



Bonds

Highlight of the month

In February, markets have been reassessing their expectations of policy rate cuts on the back of central bank communication and inflation data. With investors pushing out the timing of rate cuts, global sovereign bonds displayed losses. On the opposite, low growth and negative inflation figures benefitted to Thai bond market.



Global

Markets have been reassessing their expectations of policy rate cuts on the back of central bank communication and inflation data, which led interest rates to rise. 10-year US ended up +34bps at 4.25% while German yields were up 23bps at 2.4%. In this context, Global Aggregate Index lost 0.7%.

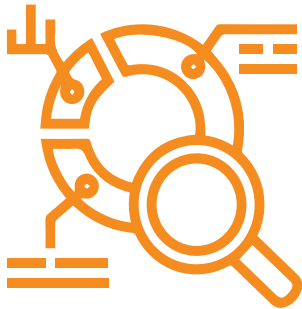


Thai

Thai rates were oriented downwards on the back of disappointing growth and negative inflation, putting additional pressure on BOT to cut rate. Against this backdrop, Thai bond market displayed positive performance, with credit marginally outperforming government bonds. Overall, Thai bonds Composite Index gained 0.33%.



Expert View



Outlook overview

With the second half of 2023 remaining resilient and above potential, the US economy has started the year on a stronger footing, but we still see weakness as the year progresses. In Europe, weaker global growth and less supportive fiscal policy will ensure growth remains lacklustre for the next few quarters. While global GDP growth is decelerating in 2024, growth premium remains in favour of EM. In China, where factory activity shrank for the 5th month in a row, we maintain below-consensus growth forecast of 3.9% in 2024.

Looking forward, we see 3 key macro takeaways.

Theme 1

a soft and fragmented outlook

We see a delayed but pronounced US slowdown due to lower domestic demand owing to labour market weakness, and limited/no fiscal push and strains on corporates. European growth should remain flattish and uneven (Germany facing structural challenges versus Spain showing more resilience). In the meantime, EM GDP was mildly revised up.

Theme 2

Inflation slowdown and monetary policies

We continue to expect US inflation to decelerate thanks to moderating services inflation, although so far it has remained sticky. Beginning around the end of H1, the Fed, ECB and BoE are likely to start cutting rates – total rate cuts of 100 bps for the Fed this year and 125 bps for ECB and the BoE.

Theme 3

(Geo)political hotspots

On the geopolitical front, the Israel-Hamas war and support for Ukraine remain in the spotlight. In Asia, it is key to monitor potential Chinese rhetoric regarding Taiwan following January elections. More broadly, Trump recent comments against China and NATO calls into question the relationship between the largest global powers.



How to handle the portfolio

The economic cycle is proving better than expected, penalizing global bonds, but rates level and incoming dovish CB's should support fixed income markets.

A global and flexible approach is key.

Bonds

We favor global bonds versus local.

We maintain a positive stance on global/US bonds duration given interesting valuations, uncertainty on future activity and expectations of interest rate cuts. Given rates level, government bonds display an attractive asymmetric profile with appealing upside and limited downside. Nevertheless, we aim to keep a flexible approach. On credit, we are constructive on high quality ratings. Finally, we maintain our EM debt diversification given the disinflationary trend in EM and DM central banks' incoming easing cycle. In Thailand, we prefer mid-term aggregate bonds amid slow recovery and negative inflation.



Performance

↓ 0.11%

tsp1-preserver was slightly down (-0.11%), balanced between Thai aggregate bonds positive contribution, and negative USD FX hedge effect.

Compared to its benchmark, allocation to US and DM government bond detracted. On the opposite, allocation to EM debt contributed.

	1 M	3 M	6 M	YTD	1 Y	Since inception (% p.a.)
Portfolio	-0.11	1.07	1.25	-0.09	1.12	-3.02
Benchmark	0	1.22	1.60	0.21	2.03	-1.66

Benchmark : Composite Index

+42% ThaiBMA Government Bond Index NR (1-3 Yrs.), +21% TBMA Short-term Government Bond Index, +7% ThaiBMA MTM Corporate Bond BBB NR (1-3 Yrs.) +30% BBG Global Aggregate TR Hdq THB, (effective 1 feb 2022)

3 Best contributors to relative performance (vs Benchmark)

1. K Fixed Income
2. Pimco GIS Income
3. Pimco GIS Global Bond

3 Worst detractors to relative performance (vs Benchmark)

1. Fidelity US Dollar Bond
2. Thanachart Cash Management
3. Amundi Fds Global Corp Bd

Portfolio strategy

With regards to portfolio strategy, we maintain a dynamic assessment that takes into account near-term nuances and balances long-term convictions. In the current environment, keeping a balanced positioning and at the same time playing geographical divergences should allow to enhance return while mitigating risk.

Benchmark	70%	30%	
January	65.29%	30.44%	4.27%
February	65.55%	30.59%	3.86%

● Thai Bonds

● Global bonds

● Cash & Others



Global bonds

Close to neutrality on duration, with a preference for US bonds. Constructive on quality credit (IG). Positive on EM local debt.

- iShares Global Government bond ETF
- Pimco Global Bond
- Pimco Income



Thai bonds

Limited upside potential on local versus global bonds. Around neutral on duration. Preference for aggregate funds vs Money Market Funds.

- Krungsri Active Fixed Income fund
- K Fixed Income
- T Cash Management



Proportion of Assets Invested

Local Fixed Income Fund	65.55%
Krungsri Active Fixed Income Fund-C	17.01%
K Fixed Income Fund	15.54%
Krung Thai 1Y-3Y Fixed Income Fund	13.02%
THANACHART CASH MANAGEMENT MUTUAL FUND	12.48%
Krung Thai Short Term Fixed Income Plus Fund I	7.50%
Foreign Fixed Income Fund	30.59%
iShares Global Govt Bond UCITS ETF USD Hedged (Acc)	8.26%
PIMCO GIS Global Bond Fund Class Institutional Accumulation	5.91%
Wellington Global Bond Fund USD S AccH	4.35%
Fidelity Funds - US Dollar Bond Fund Y-Acc-USD	4.08%
Amundi Funds - Global Corporate Bond I2 USD (C)	3.10%
PIMCO GIS Income Fund Institutional USD Accumulation	2.83%
JPMorgan Funds - Emerging Markets Local Currency Debt C (acc) - USD	2.06%

Historical fund performance is expressed in Thai Baht. The performance data shown are calculated from the net yields of newly acquired financial instruments and does not include costs incurred. The performance data covers the full 12-month period of the respective calendar year. The product does not include a performance guarantee or financial return guarantee. Furthermore, past performance is not a guarantee nor a reference for expectations of current or future performance and returns. It does not guarantee that the investor can expect the results shown. Fund performance figures do not yet include brokerage fees and expenses related to the issuance or redemptions of fund units or management fees of the ttb Smart Portfolio.

Disclaimer: This fund is not fully hedged against foreign exchange risk, therefore investors may incur a loss or gain from exchange rates / or may have an ending balance that is lower than the original principal invested • Past performance is not a guarantee for future performance • Investment in a fund is not the same as a cash deposit since funds contain risks; the investor may have an ending balance that is higher or lower than the original principal invested or may not receive redemption payment settlement according to the stated schedule or may be unable to successfully redeem units as ordered. Before making an investment decision, the investor should review the fund prospectus carefully. Familiarize oneself with the product's characteristics, terms regarding financial returns and risks before investing / This document should be reviewed in conjunction with the Fund Factsheet

To obtain further information or the fund prospectus, please contact any branch of TMBThanachart Bank or Eastspring Asset Management Thailand Tel. 1725 www.eastspring.co.th