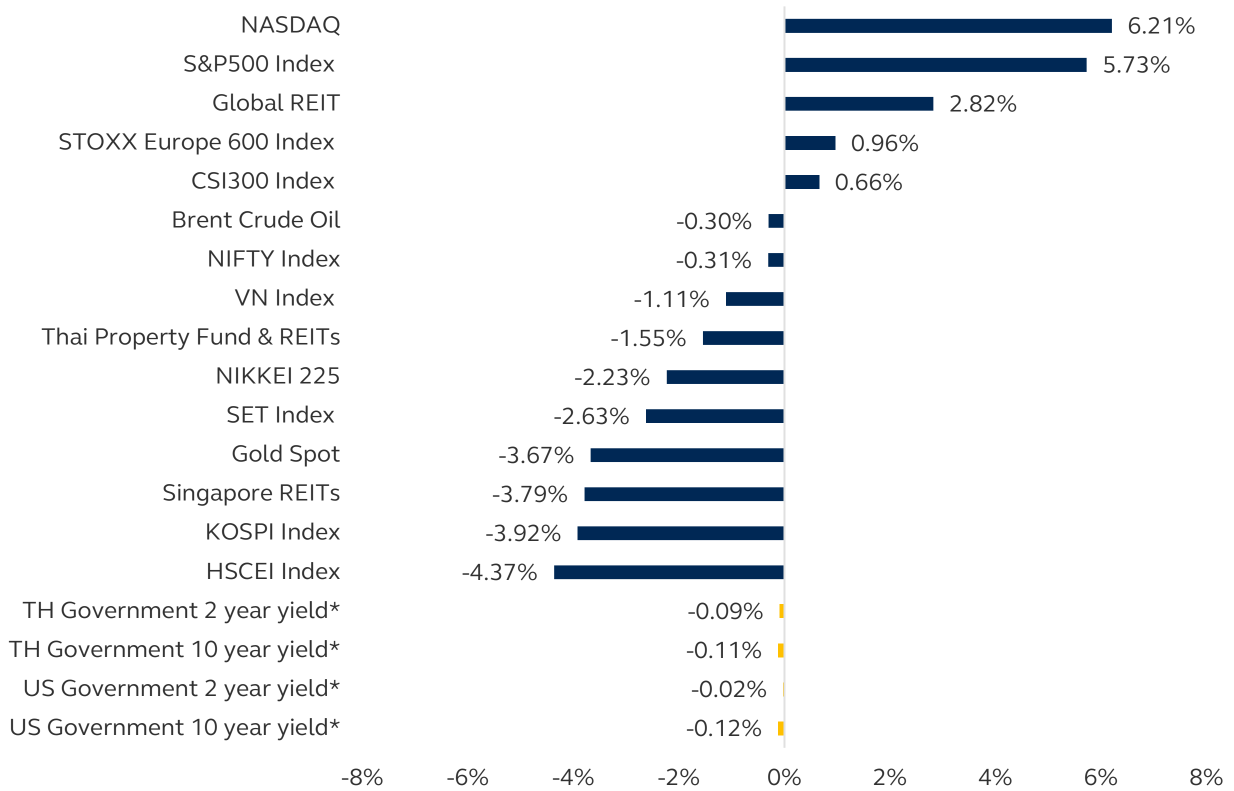
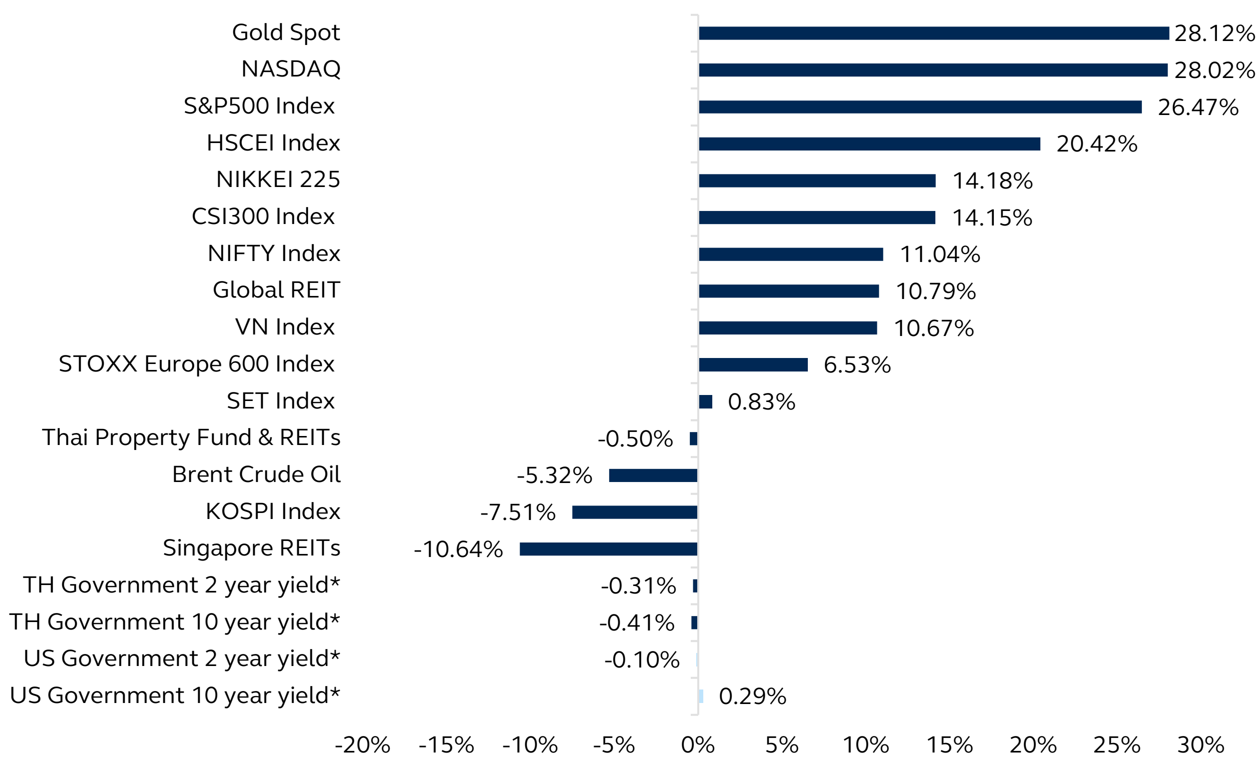
Market Outlook

One-month performance



YTD Performance (Jan-Nov)



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

The victory of Donald Trump in the recent U.S. presidential election in early November had significant impacts on global investment markets. His "Make America Great Again" policy focuses on promoting U.S. economic growth by reducing corporate taxes for companies based in the U.S. and increasing import tariffs from other countries, particularly China, to impede trade. This led to a rise in the U.S. stock market, reaching new highs, and the U.S. dollar appreciating in value. In contrast, stock markets in emerging countries such as Thailand, Vietnam, India, South Korea, and China, as well as the price of gold, declined in November. The market's expectation that the U.S. economy would continue to grow under Trump's administration, along with a consistent decrease in U.S. inflation, caused U.S. government bond yields to rise from early to mid-November. However, after Trump announced Scott Besant as the nominee for Secretary of the Treasury, market concerns about severe budget deficits and significant tariff increases eased, resulting in a decrease in the 10-year U.S. government bond yield.

Fixed Income: In November, the U.S. 2-year bond yield was 4.16%, while the 10-year bond yield was 4.18%. This resulted in the fact that the shape of the yield curve has become flatter after being inverted for the past few years. The main reason for this is the market's expectation that the U.S. economy will continue to grow in the future, following Donald Trump's victory in the recent presidential election.

While the Thai bond yields in November remained relatively stable, they have overall decreased during the first 11 months of 2024, with the 2-year and 10-year bond yields declining by -0.09% and -0.11%, respectively, following the Bank of Thailand's announcement of a 0.25% interest rate cut in October.

Global Equity: In November, the U.S. stock market continued its upward trend, bolstered by the victory of Donald Trump in the presidential election, particularly with a Red Sweep, meaning the Republican Party secured the majority in both the Senate and the House of Representatives. This political outcome supported policies favorable to the stock market. Furthermore, U.S. inflation for October was announced to be in line with market expectations, both for overall inflation (CPI) and core inflation (Core CPI).

The STOXX Europe 600 index in November remained relatively sideways, pressured by economic indicators that did not show strong recovery, such as the Eurozone Composite PMI in October standing at 50, and Industrial Production in September still negative at -0.4% MoM, signaling an economy that has yet to recover.

The Nikkei 225 index declined by -2.23% in November due to investor concerns over future government policies after Shigeru Ishiba was elected as Japan's Prime Minister, leading a minority government. Additionally, inflation in October rose to 2.3%, higher than expected and above the central bank's target, putting pressure on the BOJ to potentially raise interest rates in the upcoming meeting.

The Chinese A-Shares market slightly increased by 0.66%, while the Hong Kong H-Shares market saw a sharp drop of -4.37% after New World Development (NWD), a major real estate stock in the H-Shares index, was removed from the index following continuous negative performance due to issues in the real estate sector in China and Hong Kong. Moreover, the Chinese stock market was affected by severe trade barriers through increased tariffs imposed by Donald Trump on China, weakening the yuan. The market expects the yuan to be at 7.2 yuan per U.S. dollar in 2024. However, the decline in the Chinese stock market is currently somewhat limited due to positive signals from various economic indicators in October.

India: The Indian stock market, NIFTY50, in November remained close to the previous month's level. Capital outflows to China were limited due to the lack of clear new supportive factors in the Chinese economy. India's inflation rate in October reached 6.21% YoY (compared to the market expectation of 5.81% YoY), the highest in a year, driven by food prices, which constitute almost half of the index weight and increased by 10.87% YoY. As a result, the market anticipates that the Reserve Bank of India will not reduce interest rates until inflation sustainably reaches the target of 4%.

India's exports from April to October 2024 grew by 7.28% YoY. In October, the export value of engineering goods (including machinery parts and equipment, and steel/aluminum-related products) reached USD 11.26 billion, expanding by 39.37% YoY. The export value of electronic goods in October was USD 3.43 billion, a significant growth of 45.69% YoY, aligning with the Indian government's Made in India and Digital India initiatives.

Thai equity: The SET Index decreased by -2.63% in November, pressured by: 1) domestic political uncertainty, 2) a sharp decline in DELTA shares, the largest by market value, due to the impact of Cash Balance, 3) overall third-quarter 2024 earnings results that fell short of market expectations, and 4) the appreciation of the U.S. dollar, which pressured the Thai baht and led to a potential outflow of foreign funds. However, the Thai economy is expected to recover in the fourth quarter, supported by tourism and exports. Therefore, Principal Asset Management maintains a neutral outlook for the Thai stock market.

Vietnam: The Vietnamese stock market declined by -1.1%, in line with most developing countries in Asia, following the local currency's depreciation against the U.S. dollar after the U.S. presidential election concluded. Vietnam has the highest export volume to the United States, and the policy of increasing tariffs on foreign goods would have a negative impact on the export sector. However, the imposition of at least 60% tariffs on Chinese goods has benefited Vietnam, attracting the relocation of production bases from Chinese, Japanese, South Korean, Taiwanese, and U.S. companies to Vietnam. Foreign Direct Investment (FDI) in the first 10 months grew by 8.8% YoY, totaling over USD 19.58 billion. Exports in October grew by 10.1% YoY, and the Manufacturing PMI for October indicated expansion at 51.2 points.

Alternative Investment: Global real estate investment trusts (REITs) saw a slight increase after the Federal Reserve lowered interest rates for the second time in November by 0.25%. However, Thai property funds/REITs declined slightly due to demand being lower than the existing supply, especially in the low-rise residential sector. Although the Monetary Policy Committee (MPC) announced a rate cut in October, the impact was limited because the current policy rate is already quite low. Gold prices decreased by -3.67% from October due to the strengthening of the U.S. dollar. However, concerns over geopolitical conflicts may cause gold prices to fluctuate in the short term.

Asset Allocation Outlook

	UW	Slightly UW	Neutral	Slightly OW	OW
Cash	○	●	○	○	○
Fixed Income	○	○	●	○	○
• Global	○	○	●	○	○
• Thai	○	○	○	●	○
Equity	○	○	◯ →	●	○
• Global	○	○	○	●	○
• Thai	○	○	●	○	○
• India	○	○	●	○	○
• Vietnam	○	○	●	○	○
Property Funds/REITs	○	○	●	○	○
Gold	○	○	●	○	○

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 outlook remains neutral positioning, focusing on investment grade (IG) with good quality as Trump's policies are likely to support the upward trend in US bond yields, having a negative impact on bond markets. Our equities and global equities positionings are slightly overweight in response to Trump's policies, aimed to make American great again. Those policies potentially drive the market throughout the next year. Our REITs outlook remains neutral especially for the post-election period as US bond yield has been increasing. We prefer global REITs over TH REITs as global REITs will benefit from the Fed's cut and stronger US economy next year.

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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