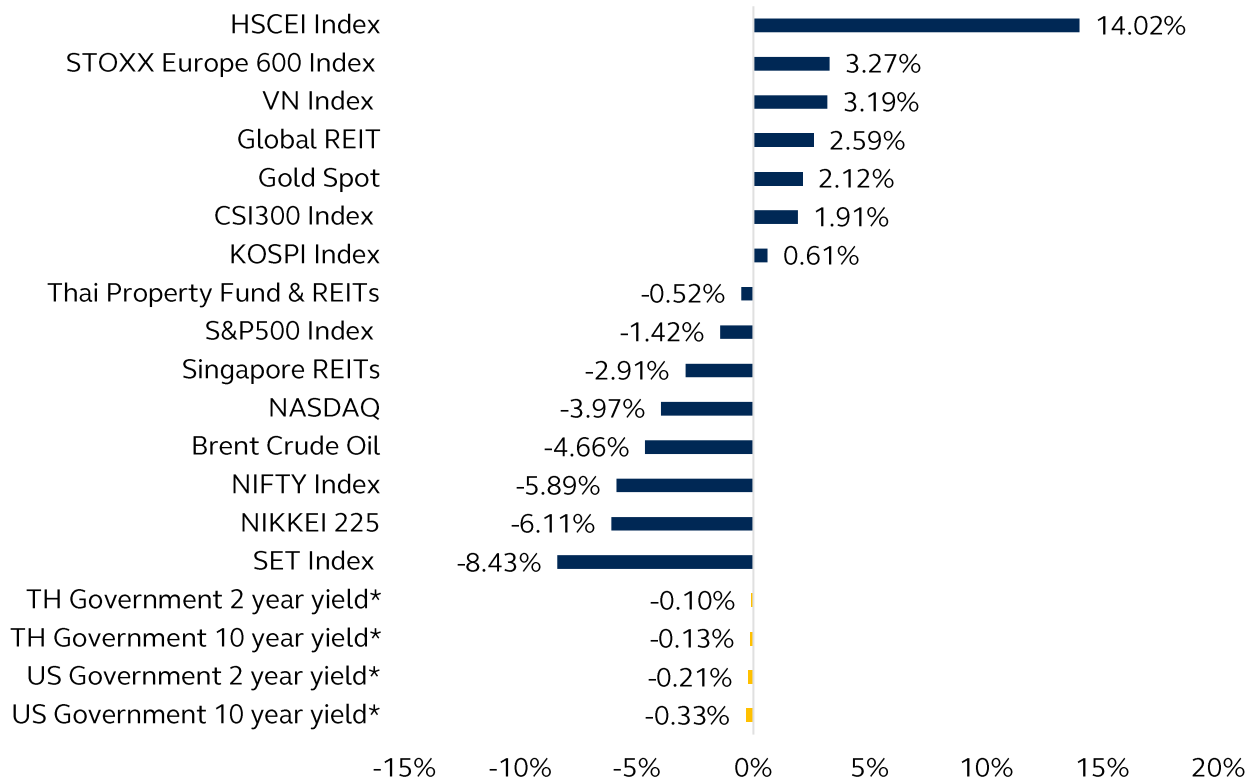
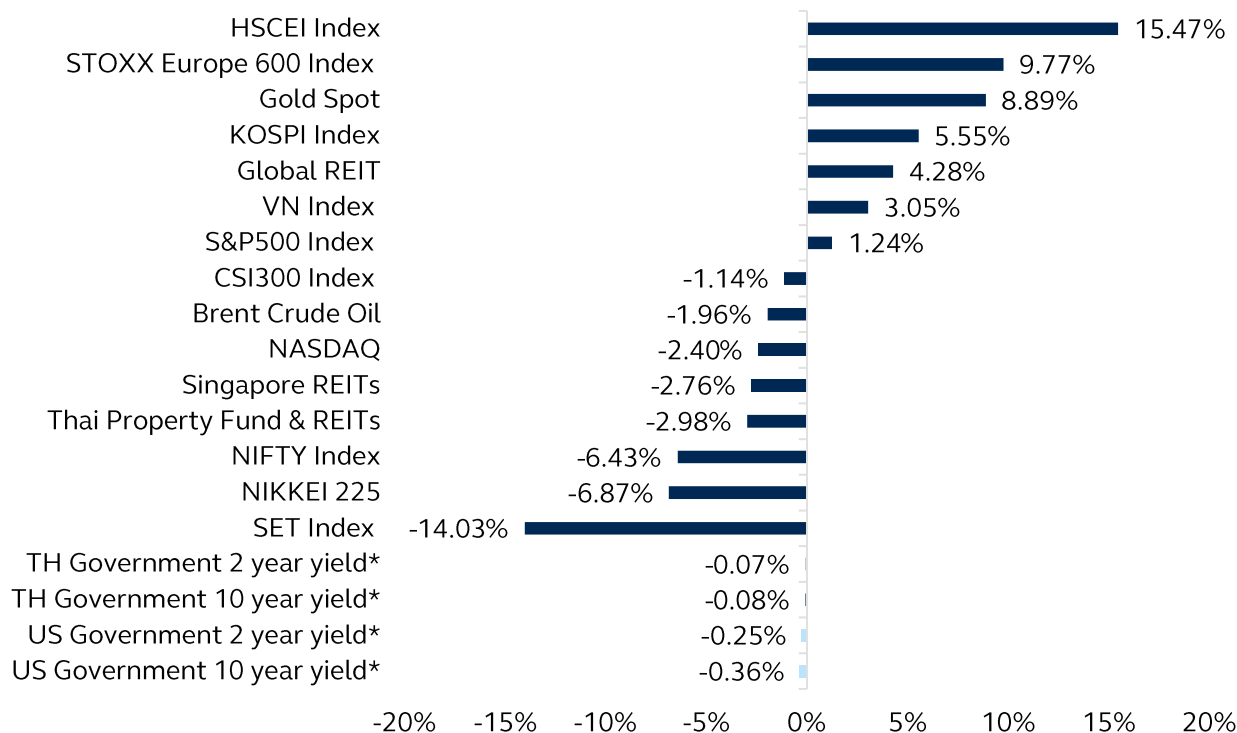


Market Outlook

Past Performance (1M)



Past Performance (YTD)



*Information illustrated percentage of bond yield change not return.
Source : Bloomberg, data as of 28 Feb 2025

The movement of stock markets was highly volatile during the first two months after the announcement of the information about DeepSeek AI at the end of January and the trade tariff policies of Trump toward many countries and industries. Overall, Asian stock markets were able to rise, especially markets with a high proportion of technology stocks and relatively low prices, such as the Hang Seng stock index, which includes technology stocks like Xiaomi, Tencent, SMIC, and Lenovo Group, and the South Korean stock market, KOSPI, which includes high-quality memory chip and semiconductor stocks like Samsung Electronics and SK Hynix. However, the tariffs imposed by the US on other countries may negatively affect stock markets in many countries in the future. Regarding fixed income, US 2 and 10 bond yields dropped as the market perceived that the Fed tends to cut its interest rate earlier due to slower-than-expected economic data. Gold prices rose significantly in February, potentially leading to a correction. Given the current volatility and rapid changes in information, Principal Asset Management recommends that investors diversify their investments through the company's multi-assets funds or invest according to the recommended portfolios based on acceptable risk levels.

Fixed Income: The yield on U.S. government bond yield for 2-year maturities has decreased by 0.21% and for 10-year maturities has decreased by 0.33%, despite recent U.S. inflation figures being slightly higher than expected. The latest Federal Reserve meeting minutes indicate that the Federal Reserve is not in a hurry to reduce interest rates and is likely to cut rates again in mid-year. However, U.S. economic indicators have started to show signs of weakness, such as the U.S. consumer confidence index, which fell to 98.1, the lowest since 2021. This has led the market to anticipate that the Federal Reserve may accelerate rate cuts this year. Consequently, U.S. bond yields have gradually declined in response to these factors.

Similarly, Thai government bond yields have also decreased as the Monetary Policy Committee (MPC) decided to cut the interest rate by 0.25% to 2.00%, citing lower-than-expected economic growth in Thailand. Principal Asset Management maintains a **neutral view** on fixed income.

Global Equity: Principal Asset Management has maintained a **neutral view** on major economy stock markets. The U.S. stock market, S&P500, declined by 1.42% in February due to concerns about inflation and the increased likelihood of an economic slowdown. The U.S. Purchasing Managers' Index (PMI) for manufacturing and services in February fell to 50.4, the lowest level in 17 months, down from 52.7 in January. Meanwhile, the U.S. consumer confidence index in February dropped sharply to 64.7 from 71.1 in January. Additionally, the U.S. stock market faced negative factors from trade policy uncertainties, which increased tensions in international trade relations.

The European stock market, STOXX600, increased by 3.27% due to the European Central Bank (ECB) reducing its policy interest rate by 0.25% as expected and signaling continued rate cuts if economic growth remains low and inflation stays within the targeted range. The ECB has set a target policy interest rate between 1.75-2.25%. Additionally, the United States and Russia agreed to find ways to resolve the geopolitical conflict between Russia and Ukraine, although no clear conclusion was reached as no representatives from Ukraine attended the key discussions held in February.



In February, the Japanese stock market NIKKEI225 declined by 6.11%, while the Bank of Japan (BOJ) indicated its readiness to purchase bonds to manage government bond yields amid significant volatility. The BOJ is expected to continue raising interest rates to address inflation, which remains elevated. In January, Japan's year-on-year inflation rate increased by 4.1%, the highest in two years, surpassing the target level of 2%. Additionally, key economic indicators have shown limited signs of recovery.

The Chinese stock market, especially the Hang Seng Index (H-Shares), rose over 14% due to the high proportion of technology stocks driven by optimism in AI innovations. However, Trump's announcement to regulate investments in AI, chips, semiconductors, and energy caused a decline in the last three days. China's economic data showed mixed results. December 2025 exports grew by 10.7%, the highest in three years, while industrial and manufacturing sectors improved due to stockpiling. Conversely, the real estate sector has still struggled.

India: The Indian stock market NIFTY50 has continued its decline as substantial foreign capital flows into China. The January inflation rate was 4.31% year-on-year, nearing the Reserve Bank of India's target of 4% and below the market expectation of 4.6%. This decline in inflation is primarily attributed to reduced prices in food, electricity, and energy. Recent industrial production data for December 2024 revealed a year-on-year growth of only 3.2%, falling short of the market expectation of 3.9% and the previous month's figure of 5.2%. The manufacturing sector experienced a 3% year-on-year growth, particularly in basic metals related to steel and galvanized products. In 2024, India exported steel and aluminum products worth approximately USD 450 million to the United States out of a total import value of approximately USD 33 billion. However, the increased import tariffs on steel (25%) and aluminum (10%) have impacted India's trading activities. Furthermore, the announcement of the 2025 annual budget, which focuses on reducing personal income tax rates to boost consumer purchasing power and developing infrastructure, remains a significant issue that the market is closely monitoring for future implications. Currently, Principal Asset Management maintains a **neutral stance** on Indian stock market.

Thai equity: The SET index of Thailand experienced a decline of 8.43% from January, influenced by both external and internal factors. As one of the two ASEAN countries with a trade surplus with the United States, Thailand is particularly sensitive to developments in U.S. trade policies and tariffs under Donald Trump's administration. Additionally, the fourth quarter 2024 earnings of listed companies fell short of market expectations, with no new factors fostering economic and stock market growth. This has led to a loss of investor confidence, resulting in significant redemptions of Long-Term Equity Funds (LTFs) recently. However, some key economic indicators have shown positive results. For instance, January's inflation rate was at 1.23% YoY, within the central bank's target range of 1% - 3%. Moreover, January export growth reached 13.6% YoY, surpassing the market expectation of 7.15%, driven by a recovery in industrial goods exports such as computer parts and equipment, rubber products, and machinery parts and equipment. Despite this, other indicators—such as automobile production, industrial production, loan issuance rates, and economic leading indicators—have not yet demonstrated strong recovery. In light of these mixed economic figures over multiple periods, the Monetary Policy Committee (MPC) decided on February 26, by a vote of 6 to 1, to reduce the interest rate by 0.25% to 2%



in an effort to stimulate the economy and address uncertainties in major economies' trade policies. Consequently, Principal Asset Management maintains a **neutral stance** on Thai stock market.

Vietnam: The Vietnamese stock market increased within the month, maintaining a level above 1,300 points, despite the continuous depreciation of the Vietnamese dong. This trend aligns with other developing countries' currencies. The depreciation became more limited after mixed economic data from the United States. Regarding inflation, Vietnam's January inflation rate rose from 2.94% year-on-year (YoY) in December last year to 3.36% YoY, driven by significant increases in food prices, which rose by 4.42% YoY, and medical service prices, which increased by 14.14% YoY. This is consistent with the core inflation rate (excluding food and energy), which rose from 2.95% YoY in December 2024 to 3.07% YoY, the highest in 14 months. The January manufacturing Purchasing Managers' Index (PMI) remained in contraction territory below the 50-point level, at 48.9 points. Industrial manufacturing data for January showed modest growth of 0.6%, influenced by sector halts during the Lunar New Year period. The mining sector contracted by 10.4% YoY, while manufacturing grew by 1.6% YoY. Conversely, domestic consumption, reflected through retail sales figures, rose by 9.5% YoY, particularly in accommodation, food services, and tourism sectors. Currently, Principal Asset Management holds a **slightly overweight view** on Vietnamese stock market.

Property Funds/REITs: Global REITs increased by 2.6% while Thai REITs dropped by -0.5%. The slightly rise in global REITs was attributed to the Federal Reserve's gradual rate cuts amid a strong economy and stable labor market, although inflation remains above the 2% target. Despite interest rate cuts since Q4 2024, high U.S. bond yields have created pressure on the real estate and REIT sectors. Principal Asset Management holds a **neutral view** due to uncertainties in Fed policy, notwithstanding reasonably priced global REITs. Thai property funds and REITs also face challenges from Thailand's slow economic recovery and selling pressures from Long Term Equity Funds (LTFs), resulting in a **neutral outlook** from Principal Asset Management.

Gold: Gold prices increased by 2.1% in February due to uncertainties associated with President Trump's import tariff hikes and retaliatory tax measures against major U.S. trading partners. Recently, President Trump has proposed increasing tariffs on industries that are either vulnerable or critical to the U.S. economy, including processed wood and forest products, as well as tariffs on steel, aluminum, imported cars, semiconductors, and pharmaceuticals. Amid these concerns, there has been an elevated demand for gold as a safe haven asset. However, Principal Asset Management maintains a **neutral outlook** on gold, suggesting that gold prices may consolidate in the short term if geopolitical tensions between Russia and Ukraine ease or resolve following negotiations between President Trump and Russia.



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 investment strategy team has maintained a neutral stance on **Fixed Income**, both Thai and global after the market perceived that the Fed will probably reduce its interest rates earlier due to uncertainties in Trump’s policies and lower-than-expected economic data. **Equity** markets, except for the Vietnam stock market. We believe that the U.S. stock market may experience a correction in large technology stocks, while most developing stock markets are under pressure from Trump's tax policies. However, due to attractive valuations and earnings growth as well as incoming positive catalysts, we recommend investors to slightly overweight the **Vietnam stock market**. Lastly, we maintain a neutral stance on both domestic and global **property funds/REITs**, as the market absorbed the 1-2 cuts of the Fed this year and the high level of US bond yields will likely continue to exert pressure on these assets.



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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