Economic and Financial Outlook

ttb analytics

July 2024

Executive Summary

Global Economy

- In June 2024, the global economy showed increasing signs of a slowdown, particularly in the US and Eurozone, as global PMIs indicated some additional weakness but remained generally strong. Meanwhile, global inflation has remained sticky but has shown a pattern of slowing down.
- With the labor market weakening and recent CPI data showing a slowdown, the US economy is increasingly indicating signs of deceleration. Additionally, other economic indicators support the trend of slowing growth. These conditions raise the chances that the Fed will lower policy rates at least twice this year.
- Recent Chinese economic data indicate that China's economic recovery is still stagnant. Q2 GDP growth fell short of expectations, and the mixed data from June reveal notable disparities across sectors. Despite government measures, the real estate market continues to face challenges.

Thai Economy

- In May 2024, Thai economy slowed down from a good expansion in the previous month. The slowdown was attributed to decreased exports of goods, manufacturing production and private investment. Nonetheless, activities in tourism sector continued to increase from the previous month together with a slight increase in private consumption. The number of foreign tourist arrivals dropped further as mainly from long-haul tourists despite the improvement in number of tourists from short-haul destination.
- Despite gradual recovery in merchandise export, structural headwinds in manufacturing sector expected to weigh on the long-term trend of the export sectors such as lower productivity, being as low-value added production hub (HDD, ICE automotive, agricultural products).
- Headline inflation slightly decelerated in June 2024 due to the end of impact from the low base price on both price of electricity and fresh foods while other goods and services did not have a significant impact on inflation.

Financial Markets

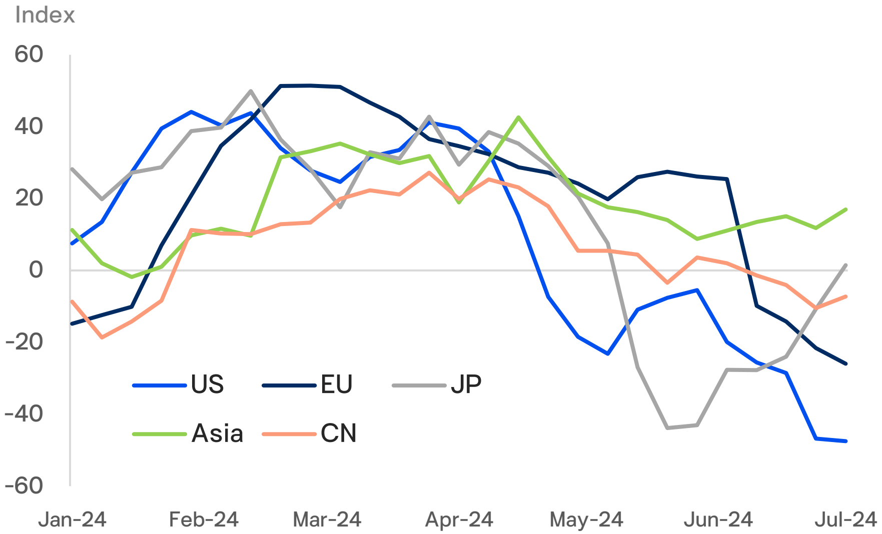
- U.S. government bond yields declined further due to weaker economic data and dovish Fed expectations. Meanwhile, Thai government bond yields showed a bull flattening trend, with the 10-year yield aligning with U.S. yields, while the 2-year yield remained flat.
- The dollar continues to depreciate following a series of weaker US economic reports since early June and a more dovish stance from the Fed. At the same time, the Thai baht has appreciated, partly because of its high sensitivity to global factors and its connection to gold prices, even though the economic fundamentals remain unchanged.

PART 1

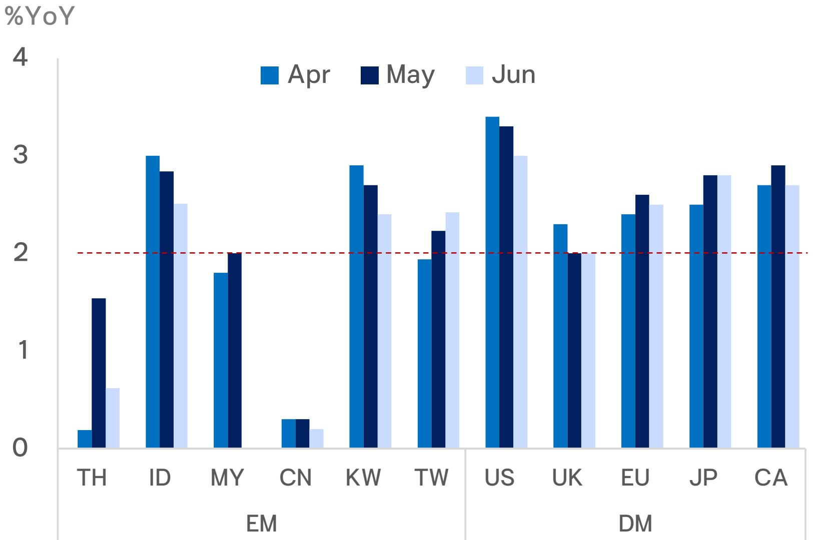
Global Economy

Major economies show more signs of slowdown but remain resilient overall

Economics surprise indices



Headline Inflation



Note:
Economic Surprise Index represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

Manufacturing PMI by countries

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Global	48.8	49.3	49.0	50.0	50.3	50.6	50.3	51	50.9
US	50.0	49.4	47.9	50.7	52.2	51.9	50	51.3	51.6
UK	44.8	47.2	46.2	47.0	47.5	50.3	49.1	51.2	50.9
EU	43.1	44.2	44.4	46.6	46.5	46.3	45.7	47.3	45.8
Germany	40.8	42.6	43.3	45.5	42.5	41.9	42.5	45.4	43.5
France	42.8	42.9	42.1	43.1	47.1	46.2	45.3	46.4	45.4
Italy	44.9	44.4	45.3	48.5	48.7	50.4	47.3	45.6	45.7
Asia exc. Ch	49.8	50.5	50.4	50.7	50.6	51.1	51.4	51.9	52
China	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8
Australia	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7	47.2
India	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3
Japan	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4	50
Korea	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6	52
Indonesia	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7
Thailand	47.5	47.6	45.1	46.7	45.3	49.1	48.6	50.3	51.7

Service PMI by countries

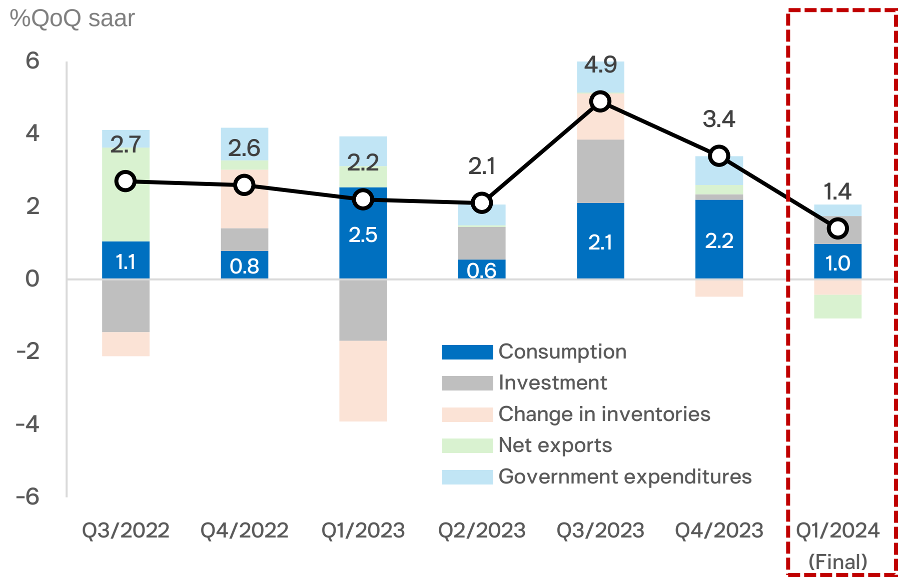
	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Global	50.4	50.6	51.6	52.3	52.4	52.5	52.7	54	53.1
US	49.8	51.5	50.4	52.2	54.2	54	54.7	58.7	56.2
UK	50.8	52.3	53.3	49.8	54.1	55.5	57.5	52.5	52.7
EU	47.8	48.7	48.8	48.4	50.2	51.5	53.3	53.2	52.8
Germany	48.2	49.6	49.3	47.7	48.3	50.1	53.2	54.2	53.1
France	45.2	45.4	45.7	45.4	48.4	48.3	51.3	49.3	49.6
Italy	47.7	49.5	49.8	51.2	52.2	54.6	54.3	54.2	53.7
Spain	51.1	51.0	51.5	52.1	54.7	56.1	56.2	56.9	56.8
Asia exc. Ch	53.3	52.6	53.5	55.2	55.1	55.7	55.9	55	52.7
China	50.4	51.5	52.9	52.7	52.5	52.7	52.5	54	51.2
Australia	47.9	46.0	47.1	49.1	53.1	54.4	53.6	52.5	51.2
India	58.4	56.9	59.0	61.8	60.6	61.2	60.8	60.2	60.5
Japan	51.6	50.8	51.5	53.1	52.9	54.1	54.3	53.8	49.4

Source: Bloomberg CEIC and ttb analytics.

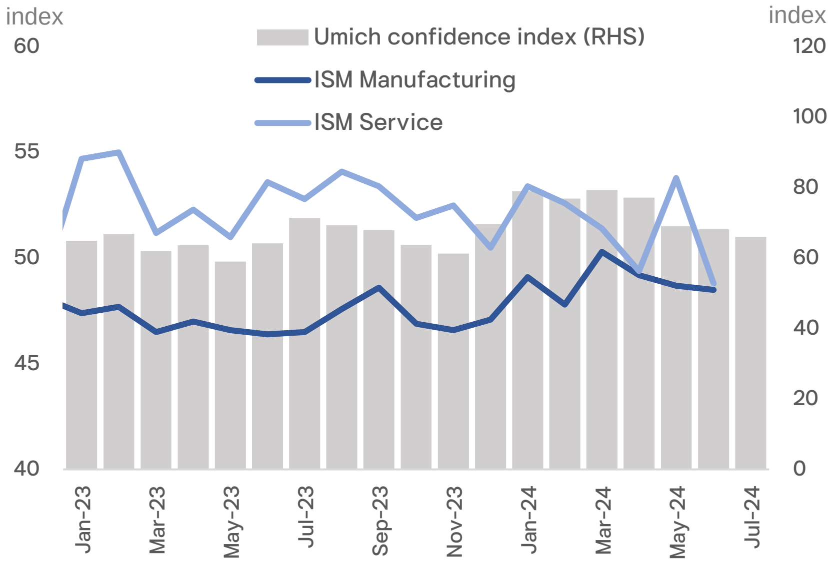
- The global economy is showing increasing signs of a slowdown, particularly in the US and Eurozone, where recent data fell short of expectations.
- Meanwhile, global inflation has slightly eased but remains persistently above 2%, which is the average target for central banks. Given the recent trends in price pressures, major central banks are expected to begin easing their policies by the end of the third quarter this year
- According to PMI data, which serve as economic outlook proxies, global PMIs showed some additional weakness in June but remained generally strong, indicating a slight slowdown in both the manufacturing and services sectors. However, certain aspects raise concerns, such as the renewed weakness in European data. The softness in the Chinese services PMI and the significant drop-in US services are particularly notable.

US economy showed more signs of economic slowdown

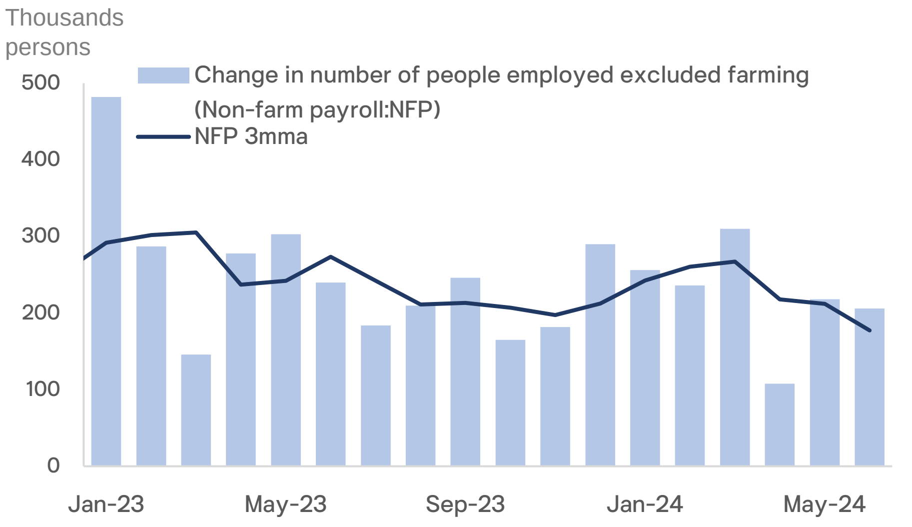
GDP contribution



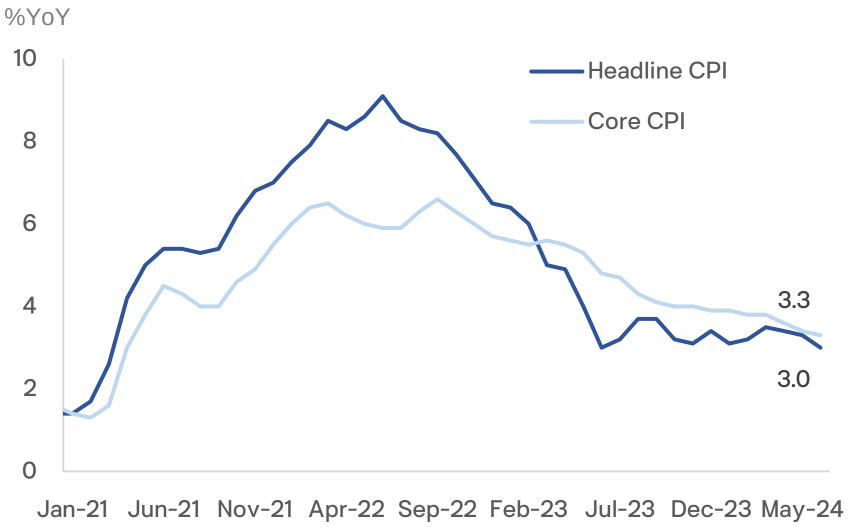
US ISM and confidence index



US employment (Non-farm payroll)



US Consumer Price Index (CPI)

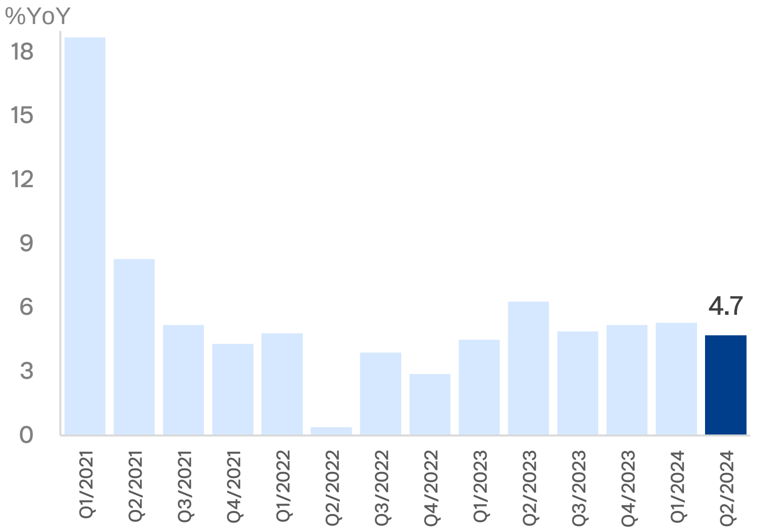


- The Q1 GDP growth estimate was revised up by 0.1 percentage points to 1.4% qoq saar, reflecting higher business investment, inventories, and net exports, despite weaker consumer spending.
- Recent soft data confirmed the economic slowdown trend, with consumer sentiment falling from 68.2 to 66.0. Additionally, the ISM's manufacturing and service indices dropped below 50.
- Nonfarm payrolls increased by 206k in June, though this follows significant downward revisions to May's figures. The unemployment rate rose to 4.1%, indicating longer periods of unemployment. May's JOLTS data showed similar trends.
- CPI and core CPI slowdown both annual and monthly basis, with the slowest pace since 2021. Shelter inflation slowed sharply toward pre-pandemic norms and car insurance inflation continued to moderate.

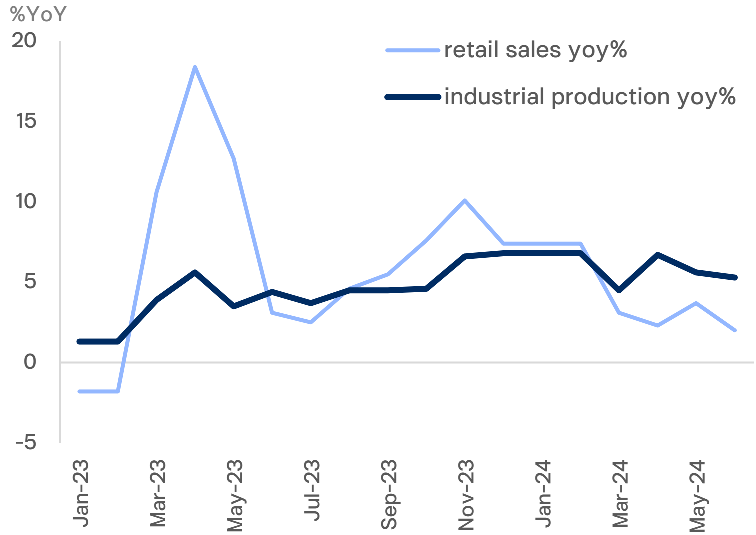
Source: Bloomberg, CEIC, ttb analytics (Data as of 15 July 24)

China's economic recovery remained stalled, as confirmed by the recent Q2 data

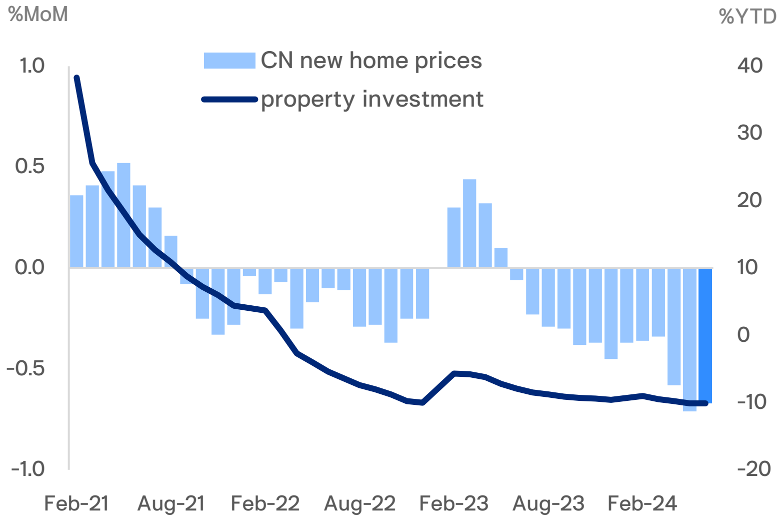
China quarterly GDP growth



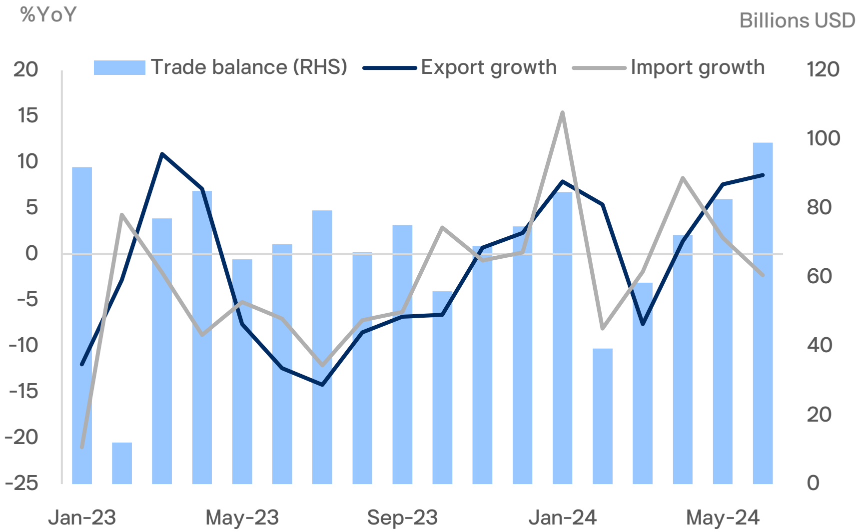
Retail sales and industrial production



Real estate sector



Export and import growth, trade balance



- China's Q2 GDP growth missed expectations, with mixed June data highlighting significant sector disparities. Real GDP rose by 0.7% quarter-over-quarter, but annual growth slowed to 4.7%, down from 5.3% in Q1.
- Retail sales growth in June fell short of expectations at 2.0%, with goods sales growth halving to 1.5% due to weak demand, oversupply, and fierce price competition.
- The real estate market continued to struggle, with housing activity contracting at a double-digit rate despite the boost from government measures.
- Industrial production stayed strong due to robust external demand and exports. Although IP growth slowed to 5.3% year-over-year in June from 5.6% previously, it surpassed the expected 5.0%. The slowdown was mainly due to property-related factors.
- China's export growth exceeded market expectations for a third straight month. In contrast, China's imports were contracted for the third time in H1. Although the EU's new tariffs on Chinese EVs began in July, their impact on exports and growth should be limited due to the small export share.

Source: Bloomberg CEIC and ttb analytics.

Recent economic data provide a clearer outlook for global policy rates

Latest monetary policy development

DM

- The market expects at least two rate cuts this year due to slower inflation and a cooling labor market, while Chair Powell's recent comments have been dovish.
- The ECB maintained its policy at the July meeting and left its rate guidance unchanged, emphasizing that there is no set path for future rate changes.
- The market anticipates the BOJ will raise rates again by the end of this year, as basic wage growth surged in May, marking the highest base pay increase since 1990. The central bank is likely to disclose details of bond buying at the upcoming meeting.
- The BoE is likely to delay the easing cycle until the fourth quarter, as inflation remains stable at 2%, exceeding forecasts, even though recent economic data has been better than anticipated.

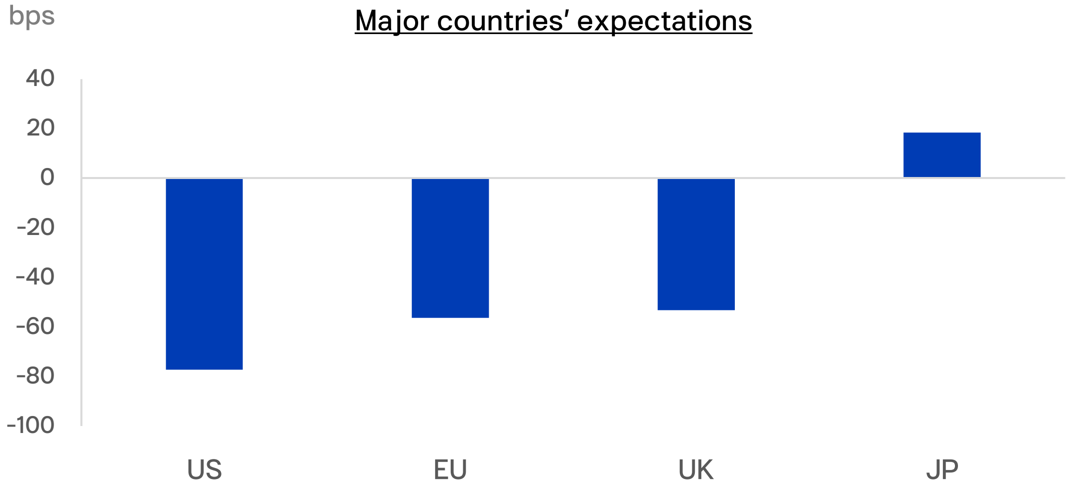
EM

- The PBOC cut the one-year loan prime rate to 3.35% and the five-year rate to 3.85%. Furthermore, The PBOC is implementing measures to exert greater control over China's interest rate curve.
- The Fed's easing cycle is expected to impact emerging markets, signaling potential for earlier rate cuts. However, with lower policy rates, the criteria for easing remain high and are primarily influenced by domestic factors.

Source: Bloomberg CEIC and ttb analytics.

policy rate cut expectation in 2024

Major countries' expectations



Note: Implied OIS rate, contract Dec 24 – current policy rate (As of 17 July 2024)

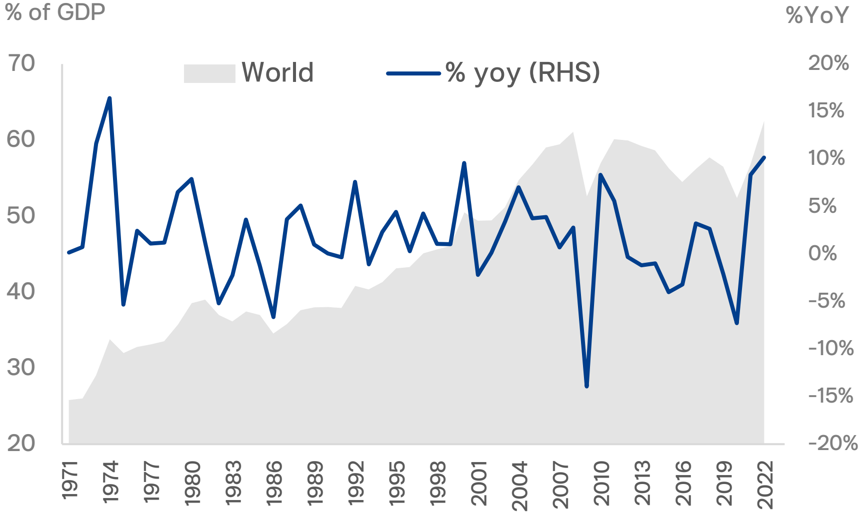
Asian countries' expectations

Regions	Country/Region	Current Policy Rate	Changes in policy rate during Fed hiked (bps)	Forecast policy rate at the end of 2024 (%)
Asia	Malaysia	3%	125	3.0
	South Korea	3.5%	300	3.2
	Indonesia	6.25%	275	6.1
	India	6.5%	250	6.2
	Philippines	6.5%	450	6.2
	Taiwan	2%	87.5	2.0
	China	2.5%	-45	
	Vietnam	4.5%	50	4.5

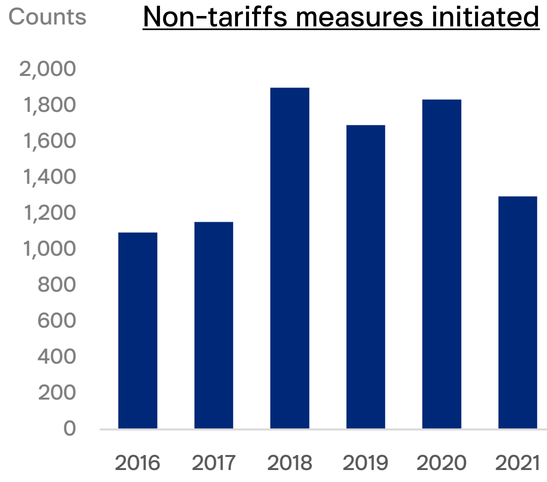
Note: Forecast policy rate at year-end using Bloomberg Economics forecasts (As of 17 July 2024)

Trade war: Risks are tilted towards further escalation

Trade (% of GDP)



Global tariffs and Non-tariffs measures

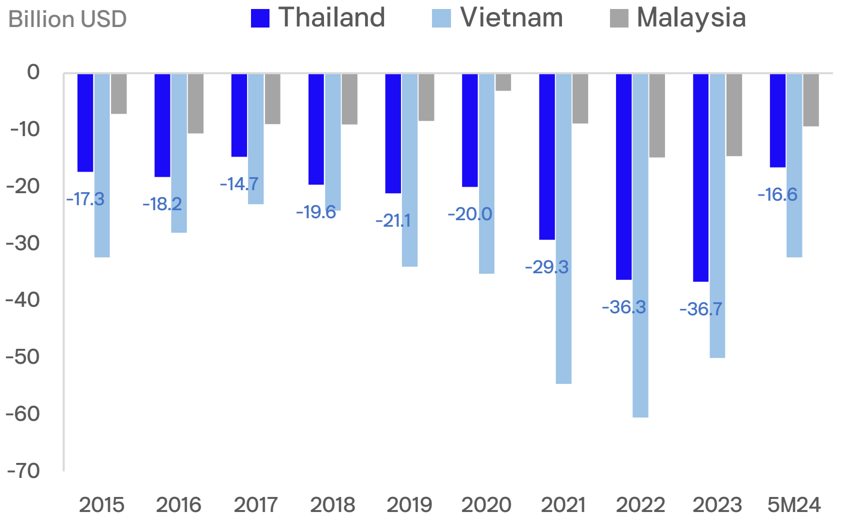


Average trade-war tariffs

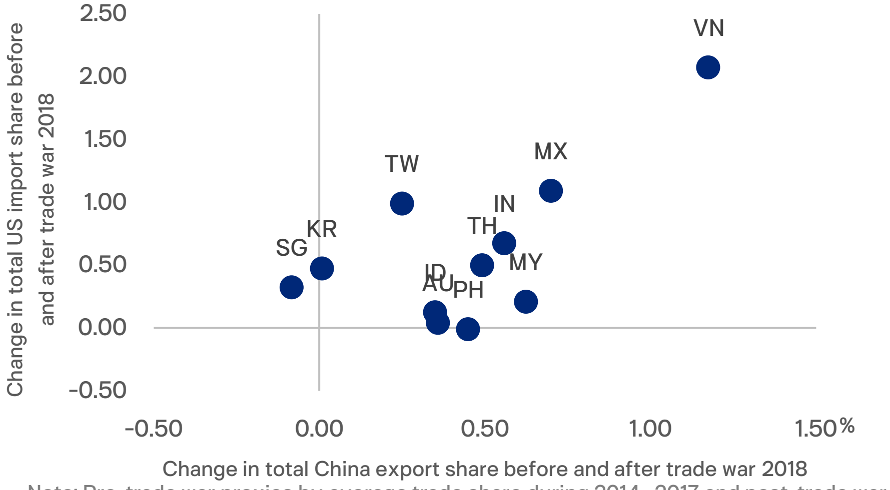
	Pre-trade war	Post - trade war
CN to US	8%	21.8%
US to CN	3.2%	21.0%
CN to RoW	8%	6.9%
US to RoW	2.2%	3.0%

Note: Import-related NTMs are proxied by MAST chapter A-D. Intervention IDs might be duplicated as they are counted once for each country. Post-trade war tariffs are the average peak rate before Phase one agreement.

TH trade balance with China



US – China Trade diversion



Note: Pre-trade war proxies by average trade share during 2014 -2017 and post-trade war proxies by average trade share during 201-2023

- The risk of a US-China trade war is rising due to Trump's tariff campaign, recent US tariff hikes on Chinese exports, and the EU's June tariff announcement on Chinese electric vehicles.
- Global trade tends to slow during the trade war period and global economic crisis. Both tariffs and non-tariffs increased during the past tension. Despite the rise in tariffs for countries other than China being generally limited, the tariffs were not exclusive to China
- Asian countries partially benefited from the last round of the US-China trade war due to increased US import substitution and companies relocating out of China to avoid high tariffs.
- Considering the products targeted in the current round of the trade war, Thailand may gain only limited benefits and could face the risk of China flooding the market with cheap goods

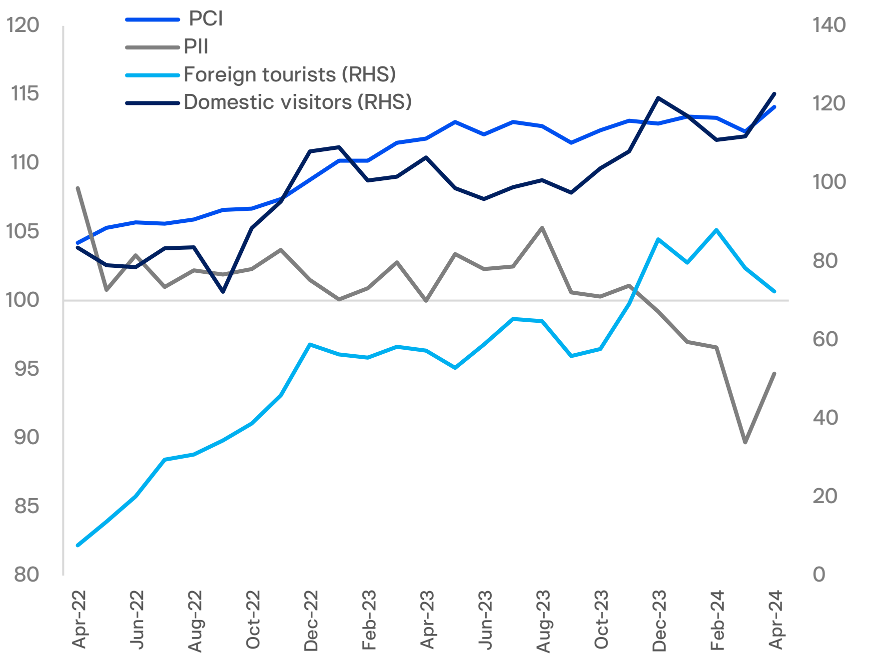
Source: Bloomberg, World Bank, Trade Map ,PIIE, Global Trade Alert and ttb analytics.

PART 2

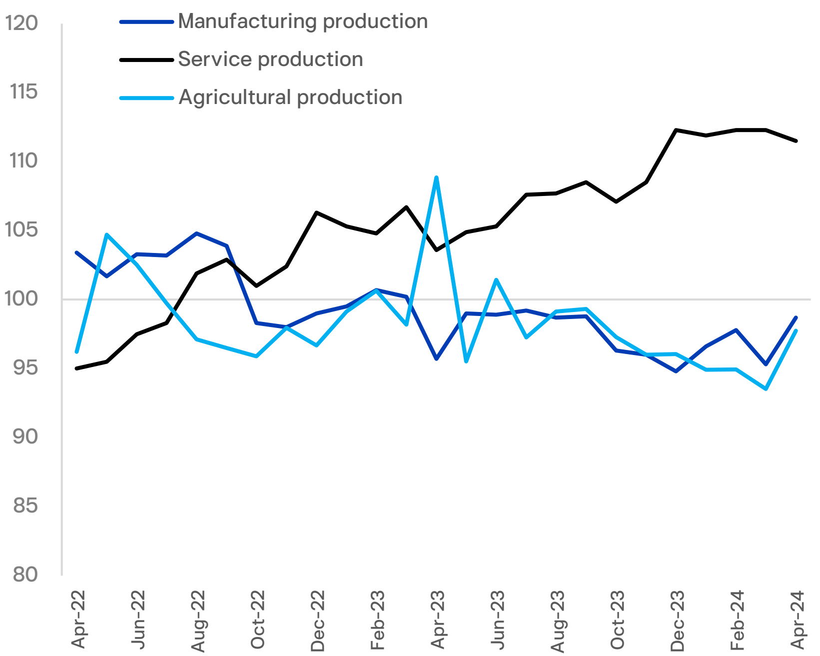
Thai Economy

In May 24, overall economic recovery showing a sign of slowdown

Demand-side indicators



Supply-side indicators



- In May24, Thai economy slowed down from a good expansion in the previous month. The slowdown was attributed to decreased exports of goods, manufacturing production and private investment.
- Nonetheless, activities in tourism sector continued to increase from the previous month together with a slight increase in private consumption.
- On the economic stability front, the headline inflation slightly decelerated due to the end of impact from the low base price, while trade balance turned positive for the first time in this year.

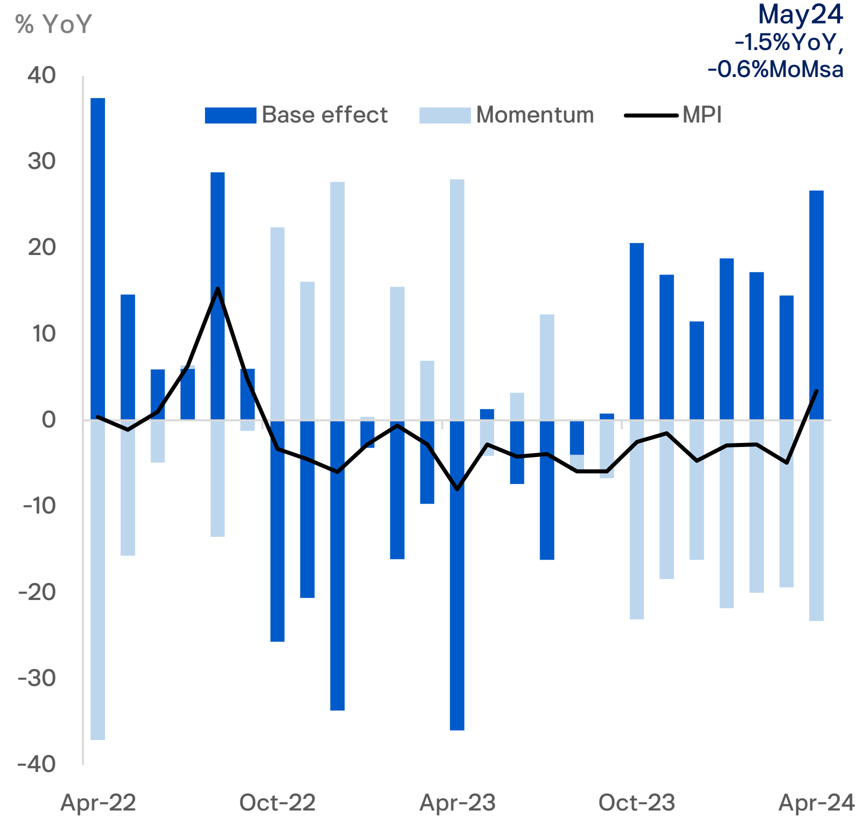
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Authorized Capital of Newly Registered Companies (Million Baht)	163.3	227.7	95.3	141.9	138.3	156.1	144.9	89.5	146.0	116.6	126.7	155.3	124.0
Construction Areas Permitted (1000 sq. m)	98.2	102.5	115.2	96.4	125.4	98.7	102.3	104.6	122.4	113.1	121.7	96.5	107.7
Export Volume index (exclude Gold)	110.1	113.4	109.8	107.1	112.5	110.5	109.7	109.8	110.3	106.4	108.9	114.2	112.3
Business Sentiment Index (3 months)	108.2	108.1	106.2	105.3	105.9	104.4	101.8	102.4	102.4	102.1	103.9	102.1	104.4
SET index	101.3	99.3	102.8	103.4	97.2	91.3	91.2	93.5	90.1	90.5	91.0	90.3	88.9
Oil Price Inverse Index (Dubai)	1.3	1.3	1.3	1.2	1.1	1.1	1.2	1.3	1.3	1.2	1.2	1.1	1.2

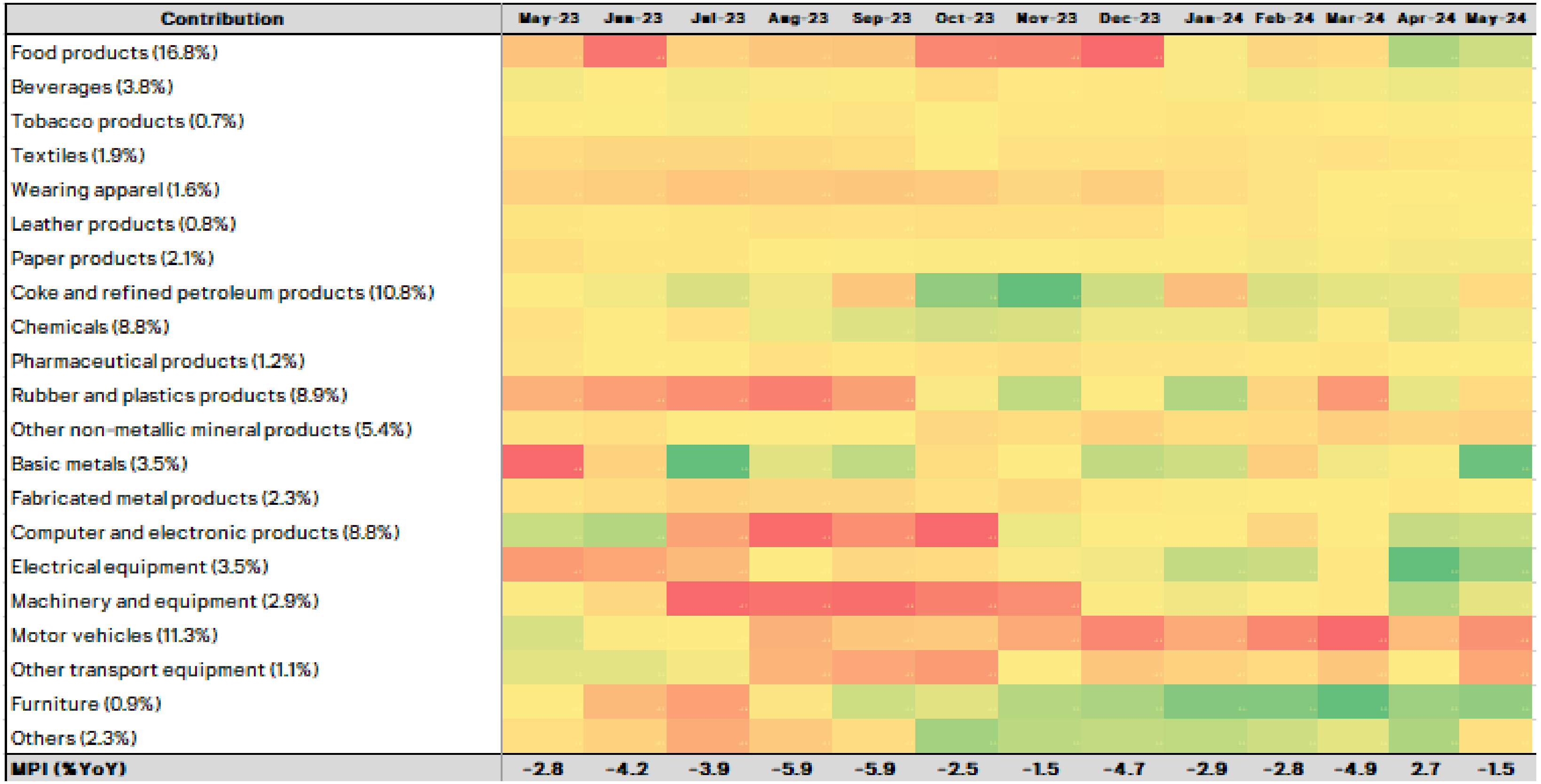
Source: Bank of Thailand and ttb analytics.

Manufacturing production declined in several categories

Manufacturing Production Index (MPI)



MPI by sector (base year 2021)



- As of May24, Manufacturing Production Index (MPI) contracted at 1.5%YoY, compared to the month earlier at 2.7%YoY expansion. The major attribution was in several categories, particularly in 1) petroleum due to a temporary shutdown of a refinery for maintenance, 2) automotive, especially production of commercial vehicles, and 3) electrical appliances, which were in line with lower exports of electrical appliances after a good expansion in the preceding periods. However, production in some categories increased from the preceding month such as food and beverages from higher production of palm oil and animal feed.

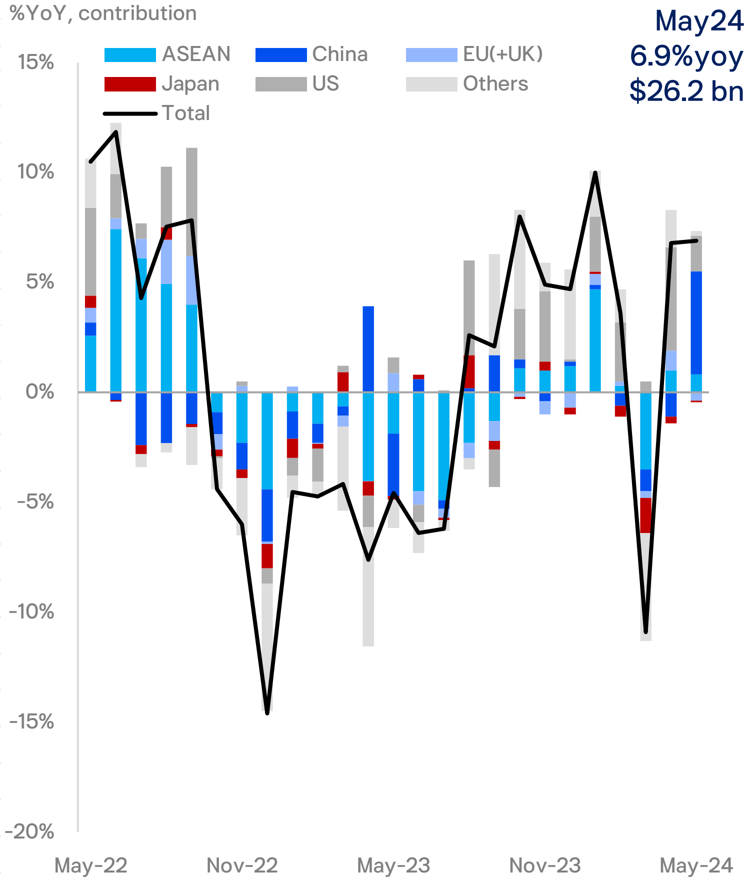
Source: BOT, The Office of Industrial Economics and ttb analytics.

Merchandised export maintained growth momentum in May

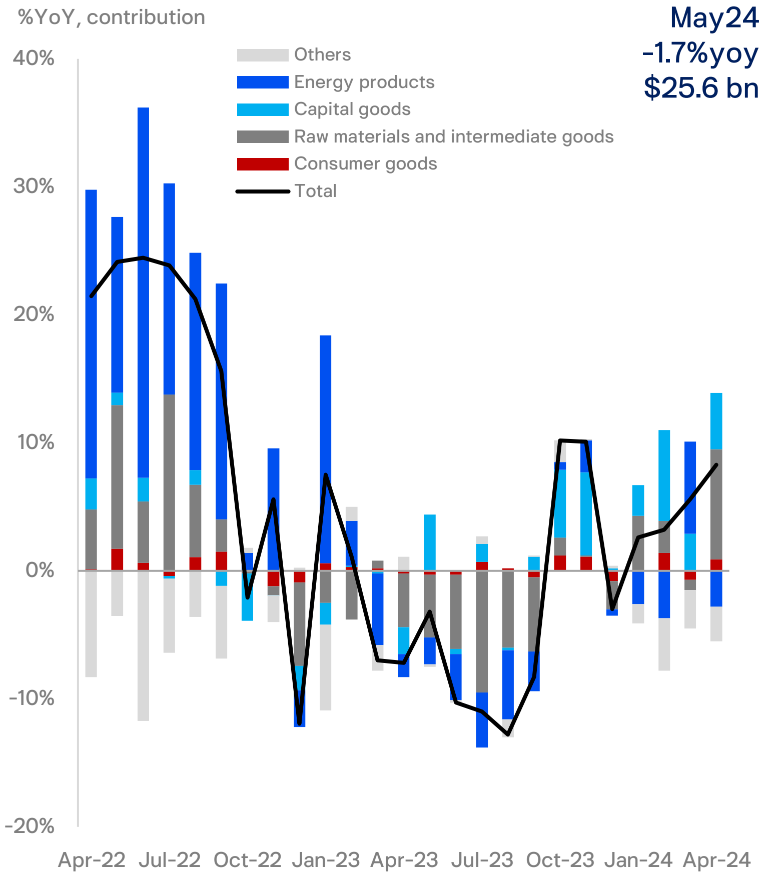
Exports value by product and destination*

Unit: %YoY

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Agri-agro products													
Rice	84.7%	-15.0%	18.8%	10.8%	51.4%	37.7%	67.9%	27.4%	45.9%	53.6%	30.6%	91.5%	-4.5%
Rubber	-37.2%	-43.0%	-37.8%	-32.9%	-30.3%	-5.4%	14.5%	13.2%	5.5%	31.7%	36.9%	36.2%	46.6%
Tapioca products	-41.7%	-16.7%	-7.7%	-12.8%	3.7%	4.8%	-12.8%	-51.2%	-27.0%	-20.4%	-16.7%	-9.6%	-17.0%
Fresh, Frozen & Dried vegetable and Fruit	-46.0%	7.4%	3.0%	58.9%	86.8%	27.6%	-12.4%	-13.5%	27.2%	-10.0%	-20.0%	-25.1%	91.9%
Poultry	14.0%	-4.8%	-9.6%	-8.0%	-8.9%	1.5%	-2.6%	0.3%	5.0%	-0.5%	1.2%	12.1%	3.5%
Sugar	43.7%	31.3%	-30.5%	-23.3%	16.0%	-25.4%	-9.9%	43.0%	-16.6%	-35.2%	-45.4%	-10.4%	-44.3%
Animal feeding	-23.8%	-16.1%	-12.3%	-10.6%	-7.9%	0.8%	3.3%	8.5%	9.1%	21.5%	29.6%	52.9%	39.2%
Industrial products													
Motor Cars, Parts, Accessories	10.5%	11.4%	18.8%	24.2%	-0.8%	3.6%	-5.1%	2.1%	-4.7%	-8.2%	-6.7%	13.5%	-8.0%
Computer and parts	-4.8%	-20.1%	-24.2%	-26.9%	-24.3%	-4.1%	10.3%	2.5%	32.2%	24.9%	-11.8%	62.0%	44.5%
HDD	-28.8%	-36.5%	-46.3%	-48.4%	-33.7%	-29.0%	-0.9%	1.9%	39.7%	21.4%	-36.2%	85.2%	30.9%
Integrated Circuits	4.5%	5.3%	3.2%	39.8%	5.0%	-4.6%	-6.6%	3.1%	-1.9%	-13.2%	-18.2%	-9.2%	-11.9%
Air Conditioning Machine	10.1%	-4.9%	-24.7%	-23.4%	-27.6%	-34.2%	-26.1%	-12.2%	-10.5%	-14.3%	-12.7%	12.9%	-7.7%
Refrigerating	17.7%	-5.3%	-27.6%	-8.0%	-12.1%	34.7%	48.1%	71.0%	30.4%	-0.2%	-13.4%	2.2%	-14.1%
Electronic Machines	5.5%	0.2%	2.5%	9.3%	-4.7%	5.5%	10.9%	0.5%	18.0%	12.5%	-8.4%	25.5%	22.9%
Plastic pallet	-21.4%	-22.3%	-15.8%	-9.9%	-5.3%	3.1%	-10.7%	0.0%	-0.3%	-2.7%	-13.7%	0.5%	-0.4%
Chemical Products	-4.9%	-14.3%	-30.5%	-11.1%	-18.1%	-10.6%	-0.6%	-6.5%	-1.6%	-14.2%	-10.9%	16.4%	-3.2%
Machinery & Parts	-7.6%	0.2%	6.0%	6.4%	4.1%	7.8%	15.3%	2.9%	7.6%	-2.5%	1.3%	58.8%	12.4%
Rubber Products	-6.4%	-7.0%	-6.2%	-4.7%	-5.5%	0.1%	0.7%	3.9%	3.7%	-4.1%	-6.9%	1.5%	-8.7%
Refined oil	-41.8%	-26.1%	-38.0%	21.2%	27.3%	65.1%	55.4%	42.6%	5.3%	-9.6%	-6.1%	-21.2%	-0.5%
Jewelry ex gold	5.0%	31.2%	-2.8%	-10.4%	27.2%	8.7%	2.9%	6.8%	21.5%	6.5%	-3.1%	8.2%	3.9%
Total export	-4.2%	-4.2%	-6.2%	2.6%	2.1%	8.0%	4.9%	4.7%	10.0%	3.6%	-10.9%	6.8%	6.9%



Imports value by groups*

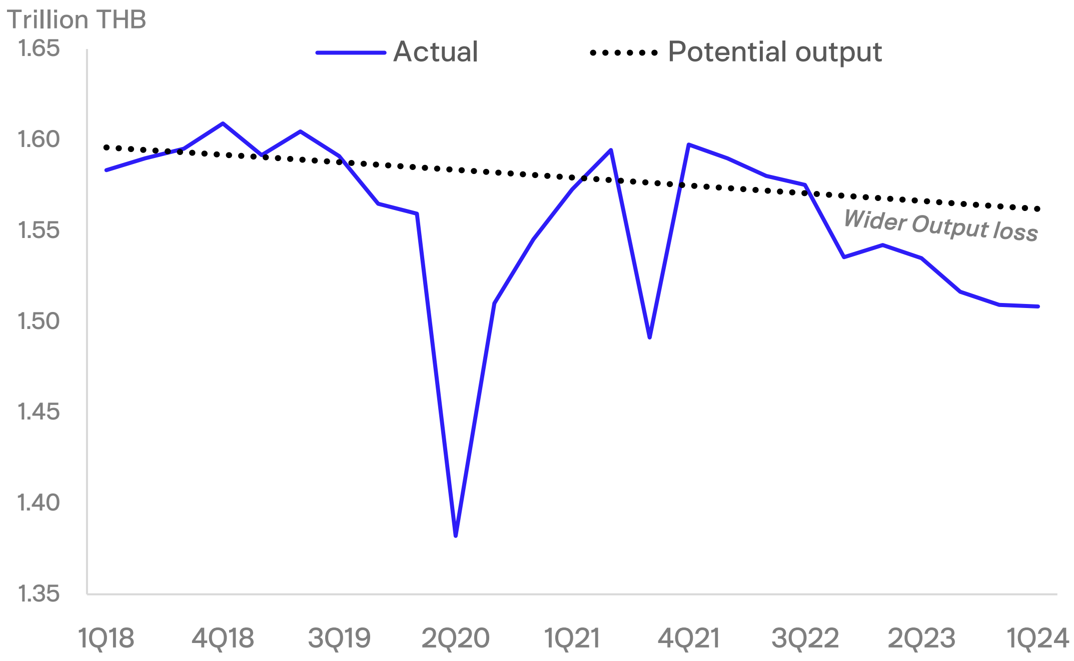


- Export value in May24 rose 6.9%YoY, compared to previous month of 6.8%YoY. A significant driving force behind this expansion was the export of agricultural products, as this period saw a substantial market influx of these goods due to the delay in crop production. In addition, major industrial products improved remarkably such as computers and equipment, HDD, electronic machine and air conditioners. Besides, export to primary destination (e.g., US, China, CLMV) also increased. On the other hand, import value also dropped slightly after 4-month-expansion which was mainly attributed to the growth of capital goods, which resulting in a trade surplus of USD 656 million.

Source: Ministry of Commerce and ttb analytics Remark: Custom basis

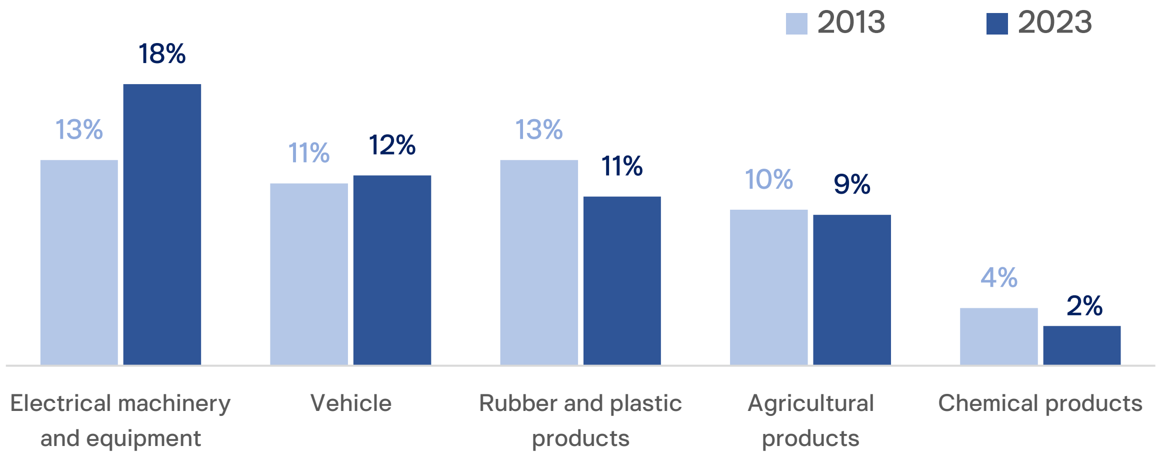
In long-term, Thailand export under pressure due to structural headwinds

Industrial and manufacturing production*

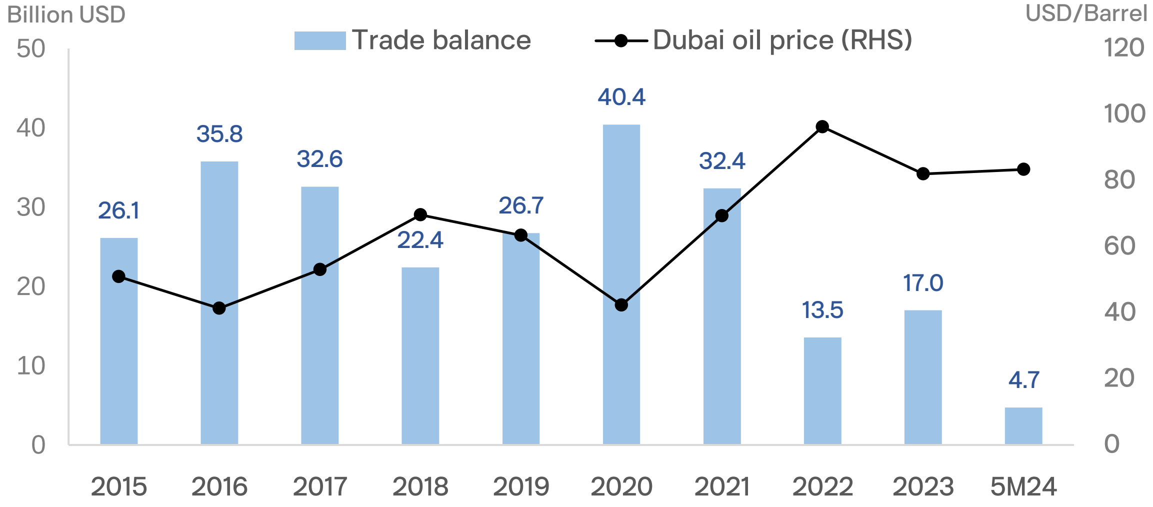


- Structural headwinds in manufacturing sector expected to weigh on the long-term trend of the export sectors such as lower productivity, being as low-value added production hub (HDD, ICE automotive, agricultural products).
- On the other hand, China's trade could take advantage from the accelerated cultivation of new quality productive forces and further release of trade stabilization policy effects are expected to provide a solid foundation for sustaining export growth to ASEAN including Thailand

Major exporting product share of total export, 2013 and 2023



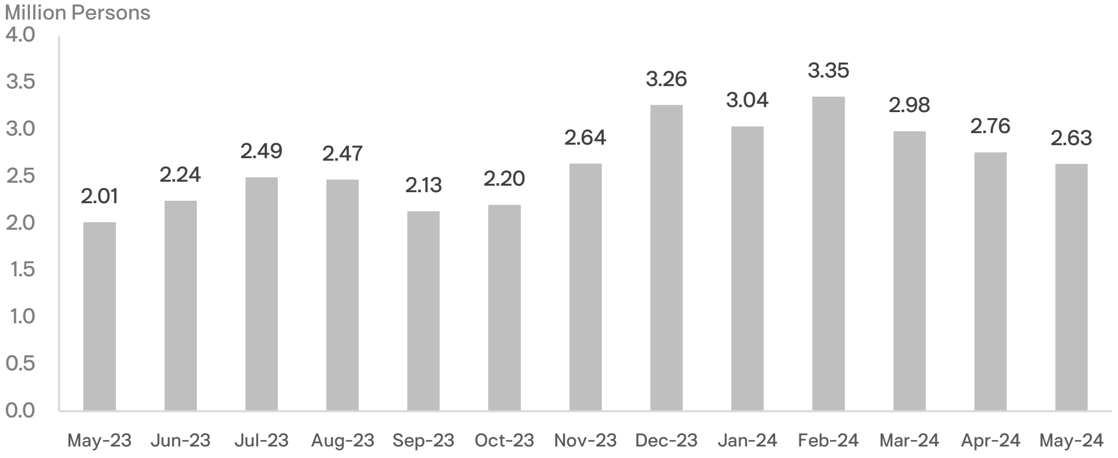
Thailand's trade balance (BOP) and oil price

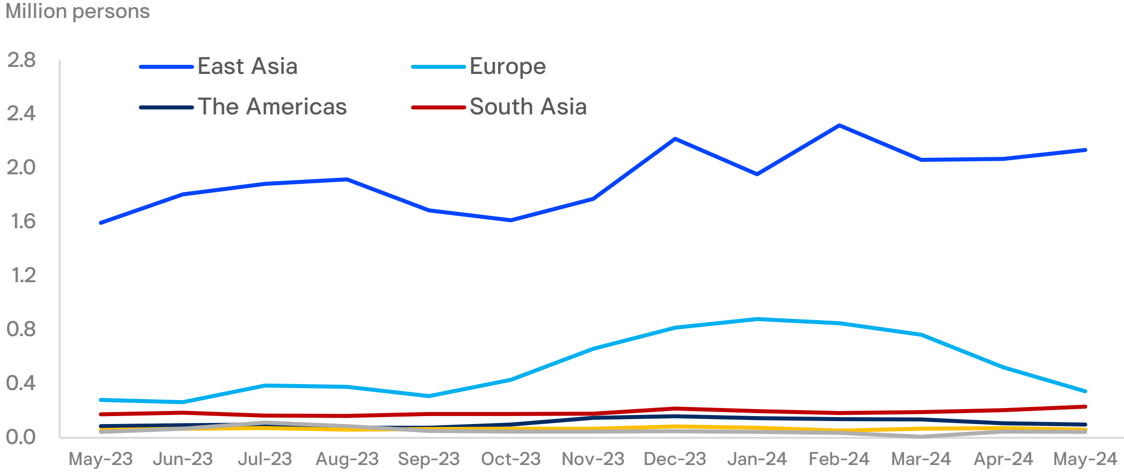


Source: NESDC, BOT, Bloomberg, Trade Map and ttb analytics
Remark: 1/ potential output calculated using 2018-2019 data (production approach)

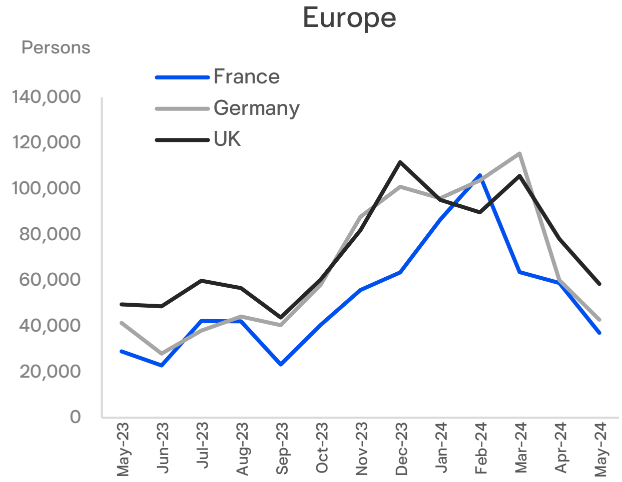
Foreign arrivals declined consecutively in May

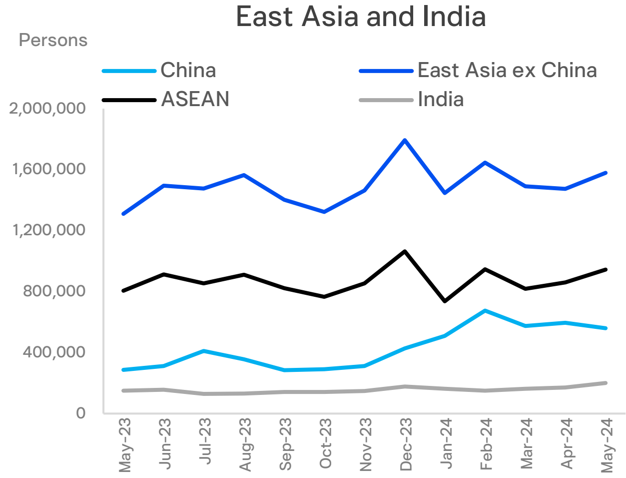
Total Foreign Tourist Inbounds

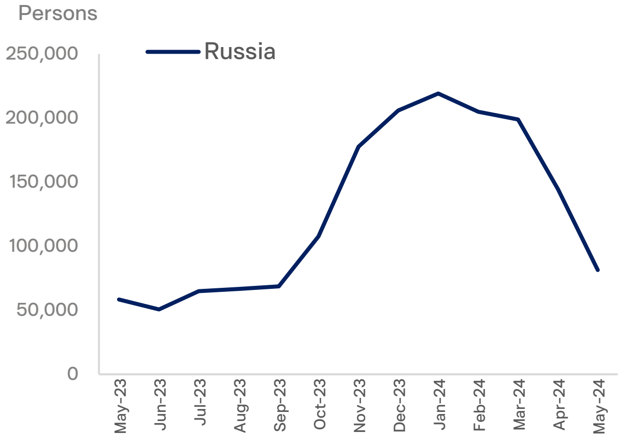


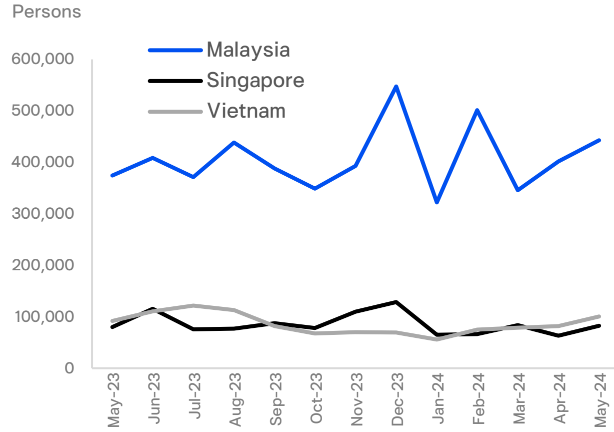


Foreign Tourist Inbounds by key regions







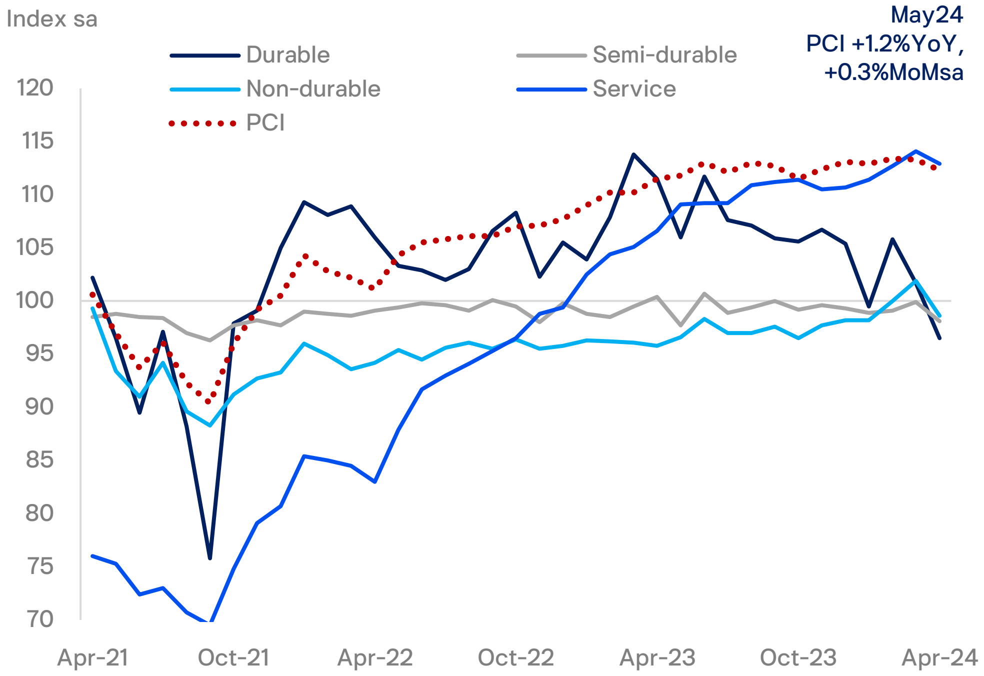


- As of May24, foreign tourist arrivals was at 2.63 million, dropped further for third consecutive month, as mainly from decrease in number of tourists from Europe, Russia, India and China after acceleration in preceding periods, while tourists from short-haul destination such as Malaysia, Singapore and Vietnam slightly increase.

Source: CEIC, TAT Intelligence Center and ttb analytics

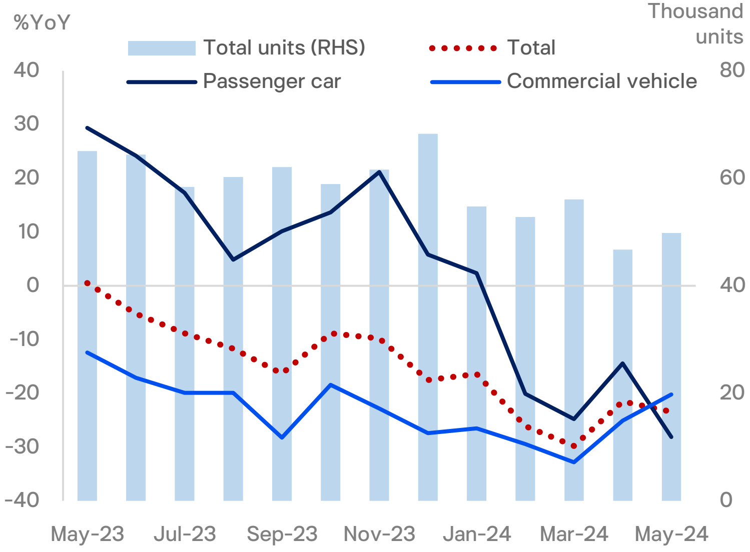
Private consumption indicators remained amid increase in services-related spending

Private Consumption Indicators (SA)

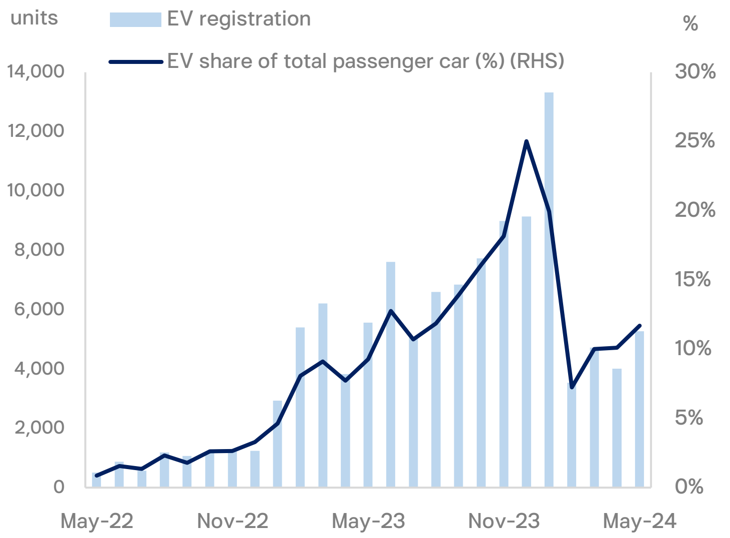


- Private consumption indicators slightly increased from the previous month from spending on services in line with activities in tourism sector. Spending on durables and non-durables remained stable after a good expansion in sales of passenger cars and consumer goods.
- However, consumers' confidence became lower due to higher living costs as fuel prices became higher as well as concerns of a slow economic recovery.

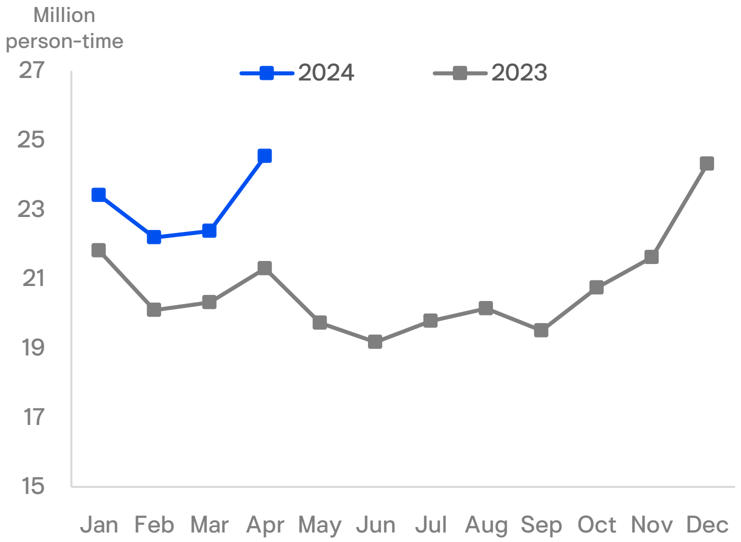
Domestic car sales**



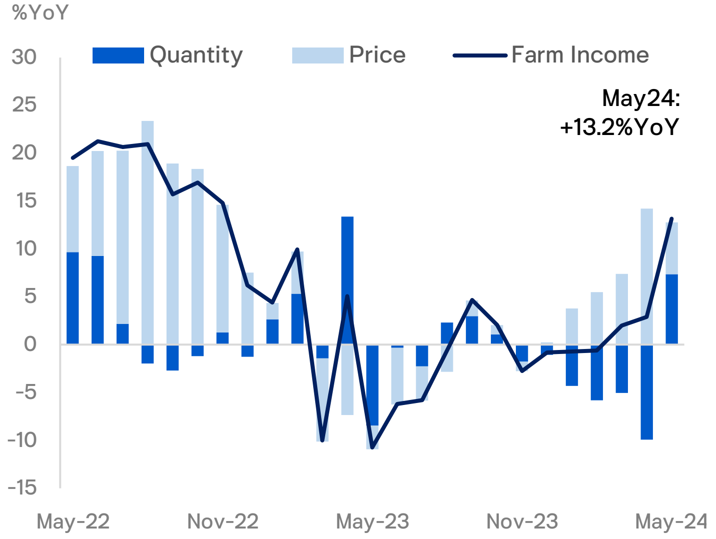
EV new registration



Thai domestic visitors*



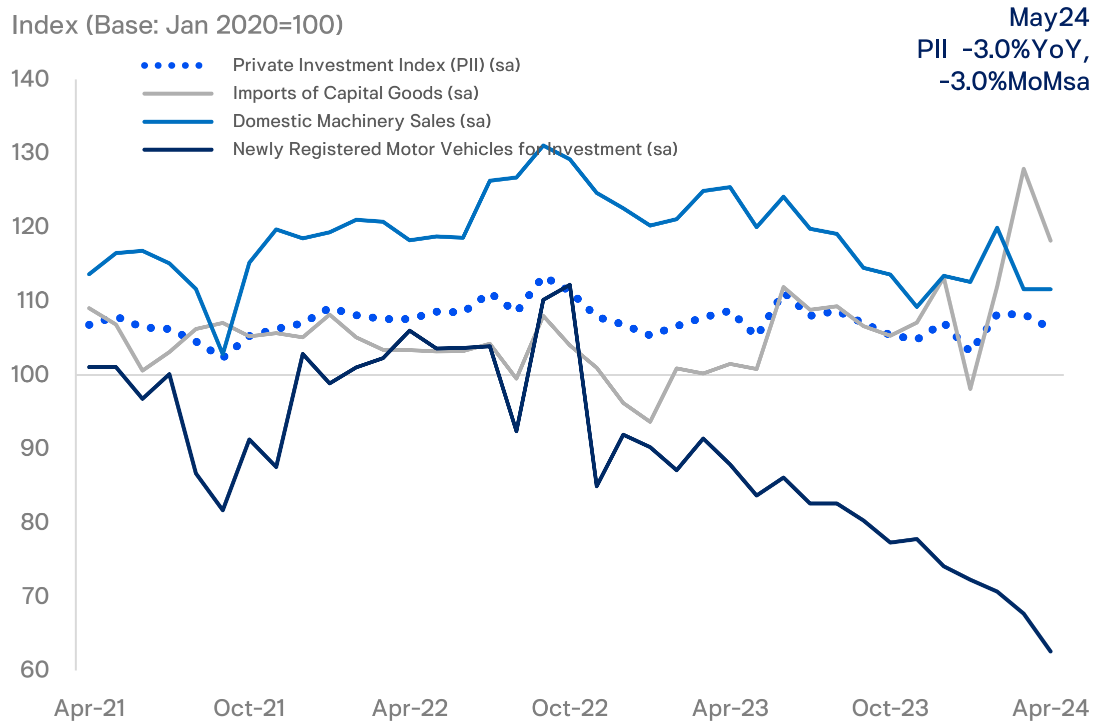
Farm Incomes



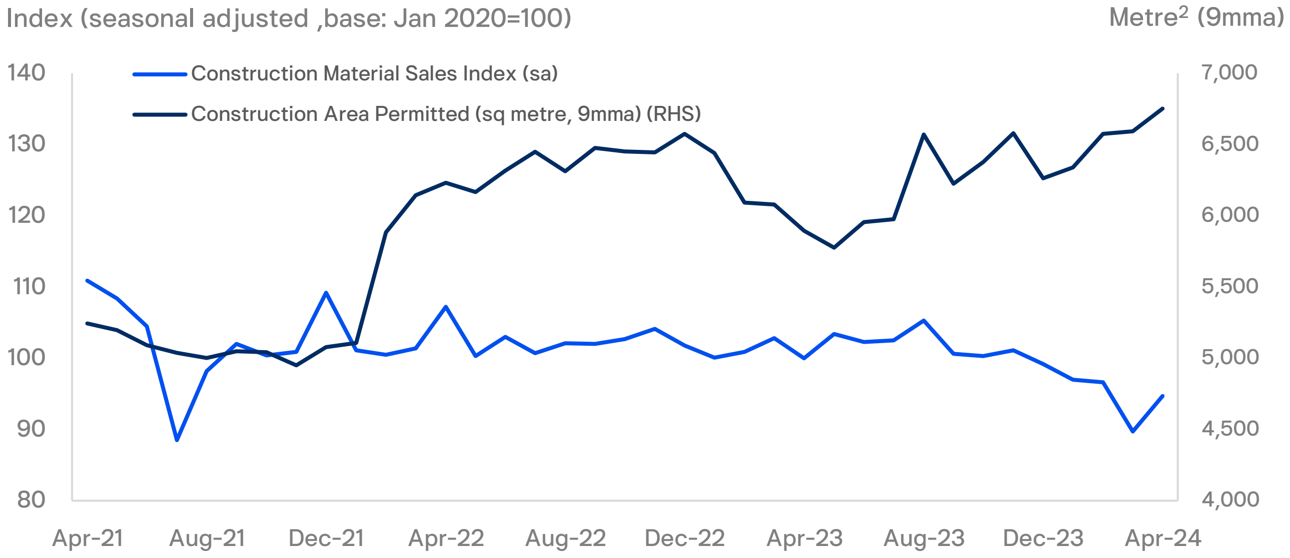
Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics
Remark: *Data not include replication in number of visitors **Vehicle type as report following FTI data

Despite rising in business confidence, private investment declined from most categories

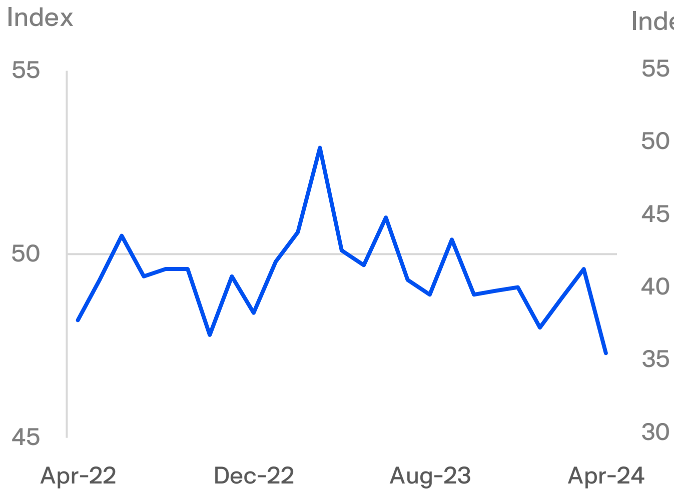
Private Investment Indicators (SA)

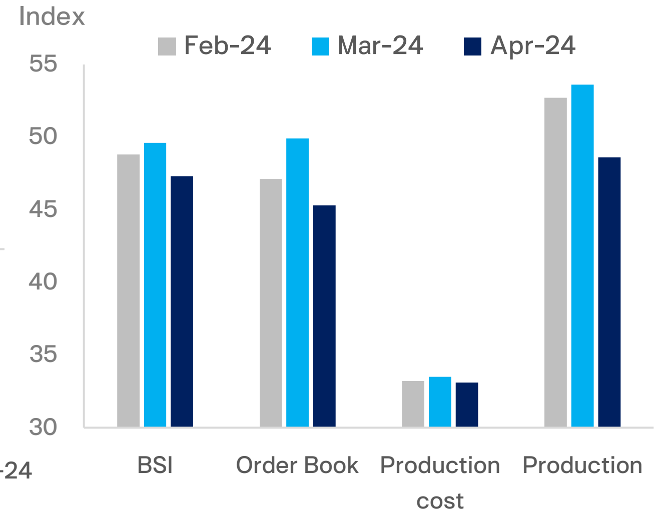


Construction sector (SA)



Business Sentiment Index



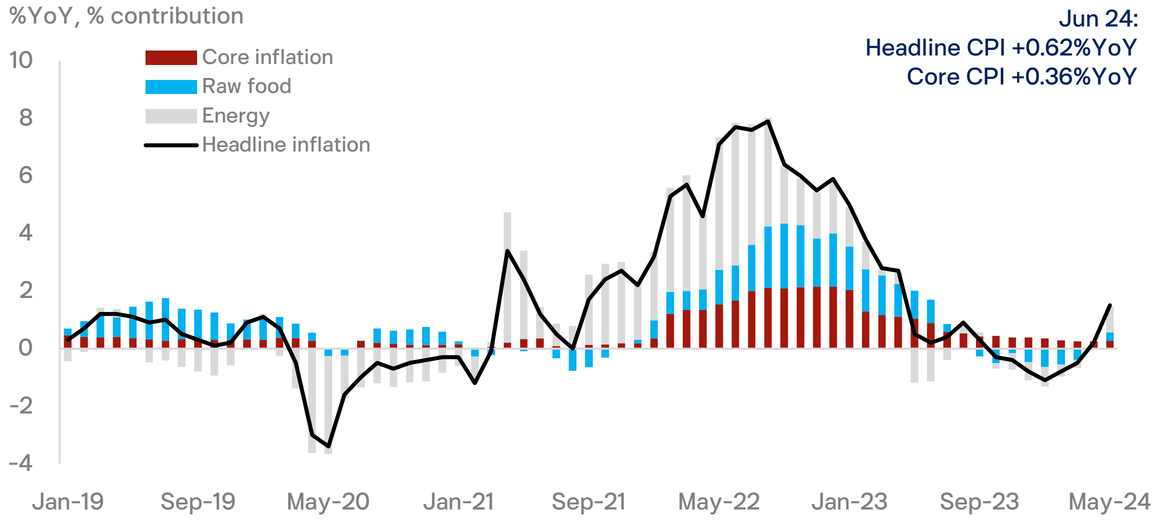


- Private investment indicators decreased from the previous month from both investment in machinery and equipment as well as investment in construction. The decline was due to lower domestic machinery sales and lower imports of computers.
- Permitted area for construction also declined, especially areas for industries and factories. Nevertheless, construction materials sales increased from sanitary wares and tiles.

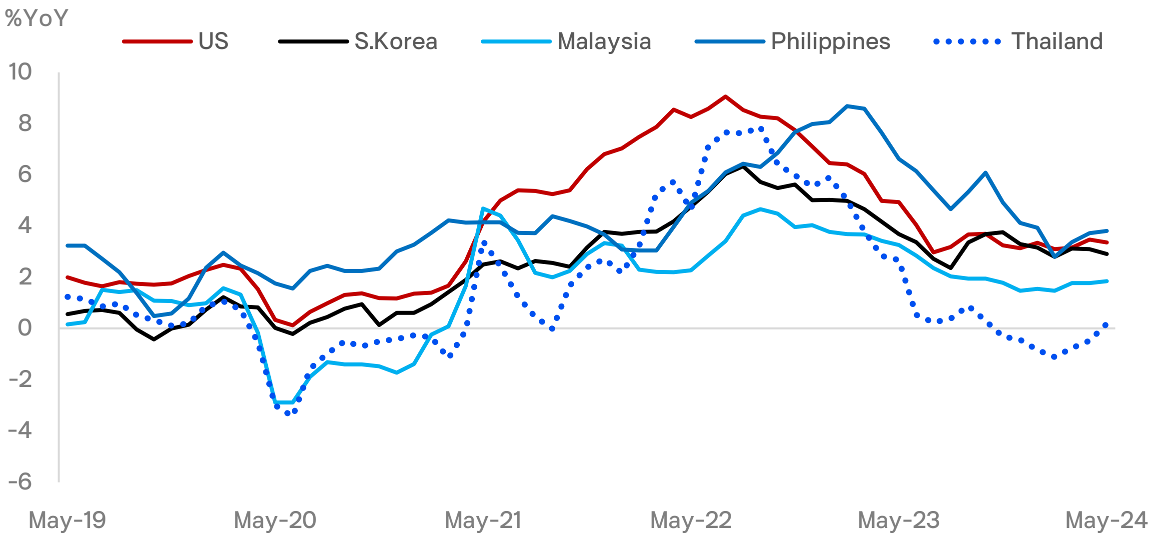
Source: Bank of Thailand and ttb analytics.

June’s headline inflation decelerated considerably from the end of low base-effect, while the core slightly declined

Thailand’s inflation contribution to growth



Headline inflation in Asia countries



Price change in top categories

%YoY

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Headline inflation	0.23	0.38	0.88	0.30	-0.31	-0.44	-0.83	-1.11	-0.77	-0.47	0.19	1.54	0.62
Raw food	3.92	1.37	0.00	-1.30	-2.45	-0.76	-2.30	-3.07	-2.71	-1.91	-0.04	8.42	0.04
Prepared food	3.42	1.88	1.76	1.33	1.44	1.30	1.18	1.02	0.75	0.69	-0.20	1.51	0.19
Poultry	7.27	4.55	1.22	0.86	0.13	1.00	2.83	1.74	0.98	1.16	0.64	0.61	0.67
Eggs and dairy products	8.87	10.41	8.47	6.93	6.70	6.65	6.97	4.85	2.88	3.81	1.27	0.18	-0.52
Meats	-11.29	-13.70	-15.98	-16.47	-17.85	-17.69	-16.32	-15.39	-14.55	-12.32	2.64	3.48	4.07
Utilities	7.26	6.91	6.62	-3.13	-3.15	-3.15	-3.14	-3.13	-3.11	-3.43	-11.29	-8.09	-7.18
Energy	-9.11	-3.12	2.58	1.21	-1.55	-4.52	-5.12	-5.53	-3.33	-2.25	-0.09	7.15	2.43
Core inflation	1.32	0.86	0.79	0.63	0.66	0.58	0.58	0.52	0.43	0.37	0.37	0.39	0.36

- The headline inflation (CPI) rose 0.62%YoY in Jun 24, slightly decelerated from previous month of 1.54%YoY. This was due to the impact from the low base price of electricity, that has ended since last month. Moreover, the prices of fresh food decelerated as weather conditions became favorable for cultivation once the extremely hot season was over. While other goods and services did not have a significant impact on inflation.
- During first half of this year, headline and core inflation stood at 0.00%YoY and 0.41%YoY respectively.

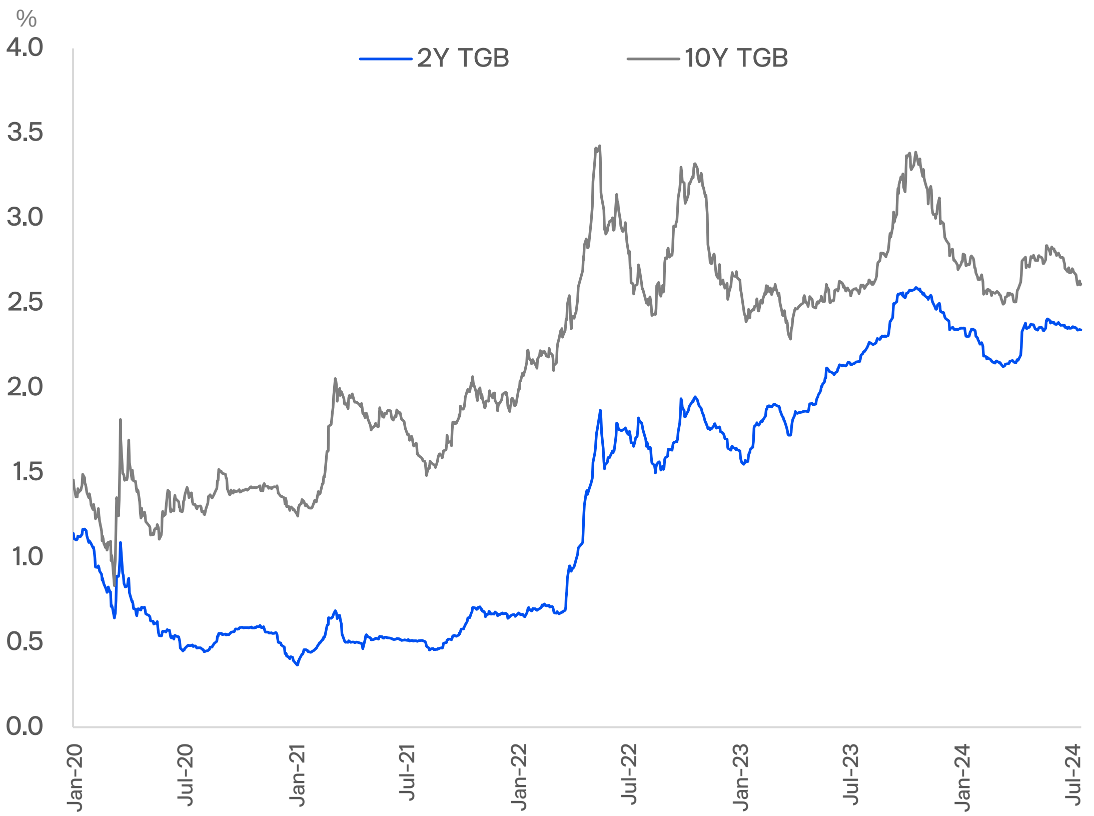
Source: Ministry of Commerce, CEIC and ttb analytics

PART 3

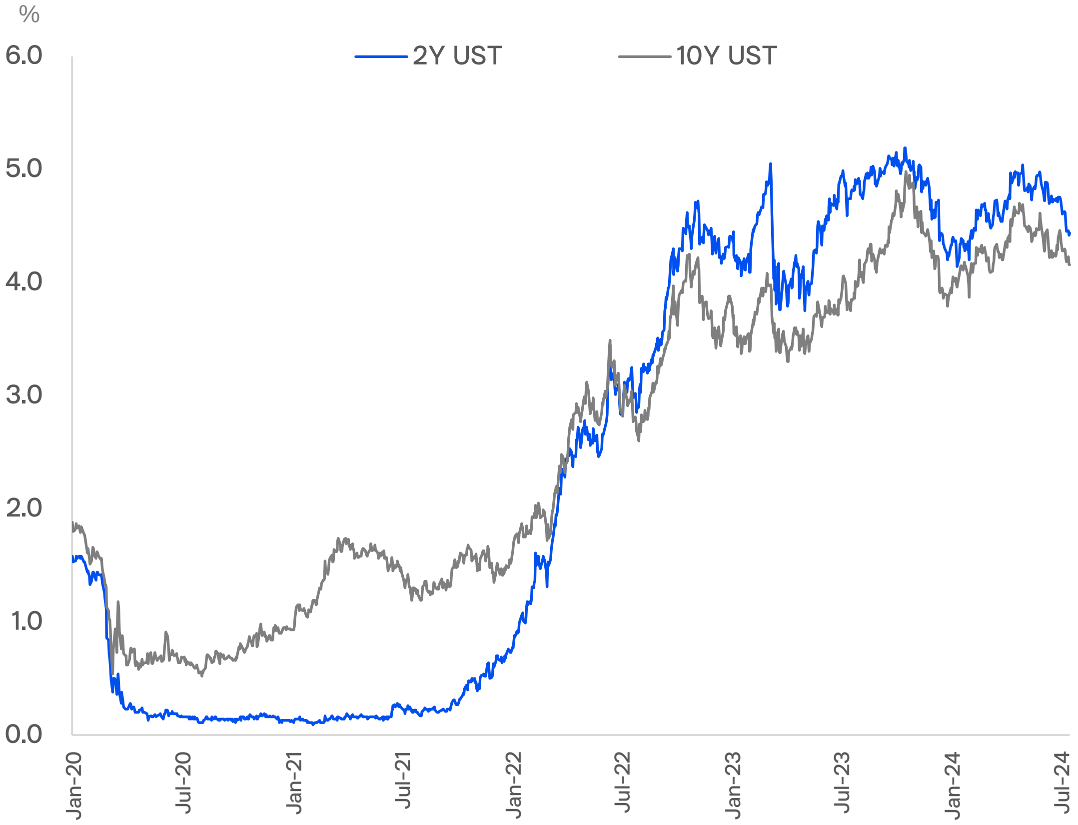
Financial Market

US Treasury yield declined after recent softer than expected US data, while TGB yield relatively flatted

Thailand 2-yr and 10-yr government bond yield



US 2-yr and 10-yr government bond yield

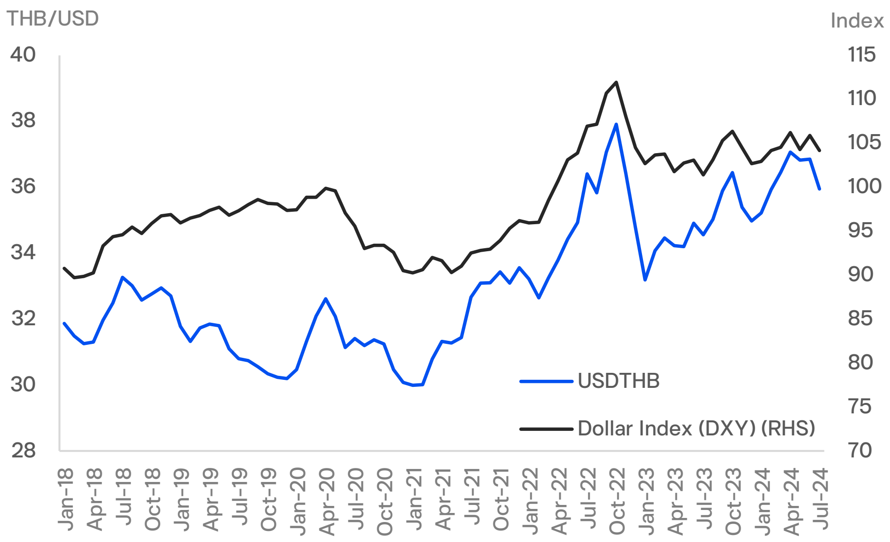


- U.S. government bond yields, particularly the 2-year Treasury yield, fell further due to weaker-than-expected economic data and more dovish Fed expectations. In contrast, Thai government bond yields showed a bull flattening trend, with the 10-year Thai government bond yield aligning with U.S. yields. Conversely, the 2-year Thai government bond yields remained relatively flat.

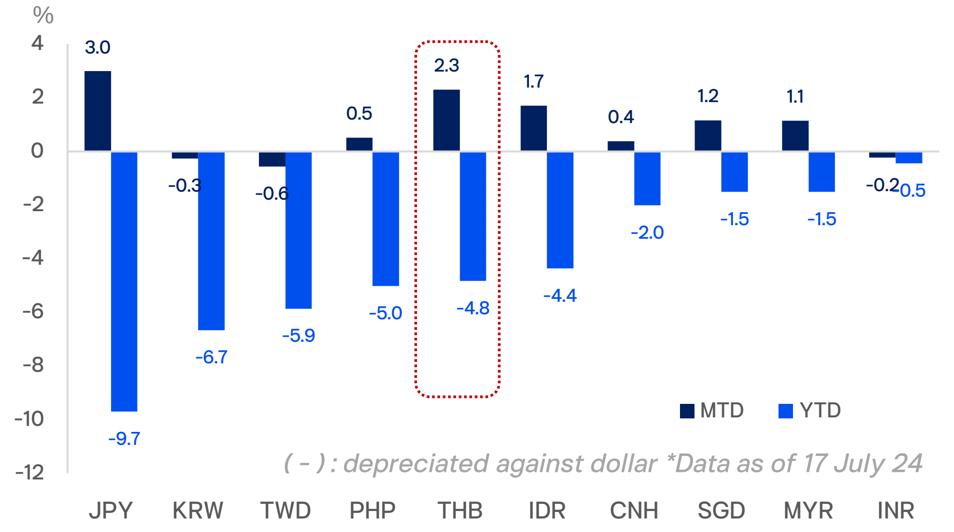
Source: Bloomberg CEIC and ttb analytics (Data as of 19 Jul 24)

Despite no fundamental changes, the Thai baht has strengthened due to the weak dollar

Thai Baht and Dollar Index movement

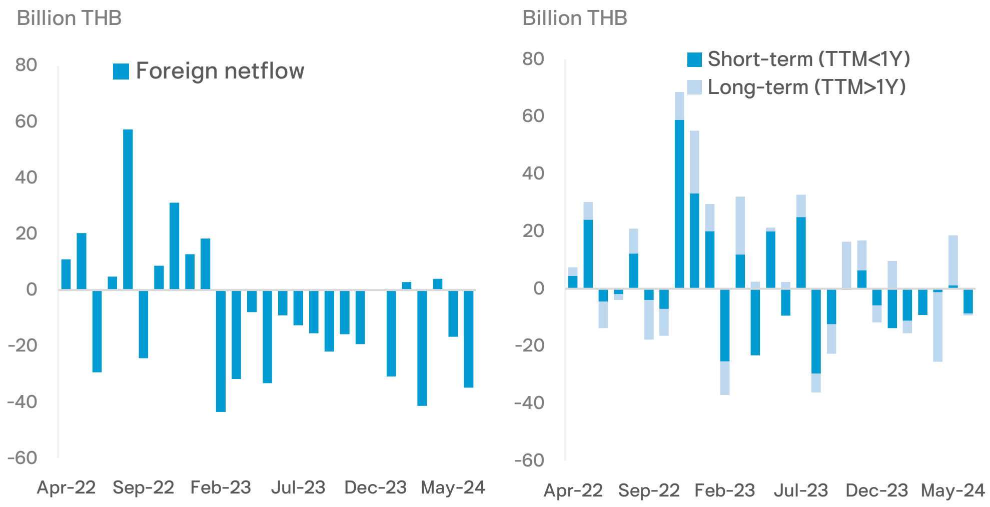


Asian FX spot return against US dollar

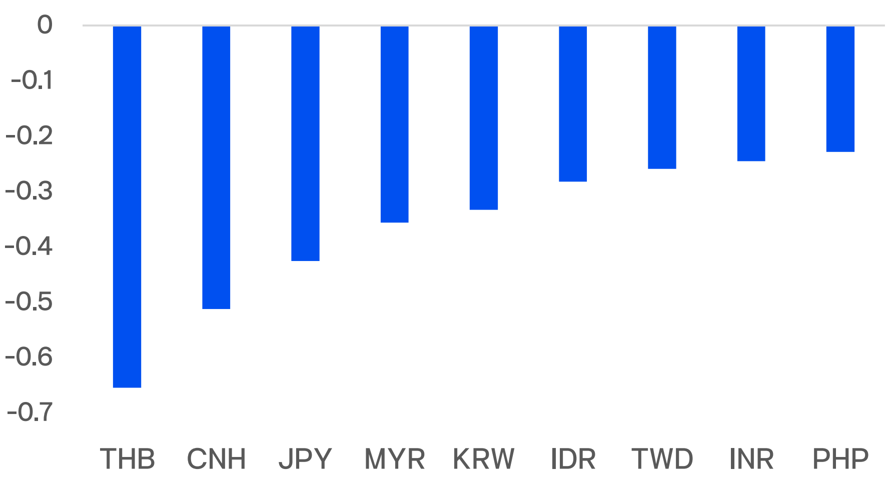


- The dollar keeps depreciating after a series of weaker US economic reports since early June and a more dovish stance from the Fed.
- The Thai baht strengthens and falls to just under 36.00 baht per dollar, partly due to its high sensitivity to global factors and its correlation with gold prices, even though the fundamentals haven't necessarily improved.
- Portfolio flows continue to challenge the currency, as foreign investors remain net sellers of Thai bonds and equities

Foreign portfolio flow in equity and bond markets



FX correlation with gold price

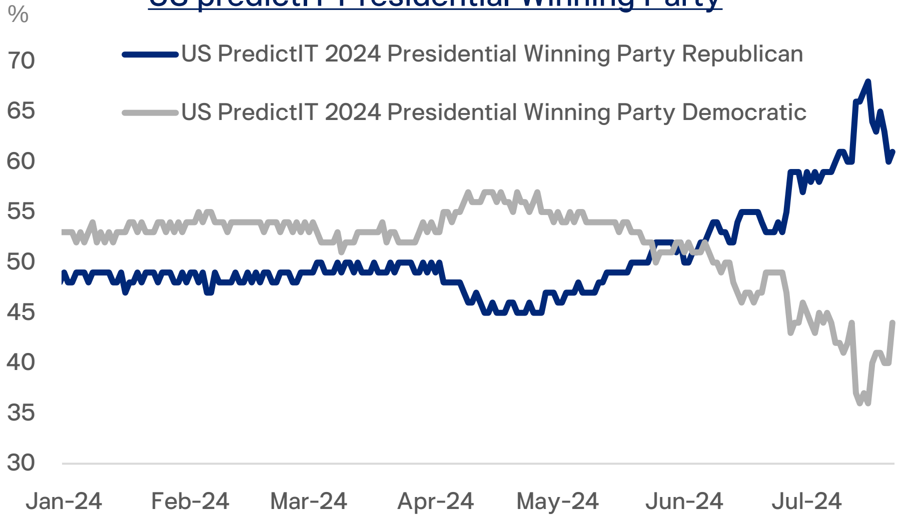


Note: Weekly data during Jan 2021- 17 July 2024 (After COVID-19)

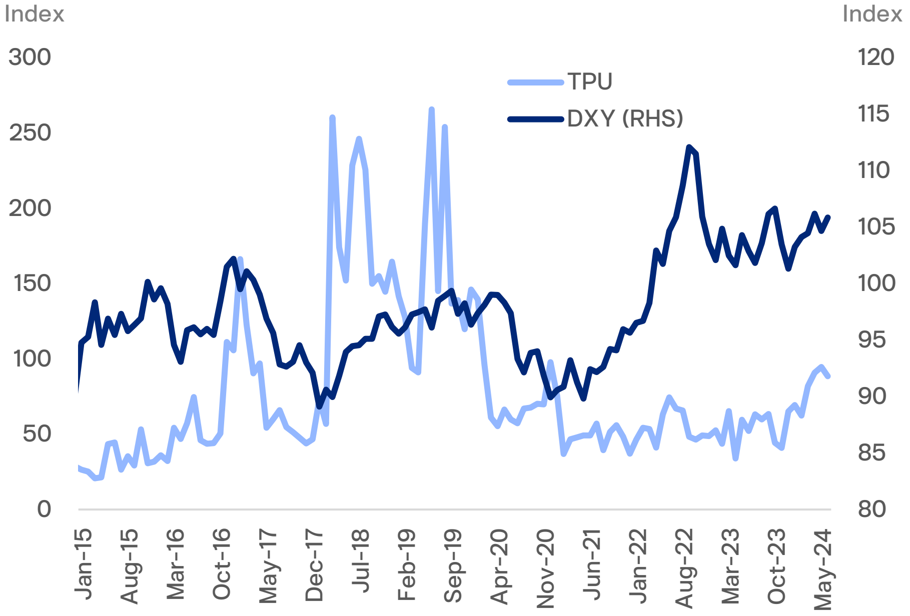
Source: Bloomberg, CEIC and ttb analytics (Data as of 17 July 24)

Asset trends in the upcoming US elections

US predictIT Presidential Winning Party



The Dollar index and Trade Policy Uncertainty (TPU)



Party	Some Policies	FX (USD)	Equity	Bond Yield
Democrat	• Higher corporate taxes • Focus on middle-income • Green energy	Uncertain	Uncertain	Higher yield
Republican (Trump)	• Corporate tax-friendly • Tariff increase • Pro-fossil fuel energy	USD appreciated	Positive to US Equites	Higher yield

Note: Assumptions under either a Democratic or Republican party sweep

- The early election debate and a recent assassination attempt on former President Trump are expected to work in favor of the Republicans in the upcoming 2024 election.
- Financial assets tend to move with the fiscal spending, tax policy and trade policy, especially tariffs. Initially, fiscal expansion from a new government is likely to boost the dollar, equities, and bonds by enhancing economic growth.
  - The dollar would strengthen further due to broader tariffs, particularly against affected currencies.
  - Higher bond yields are more likely with a 'sweep' outcome than with a divided government scenario
  - Equities might additionally benefit from reduced tax rates, and deregulation
- Asset movements may need to account for the Fed's risk from higher inflation due to fiscal boosts and the uncertain effects of geopolitical risks.

Source: Bloomberg, PredictIT.com, Caldara et al. (TPU), and Raffo, CEIC and ttb analytics (Data as of 17 July 24) ttb | a·n·a·l·y·t·i·c·s