

Outlook 4 – 8 Oct 2021

Smart Weekly

Update

Presented by : Bodin Buddnain CISA I,CFP / Investment Strategy Manager

Investment Strategy Team : Nonnalin Thungsoonthorn / Investment Strategy Assistant Manager

: Wasawat Borwornsarepatai / Investment Strategy Manager

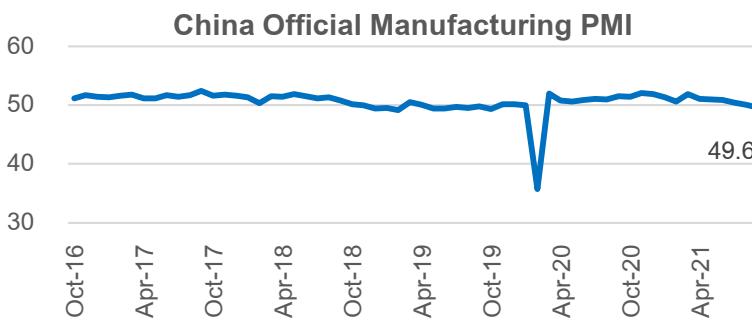
Highlight of the Week

- The energy crisis in China is significantly affecting global supply chains as most factories are forced to follow electricity rationing guidelines by curbing production. Manufacturers are also compounded by rising raw material costs, delays at ports, and container box shortages.
- Japan's 100th prime minister will be Fumiko Kishida newly elected by the LDP to succeed former PM Yoshihide Suga. The LDP is expected to use its majority control of parliament to designate him as the next prime minister through a special session on 4 October. Equity markets seem indifferent as any successor is more preferable than Suga staying on.
- US Fed Chairman Jerome Powell and his counterparts at the ECB, Bank of Japan and Bank of England delivered a positive message that the global supply chain disruptions that is causing inflationary pressure will only be a temporary problem.

Market	Last Trade	1 Week	YTD
SET Index	1,605.17	-1.6%	10.75%
SHANGHAI	3,568.17	-2.03%	2.74%
HANG SENG	24,575.64	0.26%	-9.75%
NIKKEI 225	29,544.29	-2.33%	7.65%
STOXX Europe 600	452.90	-2.24%	13.50%
S&P 500	4,357.04	-2.21%	16.00%
MSCI WORLD	3,022.83	-2.60%	12.37%
Alternative	Last Trade	1 Week	YTD
Thai REIT	169.88	-0.68%	-2.08%
Singapore REIT	842.13	-2.60%	-1.13%
Asia ex-Jap REIT	4,960.80	-1.76%	-2.36%
Global REIT	1,947.90	-1.69%	15.97%
Crude Oil (WTI)	75.88	2.57%	56.39%
Gold (Comex)	1,757.00	0.42%	-7.29%
Currency	Last Trade	1 Week	YTD
USD/THB	33.63	1.16%	12.29%
USD/JPY	111.05	0.29%	7.55%

Worldwide Watch

- The upper graph on the right of the China Official Manufacturing PMI shows a decline in the industrial sector with the September figure at just 49.6, the first contraction since February 2020 as a power shortage hits China.
- The lower illustration on the right displays market reactions to previous hikes in the public debt ceiling. 9 out of 10 previous hikes did not affect markets nor economic growth in the long term, except in 2011 when impact was felt over 1 month. 2011 was a year featuring 1. divided government 2. debt crisis in the Eurozone 3. slow US economic growth, despite successful raising of the debt ceiling by the deadline.



S&P 500 (%)	VIX (Pts)	Bloomberg Corp. Average OAS (BPS)	Bloomberg HY Corp OAS (BPS)	2yr Treasury (BPS)	10yr Treasury (BPS)
8/2/2019 -3	6	12	53	-34	-50
2/9/2018 -3	-3	7	27	12	21
9/8/2017 3	-1	-4	-28	10	8
3/16/2017 -1	1	5	37	-3	-6
3/16/2015 -1	-1	7	39	-8	-13
2/14/2014 4	-2	-5	-34	-1	0
10/17/2013 5	-4	-9	-41	0	-5
2/4/2013 3	0	-2	4	2	16
8/2/2011 -10	14	42	156	-19	-66
2/12/2010 4	-4	1	16	0	3
Average of 2010-present	0	1	23	-4	-9

Note: Values are change from 10 days prior to debt limit modification via legislation, to 10 days after (trading days). VIX is average of (t to t+10) - average of (t-10 to t)

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Update

[Market Sentiment]

- The Fear & Greed Index closed at 27, still in the Fear Zone but with increased Risk-On sentiment compared to the previous week's closing level of 33. Volatility and concerns stemmed from uncertainty over the US's expansion of its public debt ceiling and approval of the budget before the Friday night deadline to prevent a government shutdown. This was also felt in US bond yields which rose beyond 1.5% midweek. However due to excessive liquidity in the financial markets, equity markets recovered on the last working day of the week on bargain hunting as the government shutdown was narrowly avoided. For October, keep an eye on how the \$3.5 trillion budget spending negotiations will eventually conclude, how the breakdown of projects will finalize, and whether the public debt ceiling will be raised. Janet Yellen indicated that the US government only has sufficient budget until 18 October. On the Evergrande situation, while still unable to service its USD-denominated debts, the company's total debt equivalent to about 2% of China's present GDP is still below Lehman Brothers' debt crisis in 2008 which was 4% of US GDP. Furthermore, the 2008 crisis rippled across a huge variety of debt instruments tied to the Lehman debt, causing losses to spread widely to possibly as much as 4x the US GDP at that time. Bloomberg Economist views that while Evergrande will need time to resolve its debt problem and liquidate assets, damage will be more well-contained than the Lehman debt crisis due to the lower complexity and repercussions on the global economy. Use this opportunity to accumulate.
- **Global equities:** Investors advised to accumulate when markets dip. Add investments in **TMBGQG**, **TMBGCG**, **T-Premium Brand**, **T Global ESG**, **T Global Value** and **TMB US Bluechip** as these are all weather funds which can be invested at all times as core holdings.
- **China Equities:** Manufacturers' PMI data contracted for the first time since February 2020 as a result of tight energy resources. Short term risks and volatility for both China equities and fixed income remain high. Nevertheless, the Chinese government can still dip into its vast reserves should the problem worsen significantly. Wait & See strategy advised. **TMBCOF**, **TMB-ES-China-A** and **TMB-ES-Startech** for short-term; valuations also attractive to set aside weightings for longer investment horizons of 1 year or more if add when prices soften.
- **SET Index** closed at 1,605 declining 1.6% along with weaker global markets. Look for opportunities to add large cap Thai stocks when the market hits the 1,600 level. Add **T-SM Cap** on weaknesses in the FTSE Mid Small.
- **[Property Fund/REITs/Alternative Investment]**
- **Thai property fund** prices declined -0.68%. Declining infection numbers and easing of lockdown measures should be positive for property fund prices (capital gains) going forwards. Dividend Yield Gap very attractive compared to foreign REITs; valuations are undemanding and only awaiting return of fund inflows ahead. Accumulate **TMBPIPF**, **TPropInfraFlex**.
- **Singapore property fund** prices fell 2.60% after surge in COVID-19 cases with possibility of postponing border opening.
- **Gold** closed at 1,757 \$/oz. Prices may rise further in the short term, but long term upside is limited because real yields are trending upwards.
- **Oil** closed at 75.88 \$/B, underpinned by rising demand as the winter season approaches.

What to Watch This Week

Monday	Tuesday	Wednesday	Thursday	Friday
• OPEC meeting	• UK Composite PMI	• Changes in US non-farm private employment	• ECB monetary report	• US non-farm payrolls
• EU finance ministers' meeting	(Sep)	(ADP) (Sep)	• US initial jobless claims	(Sep)
• US factory orders (MoM, Aug)	• US services PMI data from ISM (Sep)	• US crude oil inventories		• US unemployment (Sep)

DISCLAIMER

The following funds hedge against all, or almost all, of their foreign exchange risk.

- **TMBAM** : TMB European Growth
- **TFUND** : TGoldRMF-H, TGoldBullion-H

The following funds hedge against foreign exchange risk at the discretion of fund managers.

- **TMBAM** : Global Quality Growth, Global Capital Growth, Global Innovation, US500, US Blue Chip, German EQ, Japan EQ, Japan Active, Asia Active, EM EQ Index, Emerging Active Equity, China Opportunity, China A Active, India Active Equity, Global Bond, Global Income, Global Smart Bond, Asian Bond, Emerging Bond, Global Property, Global Infrastructure Equity, Asia Pacific Property Flexible, Property Income Plus, Income Allocation ,Gold Singapore
- **TFUND** : T-TSARN, TMB-T-ES-Dplus, TMB-T-ES-Iplus, T-TSB, T-CSD, T-Mixed7030, T-MultiIncome, T-STSD, T-NFPLUS, T-PPSD, T-Property, T-PropInfraFlex, T-GlobalBondRMF, T-GlobalEQRMF, T-Healthcare, T-HealthcareRMF, T-LTFD, T-NERMF, T-NFRMF, T-NGRMF, T-NMIXRMF, T-PropertyRMF, T-AsianProp, T-IncomePropAI, T-CHChallenge#1, T-EuropeEQ, T-GlobalEnergy, T-GlobalEQ, T-GlobalESG, T-GlobalValue, T-INFRA, T-JapanEQ, T-JPChallenge1, T-PREMIUM BRAND, T-GlobalBond, T-INCOMEAI, T-MAP, T-ES-GSBOND, T-ES-Gtech, T-ES-CHINA A, T-ES-GCG, T-ES-GF, T-ES-GINNO, TMB-T-ES-Aplus, T-ES-GGREEN, T-ES-ChinaA-RMF, T-ES-ChinaA-SSF, T-ES-GTech-SSF, T-ES-GCG-SSF

The following funds do not hedge against any foreign exchange risk.

- **TMBAM** : TMB Gold ,Oil Fund
- **TFUND** : TGoldRMF-UH, TGoldBullion-UH,

Since funds do not hedge against any foreign exchange risk, investors may incur a loss or gain from movement in exchange rates, or have an ending balance that is less than the original sum invested.

The following funds have investment concentration in certain business sectors, hence investors are susceptible to significant loss.

- **TMBAM** : TMB Global Property , TMB Asia Pacific Property Flexible , TMB-ES Property and Infrastructure Income Plus Flexible
- **TFUND** : T-Property, T-PropInfraFlex, T-Healthcare, T-HealthcareRMF, T-PropertyRMF, T-AsianProp, T-IncomePropAI, T-GlobalEnergy, T-INFRA, T-ES-Gtech, T-ES-GGREEN, T-ES-GTech-SSF

Investors in TMB SET50, TMB JUMBO 25, TMB Thai Equity CG, TMB Thai Mid Small Minimum Variance should possess a Suitability Score of 4 or higher, and able to accept the risk of loss of invested capital by investing in equities in exchange for the prospects of earning a higher financial return than general fixed income investments. Furthermore, the investor aims to achieve the performance of the SET50 Index, SET Total Return Index (for TMB Thai Equity CG) or FTSE Thailand Mid/Small Cap Total Return Index (for TMB Thai Mid Small Minimum Variance). These funds are not suitable for investors who need to withdraw money for use in the near future, or investors who cannot accept loss of invested capital by investing in equities.

- Investors should carefully review the information provided in each fund's prospectus and other information on the www.tmbameastspring.com website before making an investment decision.
- Investors may obtain a fund prospectus from TMBAM or officially appointed selling agents.
- Investors should carefully review the information provided in each fund's prospectus and other information on the www.thanachartfundeastspring.com website before making an investment decision.
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Fund performance figures shown on this website complies with fund performance measurement standards prescribed by the Association of Investment Management Companies. Note that past performance records do not guarantee future performance.

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