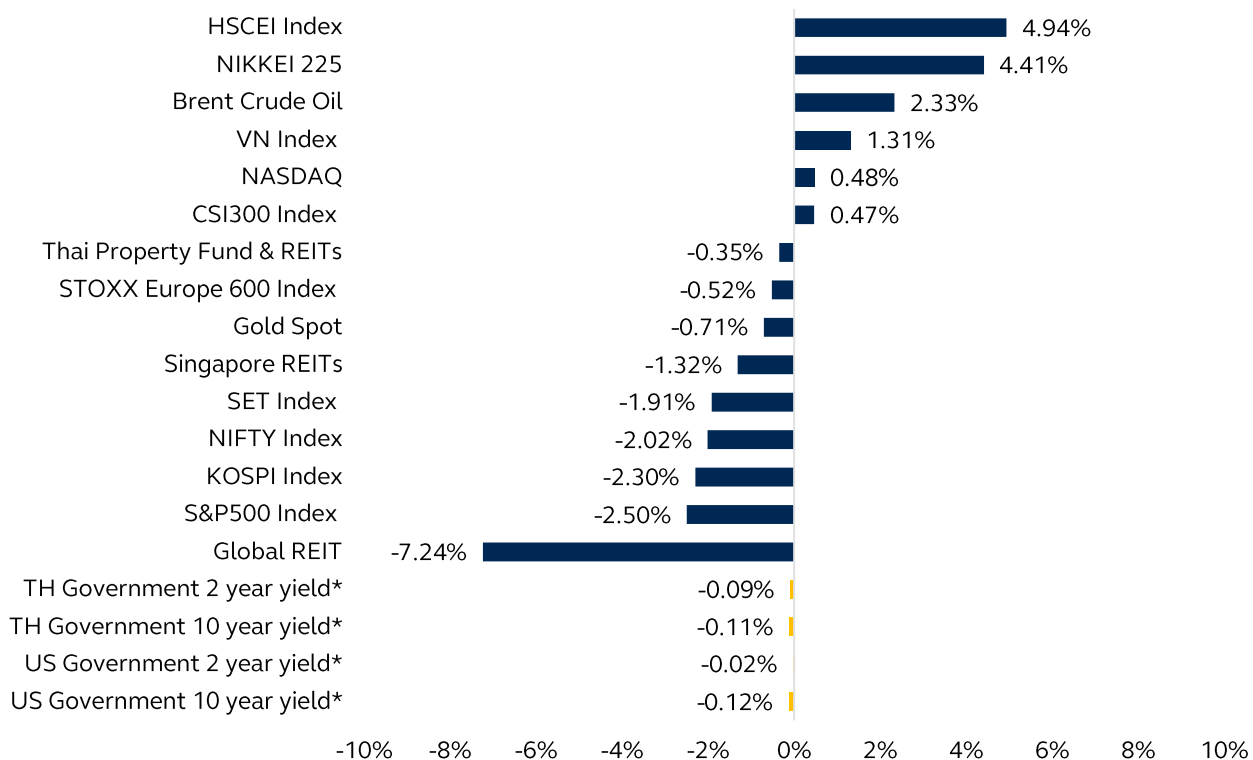
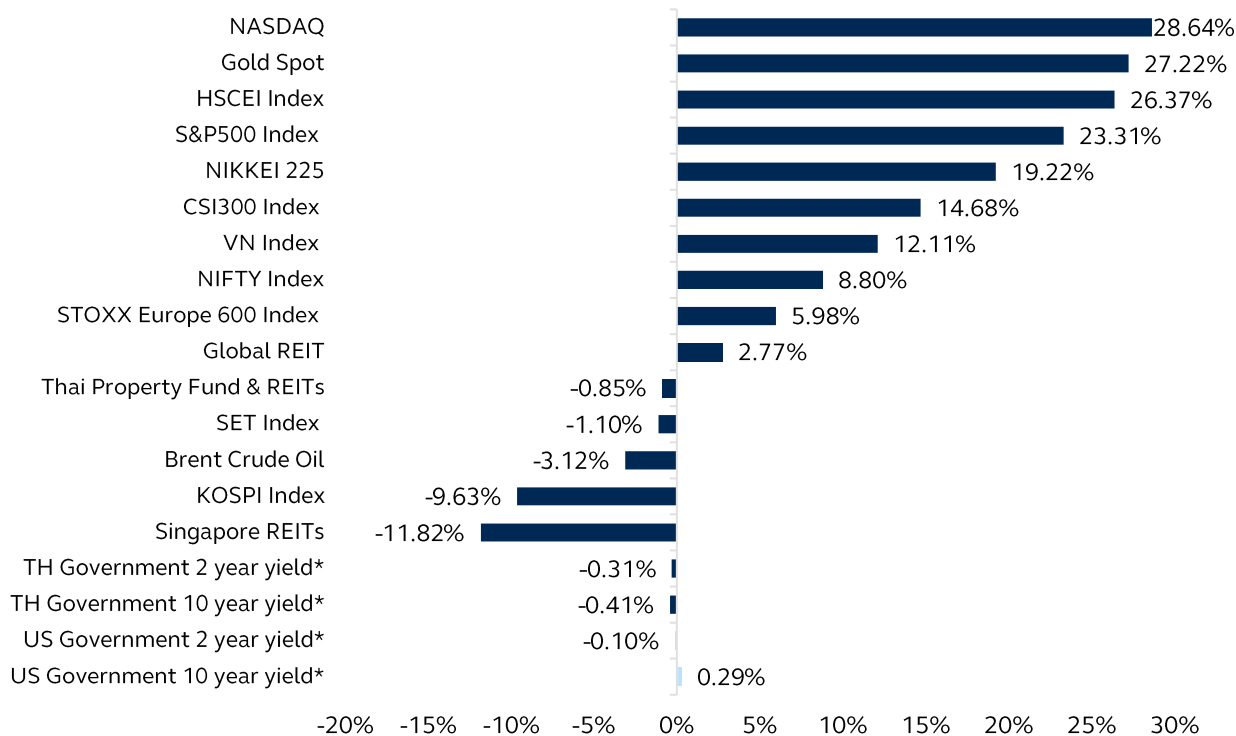


Market Outlook

One-month performance



2024 performance



*Information illustrated percentage of bond yield change not return.
Source : Bloomberg, data as of 31 Dec 2024

In 2024, most stock markets experienced an upswing, led by the NASDAQ, which has a significant proportion of stocks from the Magnificent 7 group. These stocks continued to rise significantly as the market became more attentive to advancements in Artificial Intelligence (AI). Additionally, strong U.S. economic indicators and a reduction in inflation to target levels allowed the Federal Reserve to begin reducing interest rates in the final quarter of 2024. This appreciation of the U.S. dollar attracted substantial foreign investment into the United States. The Japanese stock market surged at the beginning of 2024, closing positively due to the depreciation of the yen against the U.S. dollar. Conversely, developing markets such as China and Hong Kong managed to recover throughout the year due to relatively low valuations and a downward trend. The Thai stock market saw a slight decline owing to internal structural issues. Despite interest rate cuts by several central banks, property funds and REITs became less attractive as the rate reductions were expected to be gradual and less frequent than previously anticipated.

Fixed Income: The U.S. bond yields slightly declined in December, in line with the Federal Reserve's decision to lower the interest rate by 0.25%, bringing it to 4.25% - 4.5% per annum at the meeting held on December 18, 2024. The market anticipates that the Federal Reserve will reduce the interest rate less aggressively than previously expected, as economic indicators, including inflation and labor market figures, align with the targets. Additionally, the likelihood of an imminent economic slowdown is relatively low, reducing the necessity for rapid consecutive rate cuts by the Federal Reserve. However, the Federal Reserve remains committed to reducing its holdings of Treasury bills, agency debt (debt issued by government-supported enterprises or federal agencies), and mortgage-backed securities (MBS). Similarly, Thai bond yields slightly decreased from the previous month, with the MPC deciding to maintain the policy rate at their latest meeting.

Overall, the Principal Asset Management holds a neutral view on both global and Thai fixed-income securities, as bond yields are expected to decline at a slower pace than previously anticipated, while the stock market is expected to remain volatile in the short term.

Global Equity: In 2024, the NASDAQ, a stock market heavily weighted towards technology stocks in the United States, increased by approximately 29%, led by the Magnificent 7 group. The latest U.S. economic data remained strong and aligned with market expectations. November inflation was at 2.7% year-on-year (YoY), continuing its rise for the second consecutive month. The market was not concerned about this increase, as it was primarily due to the low base effect from the previous year. November's unemployment rate was at 4.2% YoY, also matching market expectations.

The STOXX Europe 600 index was relatively sideways in December, pressured by economic figures that did not show a strong recovery. For instance, the Eurozone Composite PMI in December was at 49.5, and industrial production in October unchanged month-on-month (MoM), indicating the economy had not yet recovered.

The Nikkei 225 index rose by 4.41% in December, driven by a weaker yen, which strengthened the export sector. Additionally, the Japanese government prepared to approve a 39 trillion-yen economic stimulus package to boost consumer spending.

The Chinese A-Shares market rose slightly by only 0.47% after December's manufacturing data, despite showing expansion, was lower than market expectations at 50.1 points, while the market expected it to expand to 50.3 points. This slow growth was due to weak employment numbers and new orders from abroad.



India: The NIFTY50 index of the Indian stock market fell by 2.02% in December, specially other developing markets. However, the overall economic outlook for India is positive. India is one of the few developing countries with high currency stability. In 2024, the Indian rupee depreciated by only about 3% against the US dollar. Most of the announced economic figures were positive. The Producer Price Index (PPI) inflation in November increased by just 1.89% YoY, lower than the market expectation of 2.20% YoY, mainly due to reduced prices in the food category. This resulted in the November inflation rate decreasing from the previous month to 5.48% YoY, close to the Reserve Bank of India's target of 4% YoY. The latest industrial production figures for October showed an increase of 3.5% YoY (compared to 3.1% YoY in September), driven by all sectors, especially manufacturing, such as basic metals, electrical equipment, and coke and refined petroleum products. Foreign direct investment between April and September 2024 was 26% higher than the same period in 2023, reaching USD 42.1 billion.

*India starts its year in April according to the national calendar, Shalivahana Shaka, which is used for general purposes and official state communications issued by the government

Thai equity: The SET Index decreased by approximately 2% in December and declined 1% throughout 2024, as there were no supporting factors both domestically and internationally to drive the Thai economy and stock market. Net outflows primarily came from foreign investors amounting to over THB 147 billion, and the average daily trading volume also decreased to only THB 43.5 billion. The decline was pressured by structural issues including an aging society, a less prepared workforce with higher labor costs compared to other ASEAN countries, a lack of support for research and innovation to attract large companies to invest, and long-term political instability.

Vietnam: The Vietnam stock market slightly increased by 1.31% MoM in December. During the past period, foreign investors sold off stocks in the Vietnam stock market, resulting in net sales of over USD 3 billion for the year. One-third of the sales were from strategic partners, multinational companies that sold off joint venture shares after projects did not meet expectations. Additionally, the depreciation of the dong, consistent with most developing countries, caused a global capital flow towards the United States. It is expected that the Vietnam stock market will trade in the range of 1,200 - 1,280 points until Q1/2025, allowing investors to accumulate during market corrections. Overall economic figures remained good but were lower compared to Q3/2024 due to a high base effect and inventory accumulation by many companies from the previous quarter. November inflation was low at only 2.77% YoY, easing concerns about interest rate hikes. Credit growth for the year up to November stood at 11.2%, close to the State Bank of Vietnam (SBV) target of 14% - 15% for 2024.

Property Funds/REITs: The prices of property funds and REITs both in Thailand and globally decreased by 0.35% and 7.24%, respectively. This was due to the market's expectation that the Federal Reserve would reduce interest rates more slowly and to a lesser extent than previously anticipated. Economic indicators, including inflation and labor market figures, aligned with the Federal Reserve's targets, resulting in only a slight decline in U.S. bond yields in December. Property funds and REITs, which have an inverse relationship with bond yields, saw a significant drop as the market predicted that the Federal Reserve would reduce the intensity and speed of its interest rate cuts.



Gold: Gold prices slightly decreased by 0.71% in December after the Dollar Index appreciated by over 6%, reaching 108.48 points in 2024. Additionally, concerns over geopolitical conflicts around the world, including Russia-Ukraine and Israel-Iran, diminished after Trump won the election, leading to negotiations due to his policy of reducing support for foreign conflicts.

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

The investment strategy team has a Neutral view on **fixed income** securities, emphasizing investment in investment grade and high-quality types. Following the latest Federal Reserve meeting, it was noted that the interest rate cuts this year will be reduced from four times to two times, which may cause U.S. bond yields to rise. Principal Asset Management has a Neutral view on **global and U.S. equities** as selling pressure began to emerge after the Federal Reserve meeting. We believe that the market may take a short-term breather before continuing its upward trend. We also hold a Neutral view on the **Vietnamese stock market**, expecting positive factors from its inclusion in the emerging market index to start taking effect in Q2/2025. Lastly, Principal Asset Management maintains a Neutral view on **property funds/REITs**, as the rise in U.S. government bond yields may pressure this sector, and the Federal Reserve's reduced rate cut projections lead us to adjust its view on global property funds/REITs to Neutral.

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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