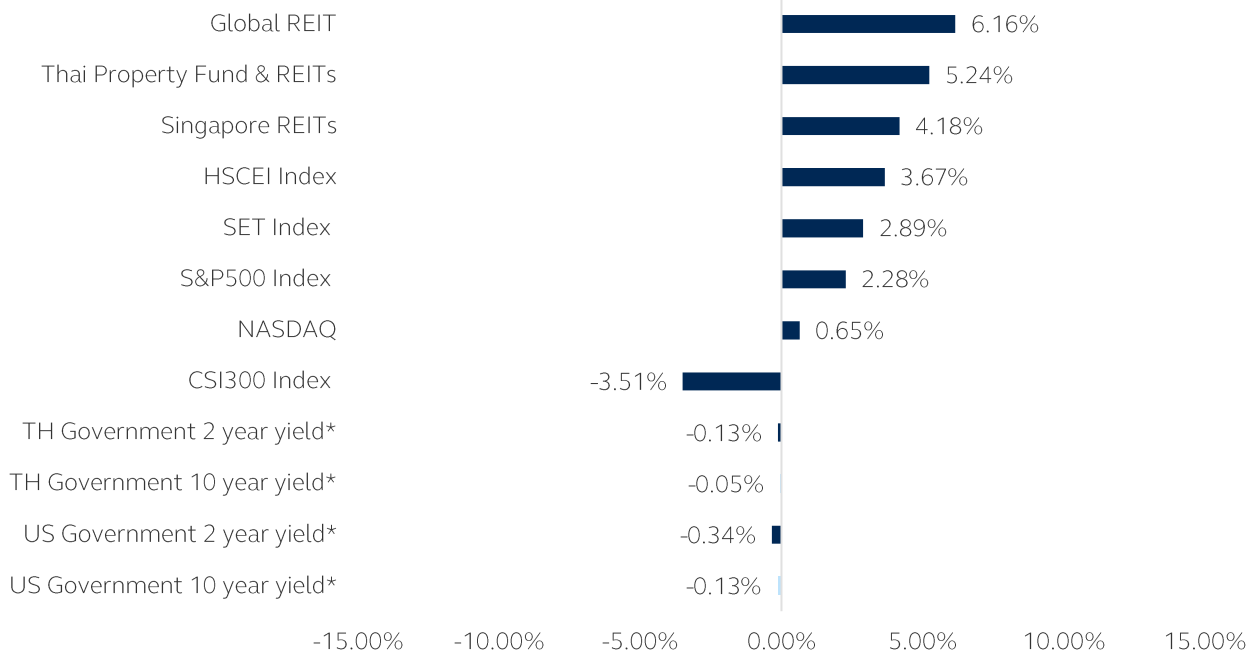
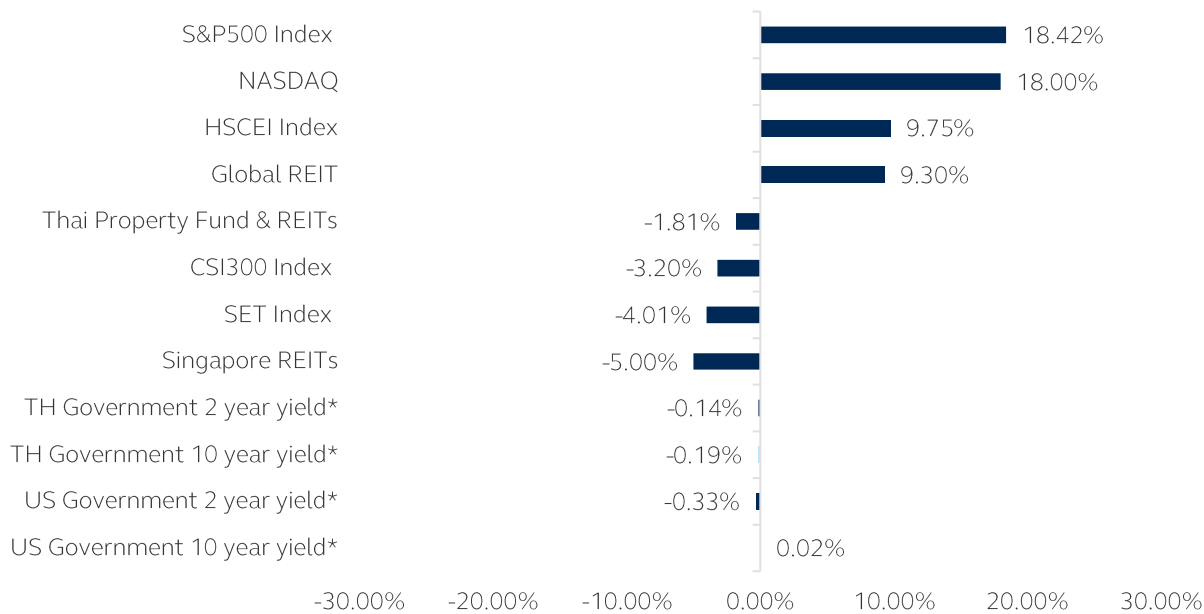


Market Outlook

1M Performance



YTD Performance



*Information illustrated percentage of bond yield change not return.

Source : Bloomberg, data as of 31 Aug 2024

Most of major stock markets, excluding Japan, were able to increase, although huge correction happened on August 5th after BOJ suddenly decided to rise its rate to 0.5% while the Fed tends to start rate cutting shortly in September. On top of that, investors unwound “Yen Carry Trade” by selling risky assets. However, most of equity markets rebounded to the same level compared to last month, especially emerging markets, including Thai stock market, to perform from USD depreciation. Unsurprisingly, Japan stock market underperforms as it depends on exporting, meaning that it lost benefit during Yen appreciation. Mainland China market has continued to deteriorate because of lacking stimulus policies. Domestic and international property funds and REITs impressively went up from market expectation on rate cut environment. Fixed income markets both investment grade and high yield become more attractive after US bond yield significantly dropped in all tenors.

Fixed income: The US government bond yield have decreased, reflecting market less expectations of a further rate hike by the Fed and have hope on Fed first rate cut decision at the upcoming FOMC meeting. Many economic number indicated weakness in system. The U.S. labor market was not heat as it was. The US unemployment rate rose by 4.3% YoY at the end of July, the highest level in 22 months, which allowed the Sahm rules index to reach over 0.5, indicating a recession shortly. However, the US bond yield curve became less inverted, which means market participants has positive outlook on the U.S. long-term macro. . Investment grade and high yield global fixed income funds have gained investor attraction globally while Thai bond market stabled as the MPC confirmed to hold rates.

Global equity: S&P index increased 2.28% in August, although it faced huge volatility in the first week of August as the worry about the increasing probability of US recession after its labor market has lost its momentum. However, market expectation on Fed rate cut decision improved overall stock markets. Europe stock market went up along with the global stock markets although its economy has not yet recovered. Japan stock market, which impressively outperformed in the first half from devalue currency, decreased from Yen appreciation. Latin America stock markets gained benefit from Dollar depreciation. China stock market currently has very cheap valuation but cannot gain back investor confidence because recent stimulus polices has continued to disappoint investors, and the market was also pressured by higher electric vehicles (EV) import tax in US, Canada and Europe.

Thai equity: SET index rose 2.89% in August from short-term supports Dollar depreciation benefited many emerging markets, including Thailand. Thai market received back fund flow from foreign investors not only from low valuation but also from good trading volume and size, although many political issues happened in a month. The new government led by Paetongtarn Shinawatra, and her ex-prime minister father, Thaksin Shinawatra, which are supported by many conglomerates, could gain trust back from investors. On top of that, the confirm not to cancel “Digital Wallet” made investors happy, although the policy may have some changes on who and how it should be allocated. Thai market still does not have long-term structural improvement, investors should be cautious on these constrains.

Thai property funds/REITs: International and domestic property funds/REITs went up 6.16% and 5.24%, respectively from rising expectation on Fed's monetary easing as the assets are highly uncorrelated with interest rate. But it seems like Thai property funds/REITs underperformed global peers not only from BOT hold rate decision but also about assets quality and variety.



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 after the latest Fed’s chairman announcement, signaling first rate easing in September. Meanwhile, our **equities** positioning is neutral as soft landing likely to happens during the rest of the year. Nevertheless, long-term investors should stay invested in global quality stocks. We have a neutral view on Thai stock market due to political uncertainties. Our REITs positioning is slightly overweight from positive view on Fed’s rate cut decision.

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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