the economic impact of holding rates high for too long. This move will position ECB as one of the first major central banks to loosen monetary policy. Japan's bond yield, unlike other major economies, increased as the market anticipates that the Bank of Japan (BOJ) will continue to rise rates this year following its decision to abandon its Negative Interest Rate Policy (NIRP) in April. The Thai bond yield curve remained unchanged from last month as Bank of Thailand (BOT) strongly signaled that they will not adjust interest rates, either up or down, within this year unless necessary.

Global stock markets : The U.S. stock markets in May continued increasing. S&P 500 Index rose by 4.8% and Nasdaq indexes soared 6.7%, supported by the signal of no rate raises on the table from the Fed as a result of a decline in the latest inflation and less-than-expected employment rate. Moreover, the Fed is expected to cut its rate a time within this year. STOXX Europe 600 Index reached a new record high, driven by the first cut of ECB happening this month. Meanwhile, EU economy started to recover such as GDP growth of 0.3% compared to last quarter (QoQ) in the first quarter which can be considered as the fastest pace since the third quarter 2022. China stock market declined by 0.7% but Hongkong stock market rose 1.9%. The announcements of stimulus measures as mentioned in Politburo meeting is the main influential factor to keep an eye on. However, the effect of those measures may be delayed and slower than market expectations, resulting in the market volatility.

Thai stock market : In May, the SET index dropped by 1.6% in May. The outperformer sector was boosted from specific factors, including medical equipment companies, benefiting from the increase of COVID and influenza patients over the past few months. However, overall market dropped due to many factors, such as the appreciation of the U.S. dollar and political instability. Following the replacement of several heads of ministries and the impending identification of Thai Prime Minister's status by the Democratic Court, uncertainty further weighed on the market. The uncertainty surrounding the political situation has reduced the likelihood of the implementation of Digital Wallet policy.

Property funds/REITs : Thai property funds and REITs continued to underperformed, experiencing a decline of 3.4% from April. The sluggish performance is attributed to internal factors within the country, including tightening monetary policy and the lack of significant government measures to stimulate 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 continues to be slightly overweight, focusing on investment grade (IG) with the good quality as the latest US inflation is below-than-expected, supporting the likelihood of cutting 1 – 2 times by the Fed during the second half of the year. Meanwhile, our **equities** positioning is neutral although the market hit the record high again and announced strong earnings, the valuation is quite expensive. Therefore, investors should stay invested with caution. Our REITs positioning is slightly overweight, preferring mainly global REITs thanks to a tendency to cut rates of the Fed.

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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