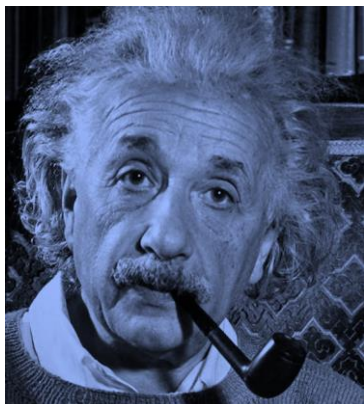


Econ & Asset Allocation

3Q22 Quarterly outlook



**“In the middle of every
difficulty lies opportunity”**

Albert Einstein



KTBST Securities Public Company Limited

 02 351 1800

 www.ktbst.co.th

 [ktbst.th](https://www.facebook.com/ktbst.th)





Investors are at an economic crossroads between disinflation and recession while the risky asset currently explicit the fear of recession along with stagflation asset play such as energy sector, commodities. We expected that FOMC will do its best work to cool the inflation down with a soft landing during the 2H22 while there are no signs of recession within 2022 – 1H23. KTBST reiterates the call for “Disinflation” rather than “Recession”

Please fasten your seatbelts


We forecast that FED still kept hike its rate up and tightening the balance sheet for the rest of the year. Although the inflation declined to the target level, we still believed that FED will not stop its scheme to Save their ammo for the next recession. KTBST expecting a soft landing from FOMC due to excellence historical record with the less dependent from the outside energy source of consumption and the solid job market.



Pour recession over them ,let the fear spill in



In case of recession, we believed that this time will be different for EM due to the less dependence on the DM source of growth like low trade balance to GDP, FDI to GDP while in terms of financial factors still explicit no significant inflow into both capital and debt market. Supply chain bottleneck can be both good and bad news for EM, for this time it is a good one





Economics cross road

- Most economics data exhibit a norm growth with the outstanding inflation which is created fear the recession in investors


Soft landing

- KTBST expected a soft-landing in the US economy due to the variety of policies still intact while the US stock market seem attractive when the recession fear is gone





Spillover effect

- EM stock market posed a lower risk of spillover from DM's recession while DMs exhibit a higher risk due to the financial linkage and high import dependence.




2022 FED Fund rate : 3% , BOT rate : 1%




2022 - 2023 Inflation has been upgraded with the new fresh rising in food prices while the most negative impact on their GDP growth is concentrated in DMs.



KTBST cross aboard revised our previous conservative 2022 – 2023 GDP growth down due to the impact of lesser global purchasing power

2022 US GDP : 2.68% , TH GDP: 2.63%



Asset classes and selections

- ✓ EM stock market due to lower risk of spillover and trade tariff relief play in focus
- ✓ In term of investment style & sector perspective, we prefer value stock and dividend play for 3Q22. Avoid the late cycle play like commodity play
- ✓ US treasury at level 3% seems to be an attractive asset from now on while we are still do not recommend commodity.



3Q22 roadshow summary : Same situation, different perspective



Policy

2H22

2023

2024

3Q22 Preferably assets

3Q22 least preferably assets

Stagflation



Tightening



Less Tightening



Pause



Value stock



Treasury



Emerging assets



Cyclical stock



Growth stock



REIT



Gold

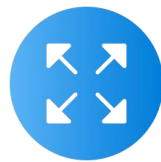
Disinflation



Tightening



End of tightening



Easing



Value stock



Treasury



Emerging assets



REIT



Cyclical stock



Growth stock

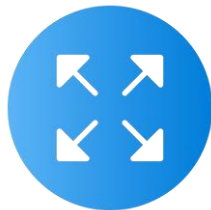


Gold

Recession



Tightening



Easing



Pause



Treasury



Gold



Growth stock



Emerging assets



Cyclical stock



Value stock



REIT



3Q22 roadshow summary : Rationale for asset selection

Asset classes

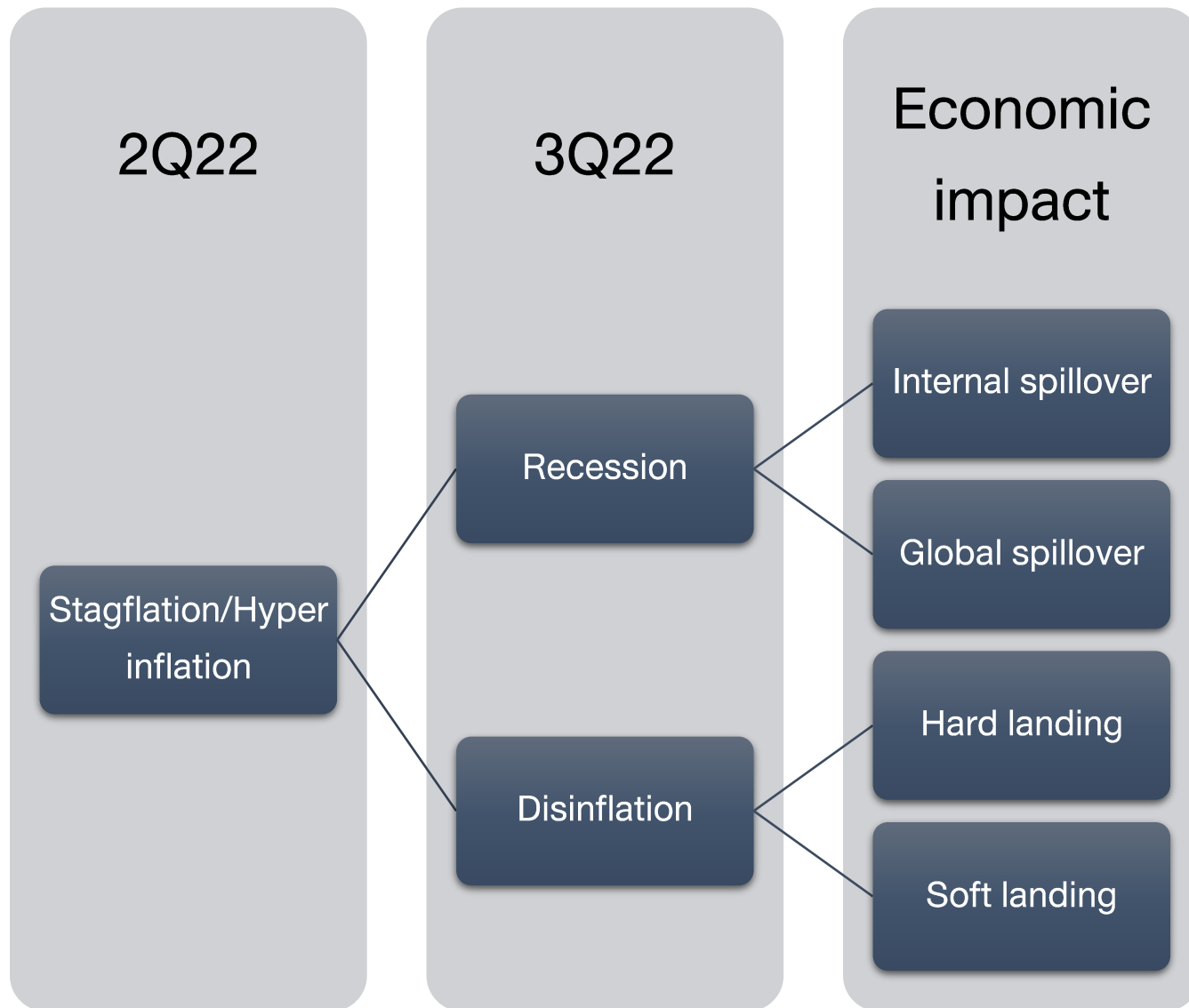
	Value stock		Defensive stock
	Growth stock		Utility stock
	Cyclical stock		Momentum stock
	EM stock		Dividend stock
	Treasury		Credit market
	Global REIT		VIX
	Gold		Oil





Economic crossroad



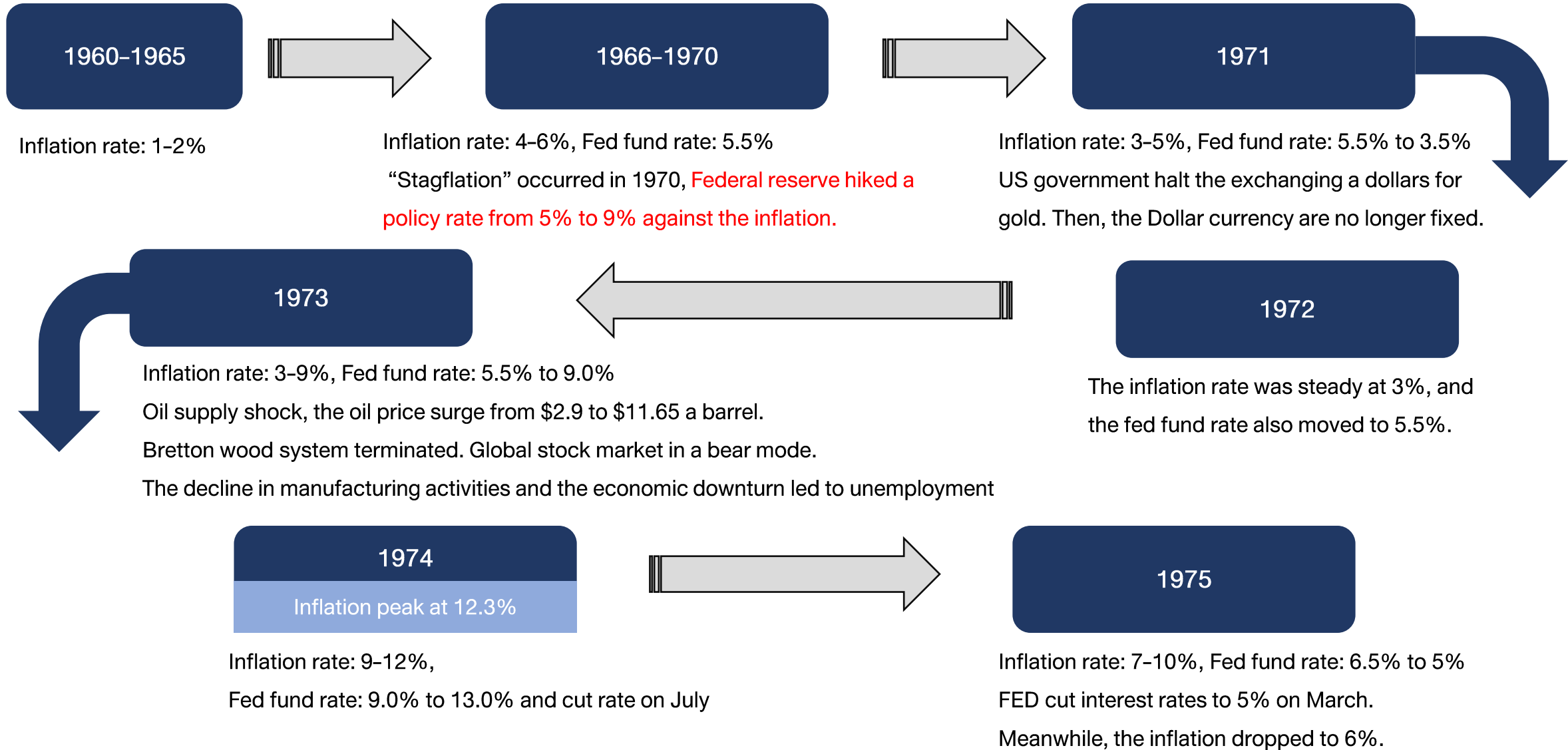


- ### Recession Themes
- GDP considerable downgrade in 2023 / Upgrade in 2024
 - Easing bet
 - The great shock come with the great reset
 - Safe haven seeking in 3Q22 then growth stock play once again
 - Internal spillover could not be avoided due to financial integration between DM.
 - In case of spillover, EM tends to have a lower negative impact compared to the past due to being less dependent on global trade and supply shortage

- ### Disinflation Themes
- GDP downgrade in 2023 / downgrade in 2024
 - Less hawkish policy + Recession postponed
 - The equity asset class will be the most preferred asset class with rotation from cyclical to defensive/value
 - No need for a barbell portfolio



1970 – 1980 Stagnation led to a recession in US





Asset return during the recession period: Average monthly return



Start	end	MSCI ACWI	global invest grade debt	us corp high yield bond	Gold	Global REIT	Dollar index
May-1960	Feb-1961						
Jan-1970	Nov-1970				-19.60%		-33.72%
Dec-1973	Mar-1975				-21.10%		-25.60%
Feb-1980	Jul-1980				-70.29%		-11.34%
Aug -1981	Nov-1982				-64.48%		-10.18%
Aug-1990	Mar-1991	-25.83%	-2.89%	-17.17%	-40.40%	-25.82%	-14.89%
Apr-2001	Nov-2001	-51.44%	-4.92%	-9.04%	-18.87%	-11.57%	-8.57%
Jan-2008	Jun-2009	-59.61%	-10.82%	-35.34%	-7.38%	-75.26%	-12.22%
Mar-2020	Apr-2020	-33.90%	-8.77%	-20.78%	-12.45%	-44.21%	-13.01%
Average		-42.70%	-8.77%	-20.58%	-19.78%	-39.22%	-12.17%

As a result from recession, the overall asset classes were decreased by the investors concern and financial condition tightening. Moreover, the higher risk assets are heavily dropped more than lower risk assets.



Asset return in the recession period: Standard deviation and Semi variance



Standard deviation

Start	end	MSCI ACWI	global invest grade debt	us corp high yield bond	Gold	Global REIT	Dollar index
Aug-1990	Mar-1991	7.55%	1.72%	6.35%	4.14%	4.80%	3.85%
Apr-2001	Nov-2001	5.49%	1.43%	3.40%	3.53%	3.49%	1.96%
Jan-2008	Jun-2009	8.25%	2.66%	6.64%	7.72%	11.61%	3.76%
Mar-2020	Apr-2020	17.19%	2.97%	11.29%	5.28%	22.06%	0.68%

Semi deviation

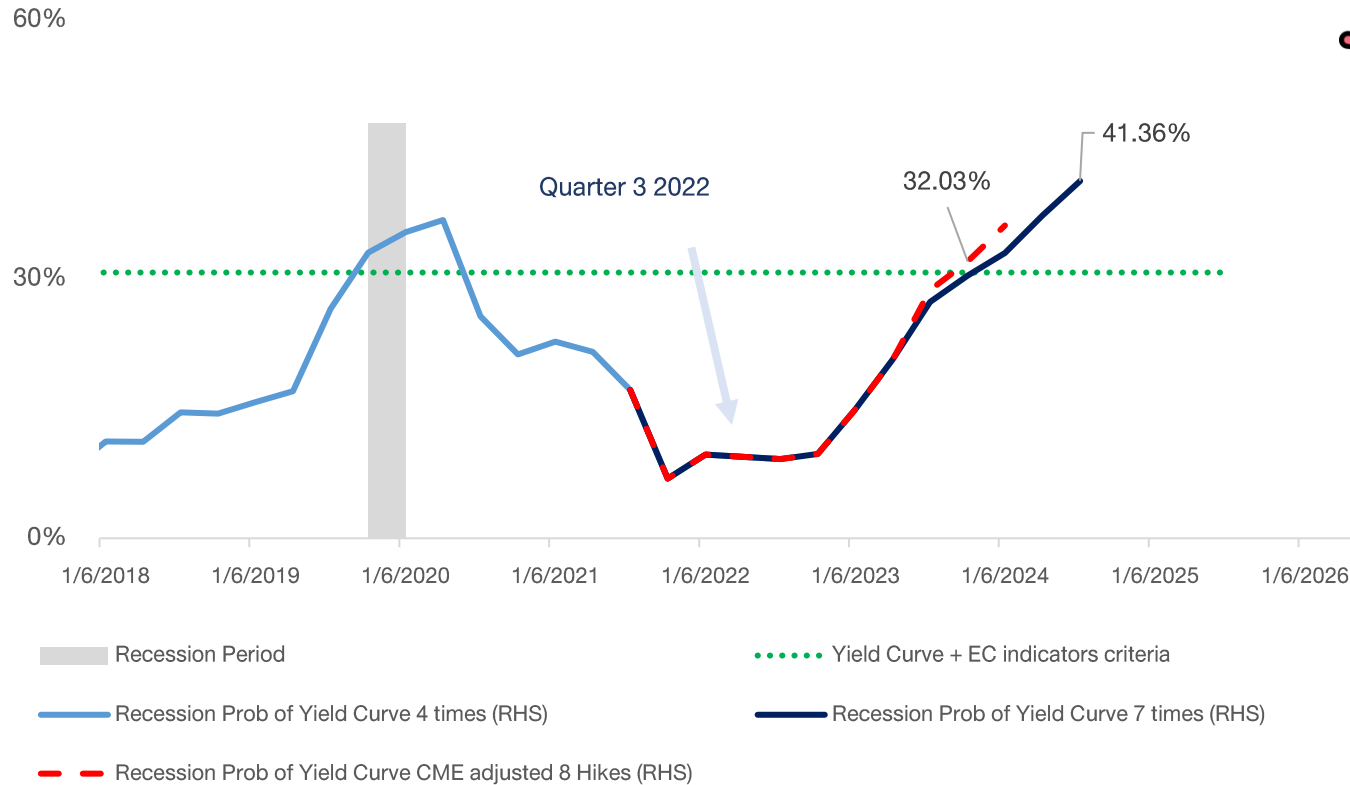
Start	end	MSCI ACWI	global invest grade debt	us corp high yield bond	Gold	Global REIT	Dollar index
Aug-1990	Mar-1991	7.22%	2.02%	6.76%	3.48%	4.50%	2.21%
Apr-2001	Nov-2001	4.46%	1.21%	4.24%	3.78%	4.08%	1.89%
Jan-2008	Jun-2009	7.39%	2.48%	6.73%	8.36%	11.60%	3.78%
Mar-2020	Apr-2020	12.15%	2.10%	7.98%	3.73%	15.59%	0.48%



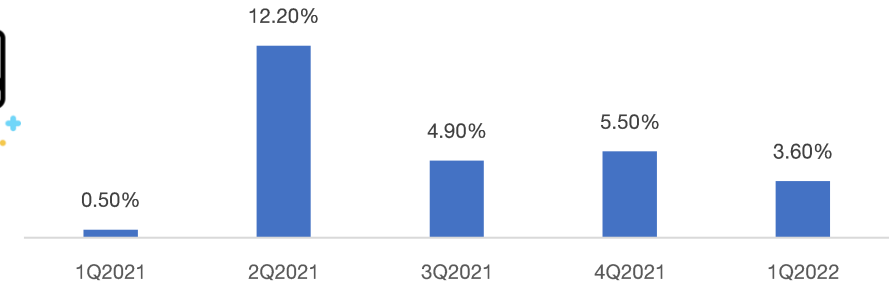
The possibility of a recession in 3Q22 is not likely



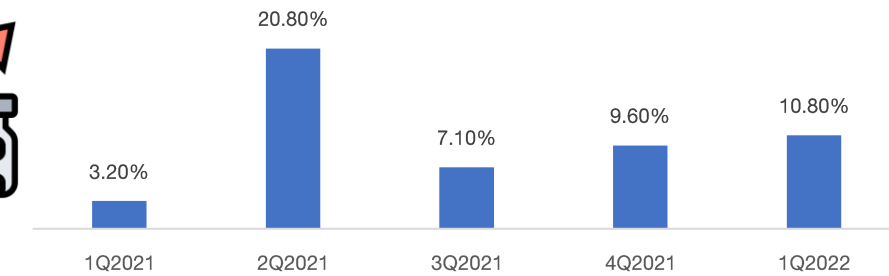
The recession period is closer from 6M2024 to 3M2024



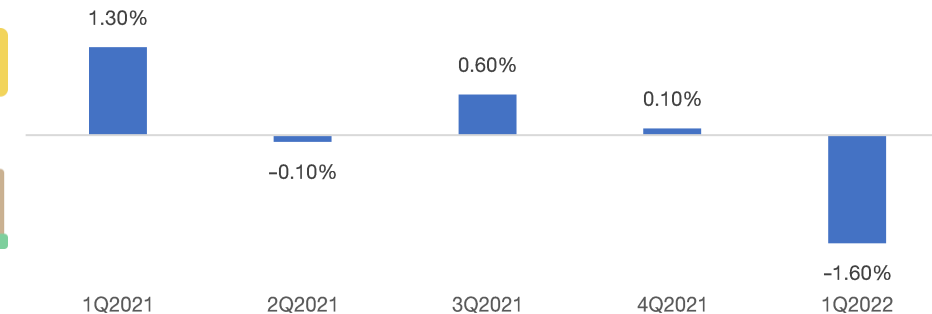
U.S. Personal consumption expenditures (QoQ one year ago)



U.S. Gross private domestic investment (QoQ one year ago)



U.S. Government consumption and investment (QoQ one year ago)



According to the prediction model by KTBST, we expect the U.S. economic recession comes around at the beginning of 2024 due to hawkish policy and a slowing down in consumption. The financial condition and inflation spike situation are the main reasons for the slowdown, albeit the overall economic indicators do not signify a recession in the short term.



Recession Factors

- Aggressive monetary policy tools by the federal reserve (interest rate hike, QE tightening) are inconsistent with the economic status.
- The surplus fiscal policy distorts household consumption and private investment in the economy.
- The geopolitical between the US and China affects the trade balance.

Remedies Methodology

- The Federal reserve turn to ease monetary policy rules e.g. lower loan rates, inject the money into the economy
- Supportive fiscal policy by the government spending & investment and tax cut policies.

Recession



Stagflation

Stagflation Factors

- the central bank must work to stabilize prices in order to prevent inflation from spinning out
- The government is the crucial roles to prevent stagflation by the political policies e.g. the government might limit wage increases
- USTR tariff relief will be another tool for reducing the food and agriculture product prices.

Remedies Methodology

- The Inflation rate still running at a high level (above 4%), and the high price will support the wage-price spiral in the labor market.
- The global supply-chain bottleneck, a shortage of some goods, and a lack of shipping containers cause the higher overall price level.
- The main price index weighted such as an energy and food & beverage still increase.



Fiscal spending policies

- Very effective
- Drawbacks : It is not easy to implement due to high public debt and parliament approval process

Tax cut policies

- Very effective
- Drawbacks : It is not easy to implement due to high public debt and parliament approval process
- Democrat may lost their support from white voters

Tariff polices

- Janet Yellen admitted that she was wrong about the inflation pathway
- USTR has been ordered to investigate the supply bottleneck issue and tariff review within 3Q22

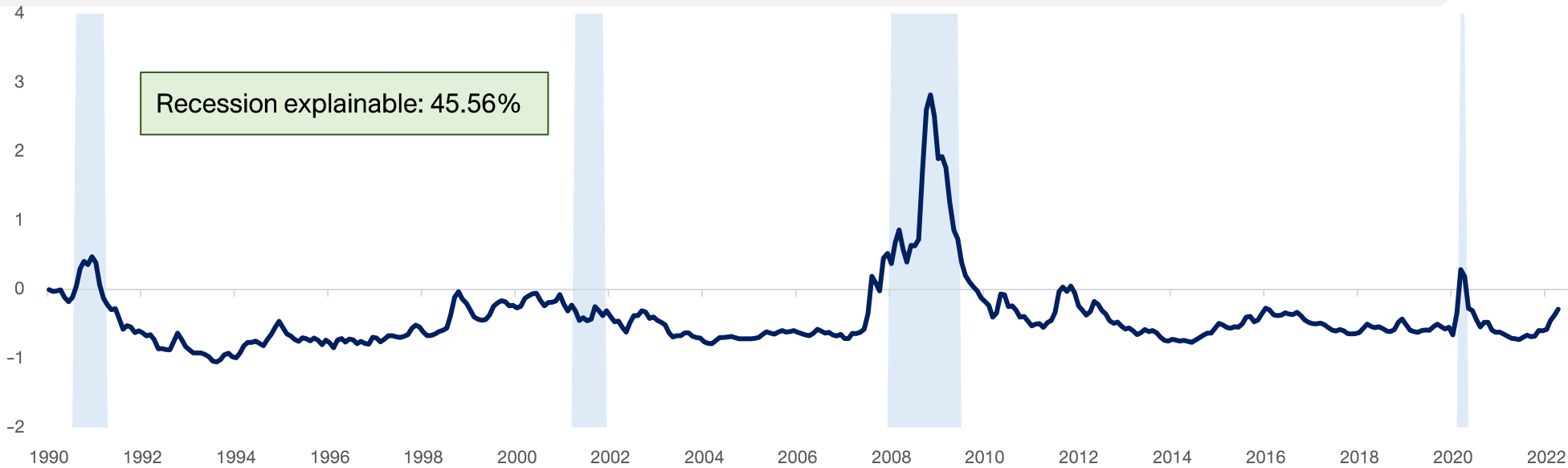
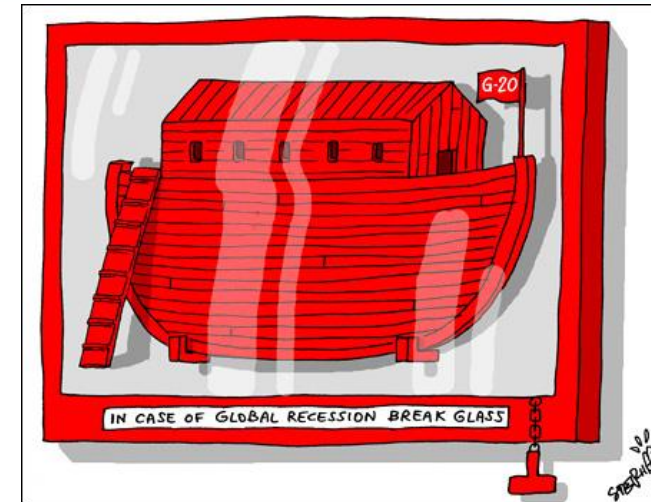
Democrat equation

Cure the inflation
+
Solve the poll
=
Gain the
supportive vote
for mid-term
elections



National Financial Conditions Index (NFCI)

The Chicago Fed’s National Financial Conditions Index (NFCI) provides a comprehensive weekly update on U.S. financial conditions in money markets, debt and equity markets and the traditional and shadow banking systems. Because U.S. economic and financial conditions tend to be highly correlated. This index isolates a component of financial conditions uncorrelated with economic conditions to provide an update on financial conditions relative to current economic conditions. the NFCI is a weighted average of a large number of variables (105 measures of financial activity) each expressed relative to their sample averages and scaled by their sample standard deviations.



tighter-than-average financial conditions

Looser-than-average financial conditions

Source: The Chicago federal reserve

Recession period — NFCI Index



NFCI can be the leading indicator ahead of asset correction



Granger causality test	MSCI ACWI	global invest grade debt	us corp high yield bond	Gold	Global REIT	USD
P-value	0.0007	0.0967	0.0001	0.0514	0.0001	0.3825

NFCI

MSCI All country
Negative
Leading 5 months
Beta = -0.0316***

Global REIT
Positive
Leading 6 months
Beta = 0.048

Global agg. Bond
Positive
Leading 7 months
Beta = 0.0436***

Gold
Positive
Leading 9 months
Beta = 0.1403***

Corporate bond
Positive
Leading 6 months
Beta = 0.017***

Dollar Index
Negative
Leading 7 months
Beta = -0.1026***

The one-way relationship found between NFCI and MSCI All country, global bond, corporate bond, gold and global REIT by Granger causality test, but the dollar index does not exist. Moreover, the coefficient of global REIT to NFCI is not statistically significant.

“Leading” means the NFCI variable that predicts a number of change or movement in another data series

* Beta is degree of change in the outcome variable for every 1-unit of change in the predictor variable, *** is statistically significant at 95% of confidence level



NFCI can be the leading indicator ahead of asset correction



S&P 500 index sectors	P-value Granger causality The statistic relationship	Lag length criteria The optimal lag of relationship (months)	Coefficient Sign
Consumer Discretionary	0.0003	6	positive
Consumer Staple	0.0315	6	Negative
Energy	0.0293	7	positive
Financial	0.0001	6	Negative
Healthcare	0.2664	6	Negative
Industrial	0.4887	6	positive
Information technology	0.1928	6	positive
Material	0.0217	6	Negative
Communication service	0.6898	6	Negative
Utility	0.007	5	Negative
Real estate	0.0001	6	positive
S&P 500 Value index	0.0021	6	positive
S&P 500 Growth index	0.0695	6	positive

The relationship between the National Financial Conditions Index (NFCI) and the S&P 500 sector and style indexes. We found a statistically significant relationship in some sectors. In the recession period, the consumer staple, financial, material, and utility sector negatively relate to the NFCI.

- P-value of Granger-causality test is determining whether one time series is useful in forecasting another



NFCI can be the leading indicator ahead of asset correction



	Start	end	Max drawdown in period	6m after	12m after	Pullback duration days
Supply side	May-1960	Feb-1961	-14.3%	7.29%	10.27%	449
	Jan-1970	Nov-1970	-36.9%	14.25%	7.78%	543
	Dec-1973	Mar-1975	-48.9%	0.61%	23.28%	630
	Feb-1980	Jul-1980	-17.2%	6.47%	7.60%	43
Supply side	Aug -1981	Nov-1982	-27.2%	17.21%	20.10%	622
	Aug-1990	Mar-1991	-20.6%	3.36%	7.58%	87
	Apr-2001	Nov-2001	-49.1%	-6.34%	17.82%	929
	Jan-2008	Jun-2009	-57.5%	21.29%	12.12%	517
	Mar-2020	Apr-2020	-34.3%	12.27%	43.56%	33
	Supply side avg. return					
demand side avg. return						0.082%

Source: RBC Capital market, KTBST research center, monthly data

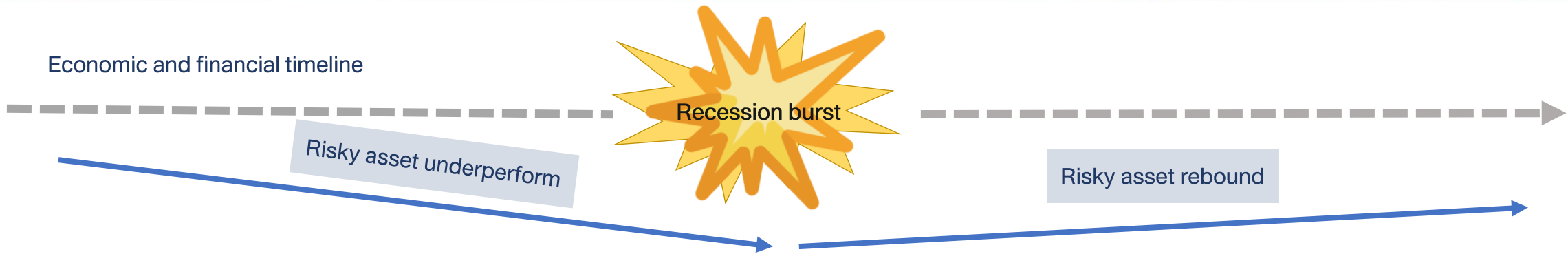
The recession came from a supply-side slower discovered than a demand-side because the structural inflation decreased the economic potential growth.

Date	Inflation peak at	S&P 500 return			
		3m before	3m after	6m after	12m after
Feb-51	9.4%	11.7%	-1.3%	6.8%	6.7%
Mar-51	3.7%	-5.5%	7.4%	-3.8%	-4.6%
Oct-66	3.8%	-4.1%	8.0%	17.2%	17.1%
Dec-69	6.2%	-1.1%	-2.6%	-21.0%	-0.1%
Dec-74	12.3%	7.9%	21.6%	38.8%	31.5%
Mar-80	14.8%	-5.4%	11.9%	22.9%	33.2%
Mar-84	4.8%	-3.5%	-3.4%	4.3%	13.5%
Oct-90	6.3%	-14.6%	13.1%	23.5%	29.1%
Jan-01	3.7%	-4.4%	-8.5%	-11.3%	-17.3%
Sep-05	4.7%	3.1%	1.6%	5.4%	8.7%
Jul-08	5.6%	-8.5%	-23.6%	-34.8%	-22.1%
Sep-11	3.9%	-14.3%	11.2%	24.5%	27.3%
Mar-22	8.5%	-4.9%	-6.7%		
Average		-3.40%	2.90%	6.0%	10.3%

Source: Goldman Sachs global investment research



Economic and financial timeline



Leading indicators

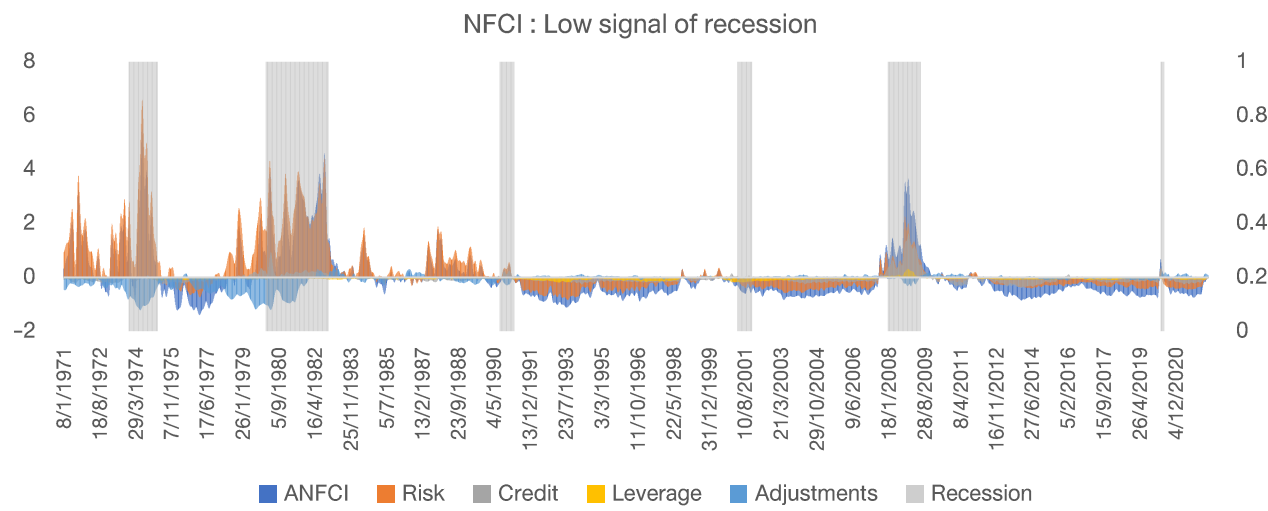
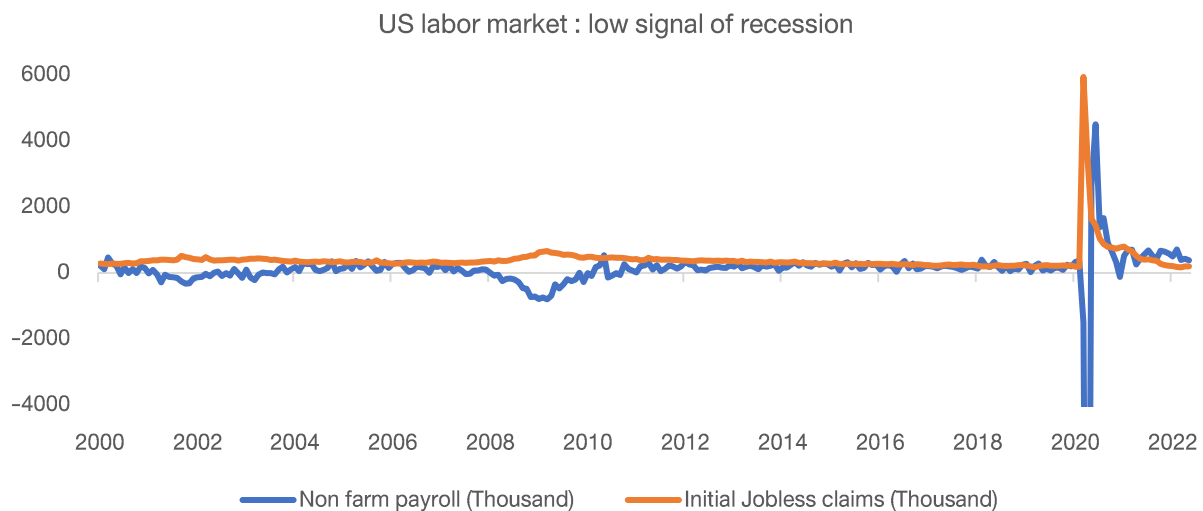
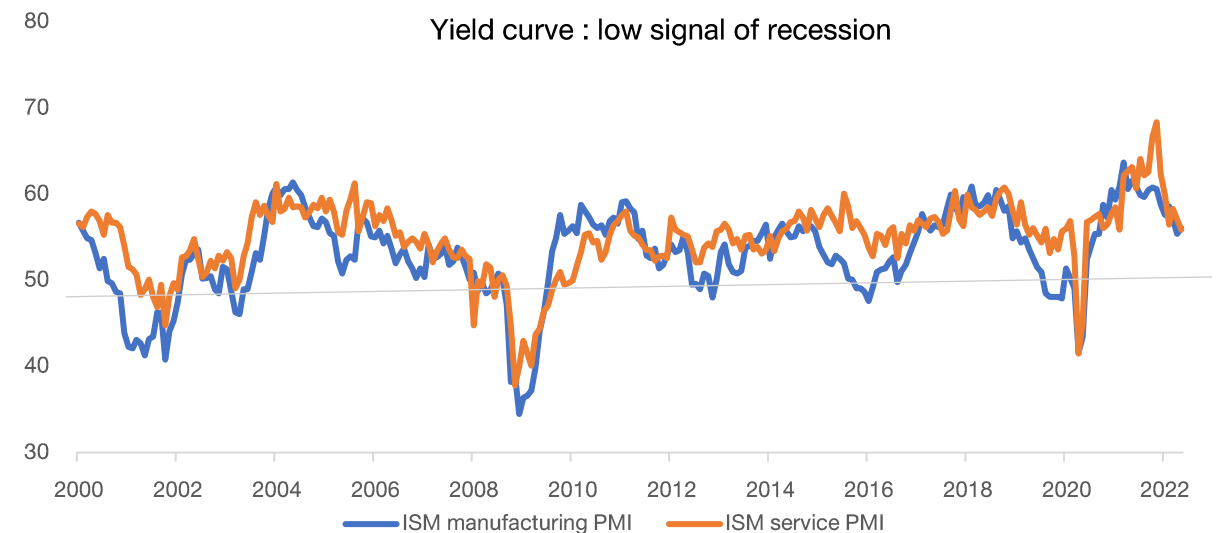
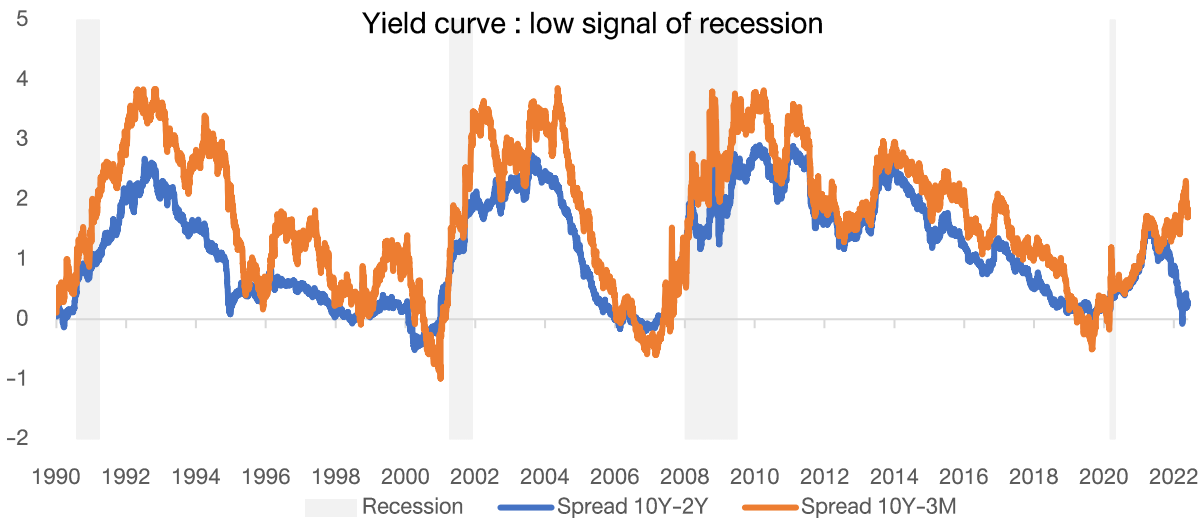
- National financial condition index (NFCI)
- More than zero (leading around 6 months)
- U.S. Government bond yield 10 years minus 3 months (market 10 years – 2 years)
- Inverted curve (leading around 12 months)

Coincident indicators

- US ISM Manufacturing and Non-Manufacturing PMI
- Less than 50 more than quarter
- US Initial Jobless claims and non farm payrolls
- Overall jobless spike more than quarter average
- Listed company earning report and outlook worse than before

Lagging indicators

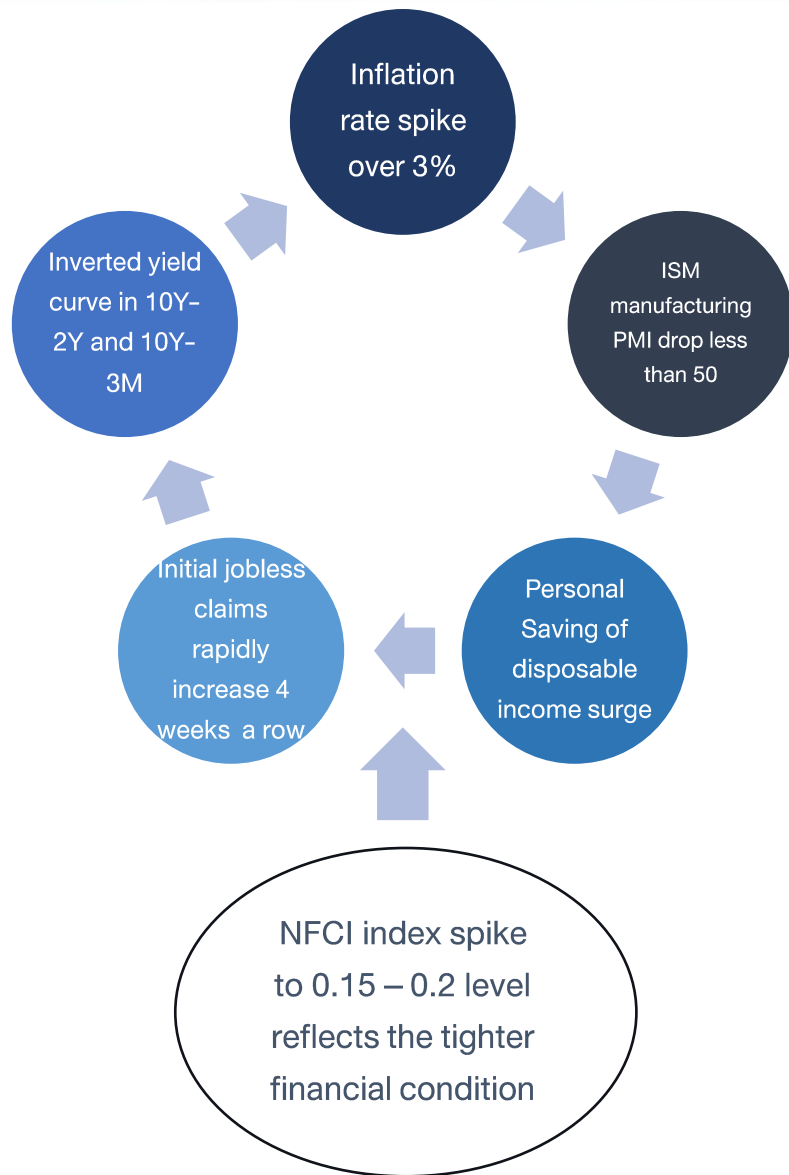
- US Unemployment rate
- Increase more than natural rate of unemployment around 4-5%
- US real Gross domestic product growth rate quarter-on-quarter
- Negative 2 quarters in a row
- US Housing market through the building permits and housing starts -
- decrease less than 30%



The economic and financial indicators still don't show the recession signal in the current period, however we have to find more leading indicator.




The NFCI upward recommendation





Asset class level

- When the NFCI increased, the MSCI all-country index and dollar index decreased in the next 6 months, so we recommend reducing risky assets in the portfolio when NCFI increase to the positive area around 0.15 – 0.2
- However, the non-equity assets outperformed along with a tighter financial conditions e.g. government bonds, corporate bonds, and global REIT



US sector index level

- The historical data shows the NFCI had negatively impacted to financial, consumer staple, material and utility sectors, so we have to avoid the aforementioned sectors in the next 6 month.
- For consumer discretionary and energy sectors have an upside during the period.



US style level

- It is inconclusive about the style-play investment, both the growth and value have the same result in the NFCI spiking period.



Please fasten your seatbelts



Recession is a business cycle contraction when there is a general decline in economic activity. Recessions generally occur when there is a widespread drop in spending. Which was two consecutive quarters of negative GDP growth, as measured by the seasonal adjusted quarter-on-quarter figures for real GDP.



Soft landing

Soft landing is the process of an economy shifting from growth to slow-growth to potentially flat, as it approaches but avoids a recession. It is usually caused by government attempts to slow down inflation.



Hard landing

Hard landing is an economy rapidly shifting from growth to slow-growth to flat as it approaches a recession, usually caused by government attempts to slow down inflation.



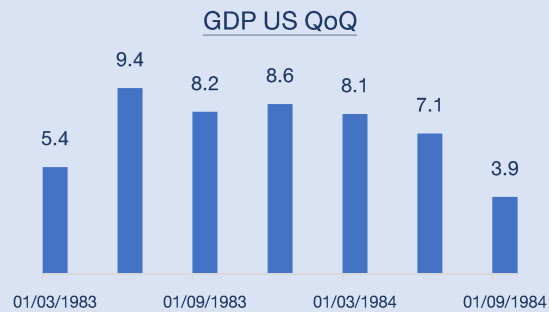
Soft landing in history



1983-1984



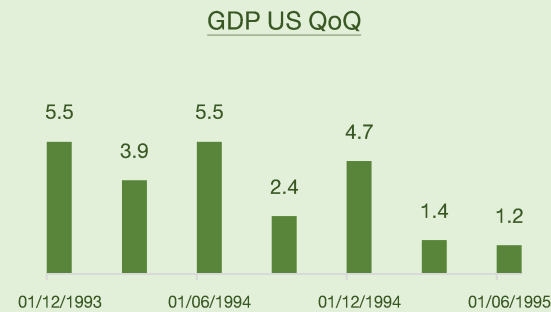
Fed Chair: Paul Volcker
Policy rate hike: 8.5% to 11.75%



1994-1995



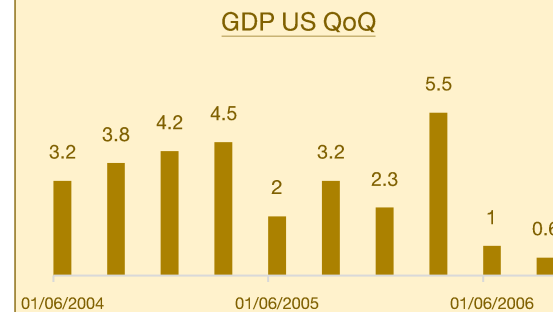
Fed Chair: Alan Greenspan
Policy rate hike: 3.0% to 6.0%



2004-2006



Fed Chair: A. Greenspan & B. Bernanke
Policy rate hike: 1.0% to 5.25%

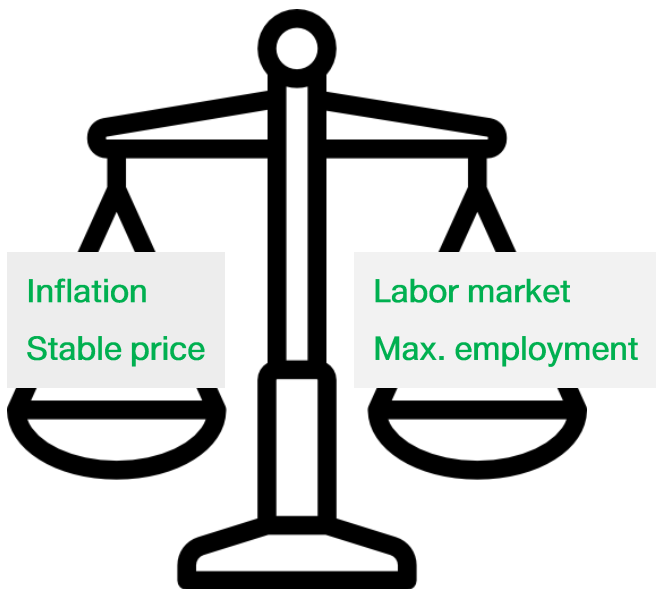


2017-2018



Fed Chair: Janet Yellen
Policy rate hike: 1.0% to 2.5%



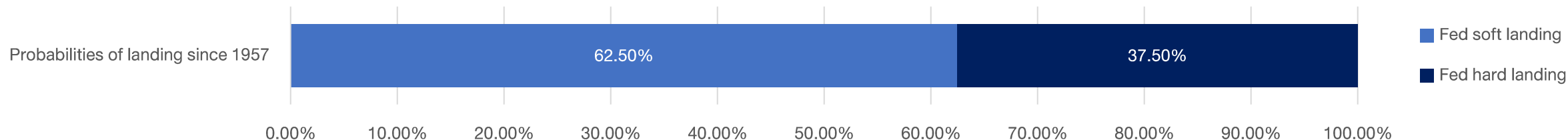


Measuring the Fed's error

When the Fed sharpens focus on some objective more than another, the economic sacrifices will happen by the theoretically Phillips curve relationship. → When the labor market and inflation rate are not related, the abnormal situation for the policymaker to use monetary policy tools. → “Stagflation concern” e.g. 1970-1990 oil price crisis

The problem is that Fed economists continue to misdiagnose the cause of inflation, it's an expanding economy instead of the debasing of the value of the dollar. → Mischaracterization and dismissal of price increases as “transitory.” → The monetary policy tools will create an economic growth headwind → belatedly monetary policy or time inconsistency (lagging or leading)

The surprise monetary policy → Miss forecast the economic data GDP, inflation, unemployment rate and Dot plots and policy action does not align with the forward guidance → the Fed's badly damaged credibility

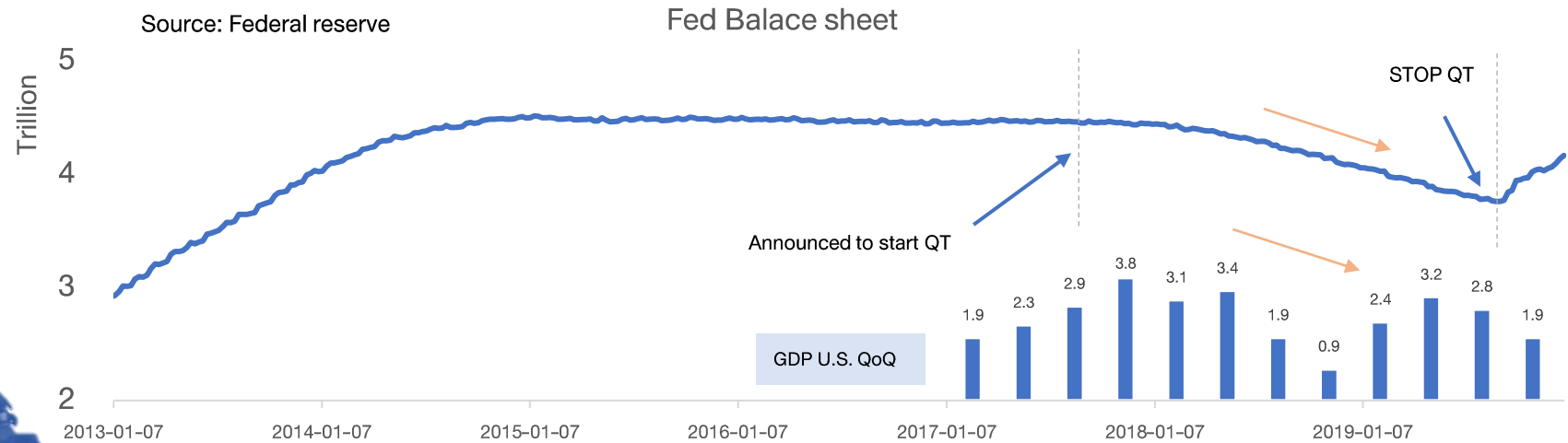




Quantitative tightening in 2017 : recently Soft landing



“This is something that will just run quietly in the background over a number of years, leading to a reduction in the size of our balance sheet and in the outstanding stock of reserves, and that it’s something that the Committee will not be reconsidering from time to time. We think this is a workable plan, and it will, as one of my colleagues, President Harker, described it, it will be like watching paint dry, that this will just be something that runs quietly in the background.”



Because of the dual policy tightening, an interest rate hike and the balance sheet reduction, the U.S. economic activity gradually growth in the lower level. However, the trade wars in the one of the slowdown economic factor, the contractionary monetary policy decreased the incentive of household spending and aggregated investment. Then, the policymakers switched the plan to dovish tone, through the interest rate cut and stop the quantitative tightening in 2019.



Before QT

Quantitative tightening (QT) 2018

After QT

2013 - 2014

▶ QE tapering : Reduce the amount of liquidity in the market

▶ Fed attempt to normalize the unemployment rate from 7.5% and PCE Inflation from 1.5%

▶ The US stock market was slightly lower

2017 - 2018

▶ The interest rate has been hiked 4 times.



Fed injected money about \$400 billion from the financial system.



Investors are increasingly holding on to dollar-denominated cash



There was severe inflation in many countries



Debentures with high yield prices fall throughout the year



S&P500
-6.24%

SET index
-10.82%

MSCI EM
-16.6%

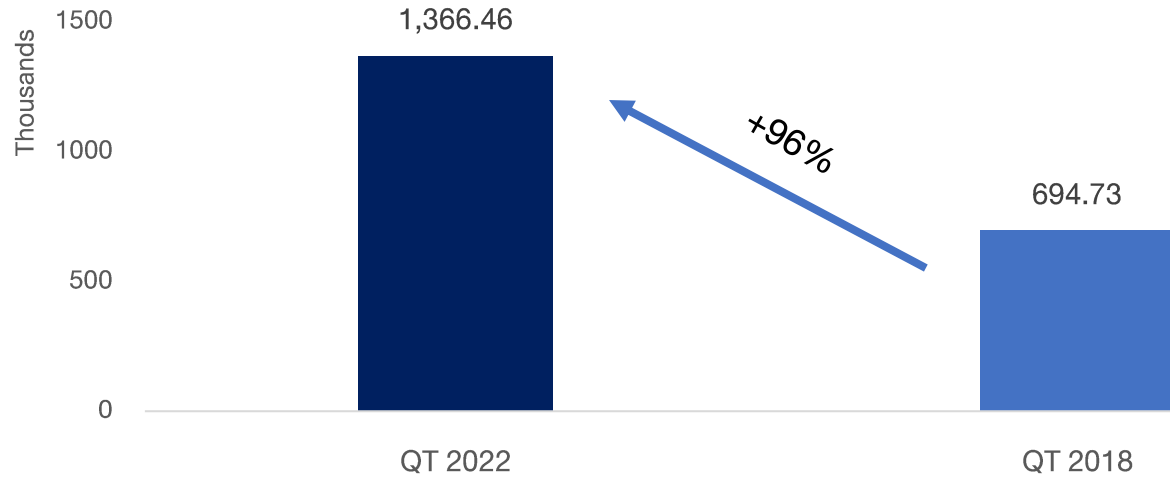
MSCI DM
-10.4%



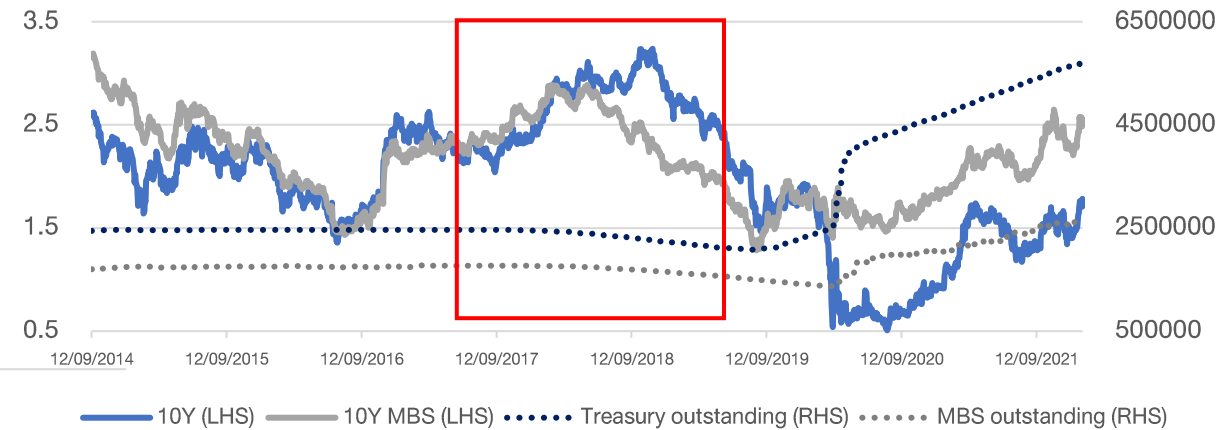
QT 2022 ≠ QT 2018 , It's much more differences in soft landing



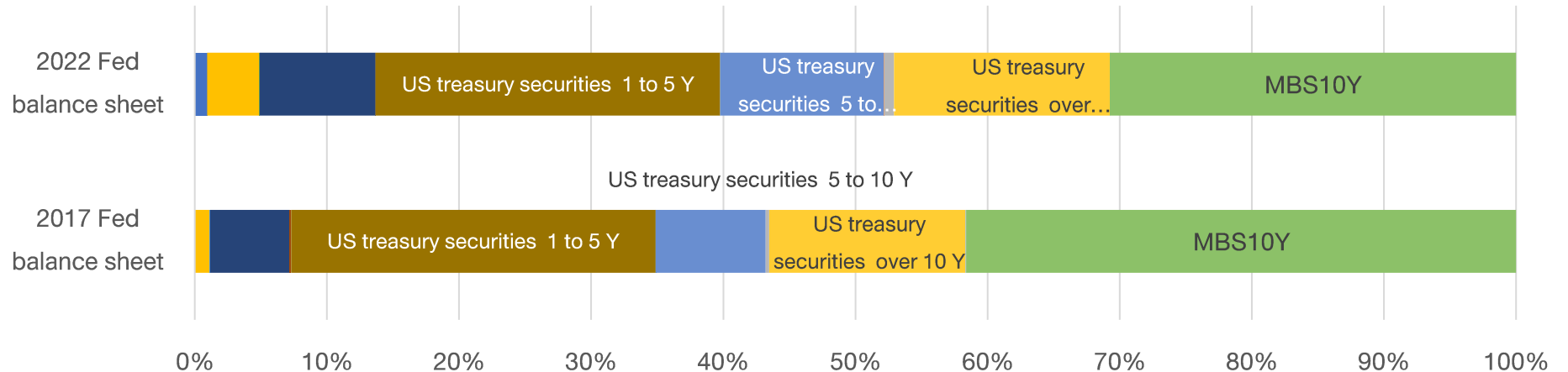
If Fed is going to implement QT the same portion to 2018, the overall volume is twice the previous round (Unit : million USD)



The Fed sells a larger percentage of the 10-year Treasury than MBS in order to maintain the MBS margin in 2017-2018. Currently, the Fed does not need to do QT like the past because the spread structure is more normal (units. : million US dollars)



The likelihood of double QT per month increases due to the size of balance sheet doubled recently which expected QT per month will be capped around 100 bln. USD at least





The financial market impact before the 1st QT implement



Easing regime	Tapering	Trade war Tweet	Change in BL (every 1% change)	Change in Rate (every 100bps)	10Y change (every 100bps from 10 weeks before)	R ²
MSCI DM	-0.59%	-0.09%	-0.36%	1.81%	-0.84%	15.64%
MSCI ACWI	-0.54%	0.03%	-0.37%	1.65%	-0.87%	15.17%
MSCI EM	-0.18%	0.65%	-0.31%	2.00%	-1.11%	14.24%
NASDAQ	-0.01%	0.47%	-0.28%	2.37%	-1.62%	15.92%
S&P 500	-0.57%	-0.23%	-0.40%	2.04%	-1.12%	18.32%
10Y	-0.02%	0.00%	-0.89%	-0.19%	n.m.	15.23%
BTC index	-0.03%	-0.48%	1.80%	41.79%	7.45%	22.76%
Gold	0.16%	0.07%	-0.06%	-1.20%	-1.66%	9.94%
Tightening regime	QT (7 weeks before implement)	Trade war Tweet	Change in BL (every 1% change)	Change in Rate (every 100bps from 1 week before)	10Y change (every 100bps from 7 weeks before)	R ²
MSCI DM	-0.51%	0.09%	0.06%	1.93%	-2.04%	5.38%
MSCI ACWI	-0.54%	0.08%	0.08%	1.82%	-1.88%	5.10%
MSCI EM	-0.71%	0.09%	0.23%	0.77%	-0.64%	2.45%
NASDAQ	-0.85%	0.02%	-0.31%	1.49%	-3.38%	7.82%
S&P 500	-0.51%	-0.02%	-0.07%	1.69%	-2.69%	7.20%
10Y*	-0.03%	0.01%	0.04%	0.03%	n.m.	5.83%
BTC*,**	-4.88%	0.48%	-0.68%	-19.08%	-11.68%	9.10%
Gold*,**	-0.18%	-0.14%	0.27%	2.14%	-9.52%	29.78%

The Vector autoregressive model result found that the investors aren't concern about QE or Tapering and the negative impact of rising in 10 years bond yield is not statistically significant (Blue table).

The transition period of monetary policy to tightening stance (QT in pink table), the financial market was more fragile to the QT announcement at least seven weeks before action, especially in the technology sector, Crypto currency and gold price.

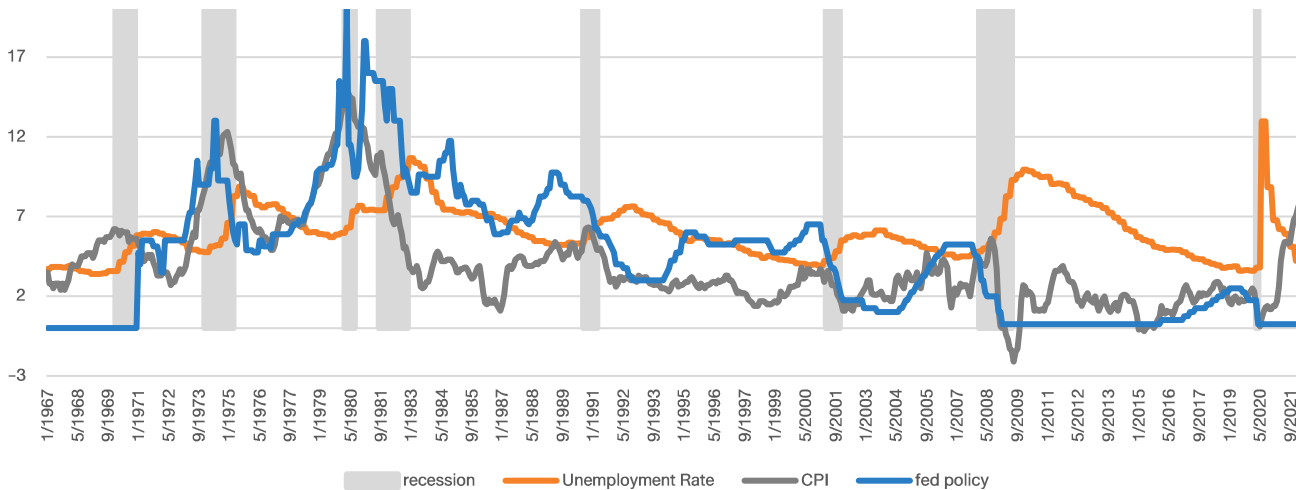
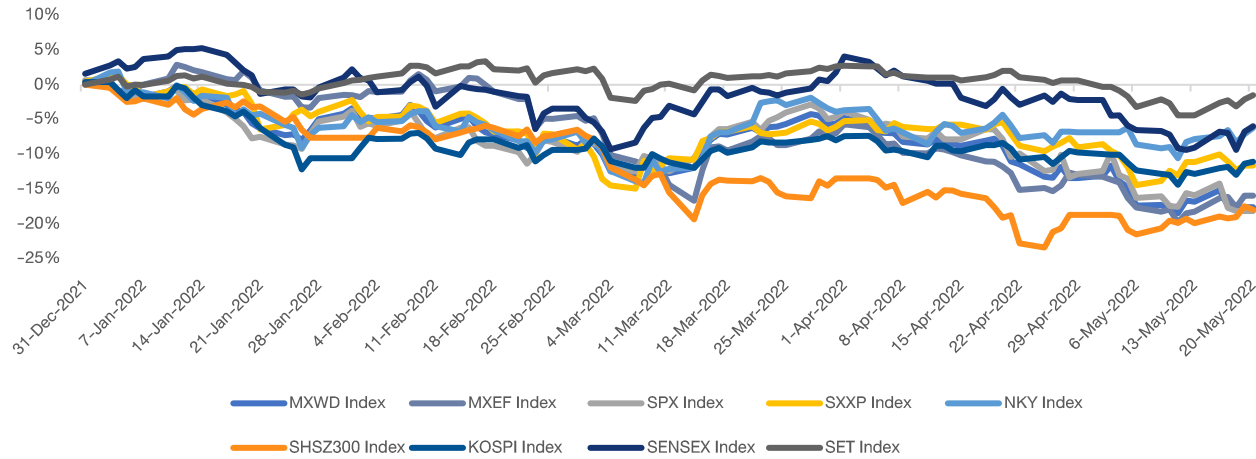
*: QT lag period for 10Y = 6 weeks , BTC = 16 weeks , Gold 7 weeks | **: 10Y lag period for BTC = 3 weeks , Gold = no lag

- Sig. at the 99% confidence level
- Sig. at the 95% confidence level
- Sig. at the 90% confidence level

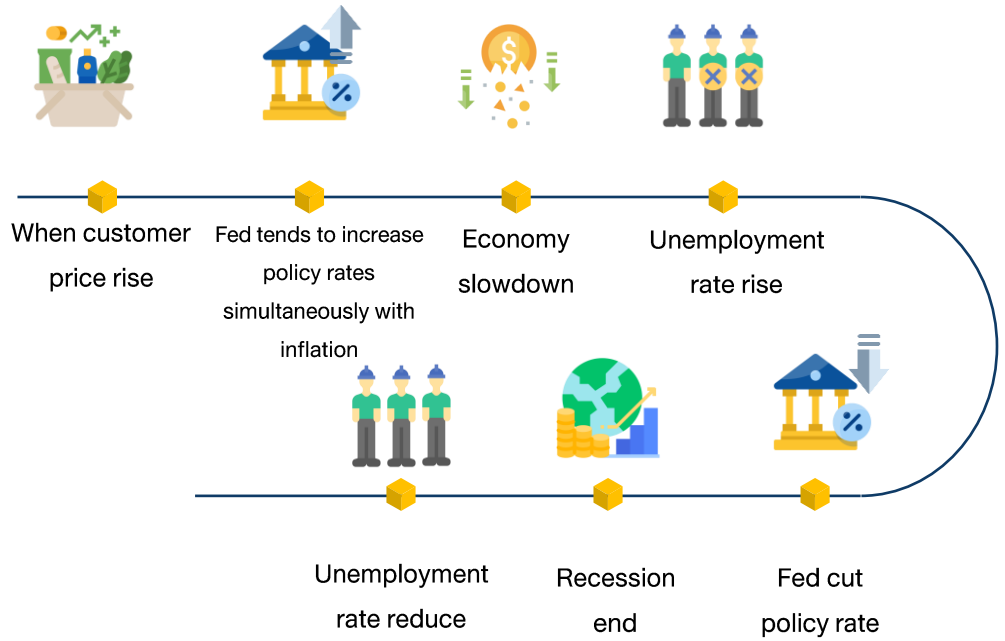


From stagflation to the fear of recession due to the FED's trust issue

stock return (ytd)



Why does the policy rate rise introduce fear of recession?



Most of the time in history, Federal Reserve kept raising the policy rate until the US economy faced a recession before revising its decision.



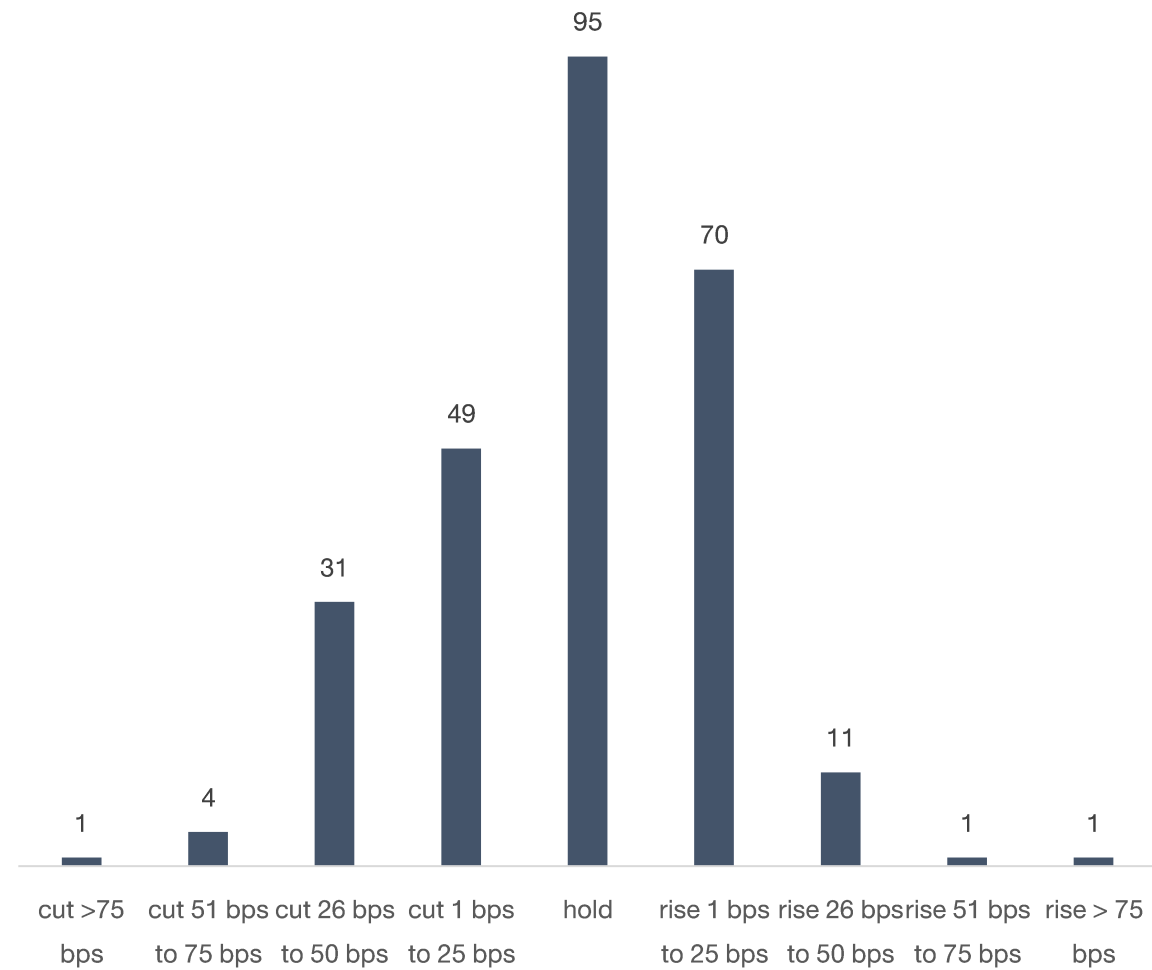
From stagflation to the fear of recession due to the FED's trust issue



Primary factor of recession

date	Supply side shock	Monetary policy	Financial market	Government	External shock
1945				X	
1948	X				
1953				X	
1957		X			
1960		X			
1969		X			
1973	X	X			
1980	X	X			
1981		Rate hike more than 0.75% per meeting			
1990	X	Rate hike equal 0.75% per meeting			
2001			X		
2007			X		
2020					X

counts of fed policy action since 1982



Source : KTBST , NBER, the balance



Inflation can be above the target for longer than market expectation but not its peak



Period	Demand side vs supply side	Above target at 2% (strike month)	Inflation Peak month	Inflation from trough to peak	S&P500 bottom out	
1	Feb 1966 to Apr 1986	Supply	243	Oct 1974	155	Oct 1974
2	Feb 1966 to Apr 1986	Supply	243	Mar 1980	45	Apr 1980
3	Mar 1987 to Dec 1993	Supply	82	Oct 1990	46	Nov 1990
4	Feb 1994 to Mar 1994	Demand	2	Feb 1994	1	Jul 1994
5	Jul 1994 to Jun 1995	Demand	12	Sep 1994	4	Dec 1994
6	Mar 1996 to May 1996	Demand	3	Mar 1996	4	no correction
7	Sep 1996 to Mar 1997	Demand	7	Nov 1996	3	no correction
8	Dec 1999 to Aug 2001	Demand	21	Mar 2000	18	start correction
9	Dec 2002 to Mar 2003	Demand	4	Feb 2003	13	Mar 2003
10	Dec 2003 to Jan 2004	Demand	2	Jan 2004	2	Mar 2003
11	Apr 2004 to Sep 2006	Demand	30	Sep 2005	18	no correction
12	Dec 2006 to Jul 2007	Demand	8	Mar 2007	5	no correction
13	Sep 2007 to Oct 2008	Demand	14	Jul 2008	11	start correction
14	Dec 2009 to May 2010	Demand	6	Mar 2010	8	Mar 2009
15	Mar 2011 to Mar 2012	Demand	13	Aug 2011	9	Oct 2011
16	Mar 2018 to Oct 2018	Demand	8	May 2018	11	Apr 2018
17	Mar 2021 to Apr 2022	Supply	14	Mar 2022	24	?

Inflation target regime

1975

US Federal reserve began to use money supply as a target

1994

First time that discuss about the inflation target regime

1996

Greenspan defines the price stability goal

2012

Fed announced to use inflation as a target at 2% by using PCE inflation

Average (month)	Above target at 2%	Inflation from trough to peak
Supply-side	113	67.5
Demand-side	10	8.23

- Inflation caused by the supply side tends to insist longer than the demand side.
- Demand-side inflation can cool down by contractionary monetary policy.



Fuel price is a scapegoat while the true villains are food prices

Source: Bloomberg terminal,
KTBST Research center

Hard Commodity



Oil WTI
15 months



Oil Brent
15 months



Gasoline
15 months



Heating Oil
15 months



Natural Gas
33 months



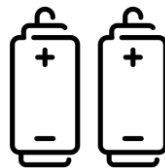
Aluminum
33 months



Copper
35 months



Gold
17 months



Nickel
34 months



Silver
18 months

Soft Commodity



Live cattle : 26 months



Coffee : 34 months



Corn : 27 months



Cotton : 32 months



Soybean : 23 months



Sugar : 37 months



Wheat : 16 months



From historical and current data, we are far from a recession to talk with.

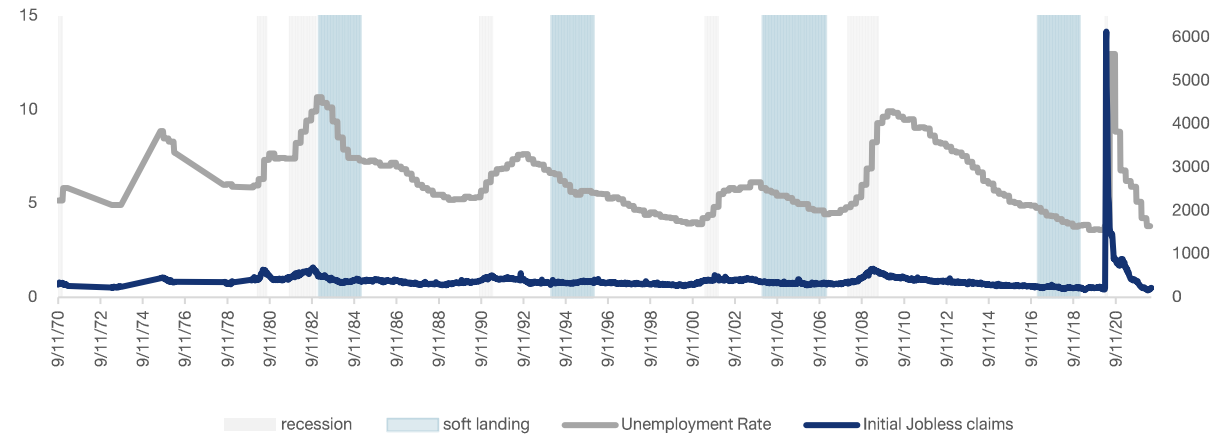


Economic data		covid	ex covid	1983	1994	2004	2017
CPI	3M before mean*	5.04	5.26				
	1M before**	5.09	5.33				
	Recession/ soft landing	4.71	4.77	3.77	2.71	3.10	2.28
	1M after***	3.28	3.54				
	3M after mean****	3.15	3.37				
Unemployment	3M before mean*	4.59	4.68				
	1M before**	4.61	4.70				
	Recession/ soft landing	5.75	5.78	8.83	5.94	5.15	4.20
	1M after***	6.91	7.19				
	3M after mean****	7.54	7.33				

covid: recession includes 2020

ex covid: recession exclude 2020

soft: soft landing (1983 1994 2004 2017)



- Unemployment tends to move in the same direction as initial jobless claims.
- An initial jobless claim is reported every week whereas unemployment is reported every month. So, we could see an initial jobless claim as a leading indicator of the US labor market.
- The unemployment rate start to rise simultaneously when the recession happened.
- When the unemployment rate rises above 4 percent but less than 5.5 percent, on average, the initial jobless claim is around 310,000.

Note: *average 3 months data before

**1-month data before the recession start

***1-month data after the recession ended

****average 3 months data after the recession ended

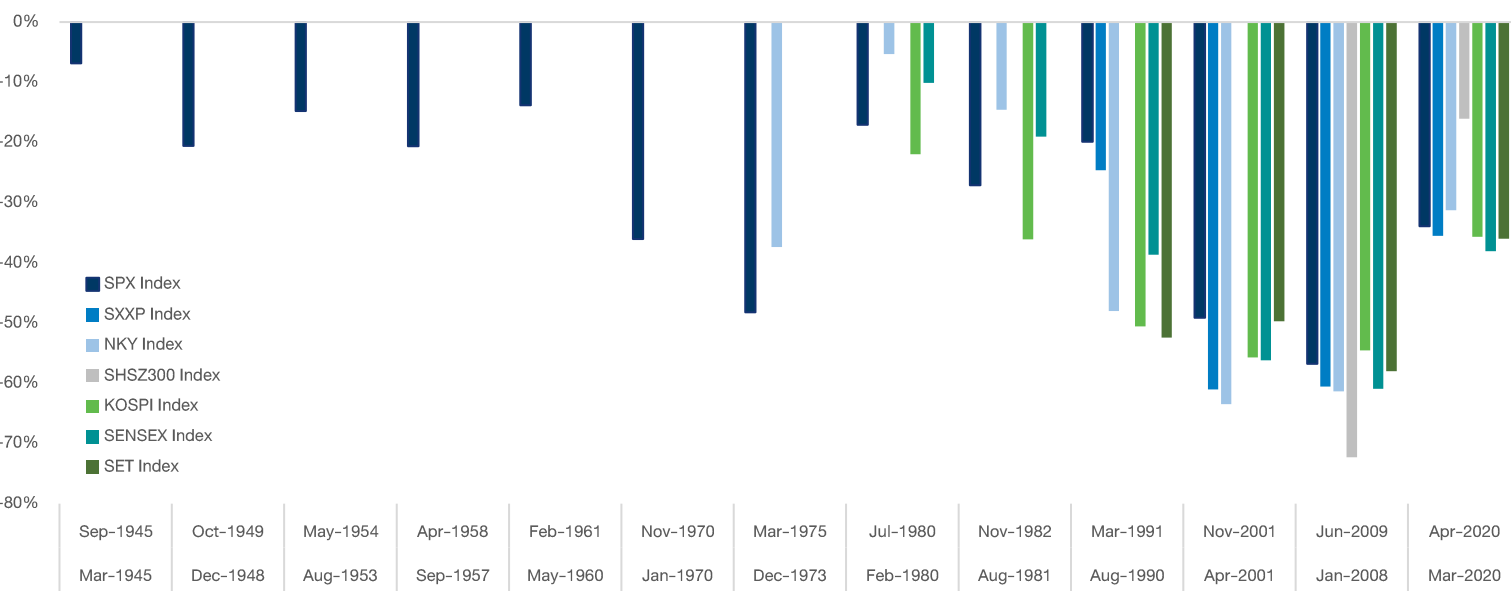
Recession period: 1945 1948 1953 1957 1960 1969 1973 1980 1981 1990 2001 2007 2020



Stock market react during recession



maximum drawdown - country



What caused forward PE

start	end	SPX	SXXP	NKY	SHSZ300	KOSPI	SENSEX	SET
Apr-2001	Nov-2001	P↓↓ E↓						
Jan-2008	Jun-2009	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓
Mar-2020	Apr-2020	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓	P↓ E↓

- Price fall more than forward EPS fall
- Price fall less than forward EPS fall
- Price fall same magnitude as EPS fall

Forward PE band at trough point

start	end	SPX	SXXP	NKY	SHSZ300	KOSPI	SENSEX	SET
Apr-2001	Nov-2001	below -2sd						
Jan-2008	Jun-2009	below -2sd	-2sd to -1sd	over 2sd	-2sd to -1sd	below -2sd	-2sd to -1sd	-2sd to -1sd
Mar-2020	Apr-2020	below -2sd	below -2sd	below -2sd	-2sd to -1sd	-1sd to average	below -2sd	below -2sd
16 May 2022		-1sd to average	-2sd to -1sd	-2sd to -1sd	-1sd to average	-1sd to average	-1sd to average	-1sd to average

- From the historical data, when the recession caused by the financial market and external happens, the market tends to fall at a higher magnitude than the other factors.

Average maximum drawdown

max drawdown	SPX Index	SXXP Index	NKY Index	SHSZ300 Index	KOSPI Index	SENSEX Index	SET Index
Supply-side shock	-20.57%						
Monetary policy	-24.42%		-14.58%		-36.11%	-19.07%	
Financial market	-52.96%	-60.79%	-62.42%	-72.30%	-55.14%	-58.54%	-53.87%
Government	-10.85%						
External shock	-33.92%	-35.55%	-31.27%	-16.08%	-35.71%	-38.07%	-35.99%
Supply side shock + Monetary policy	-28.40%	-24.62%	-30.25%		-36.29%	-24.40%	-52.41%

Supply-side shock: 1948

Financial market: 2001 2008

External shock: 2020

Monetary policy: 1957 1970 1981

Government: 1953 1945

Supply side shock + Monetary: 1973 1980 1990



When will the market start correction?

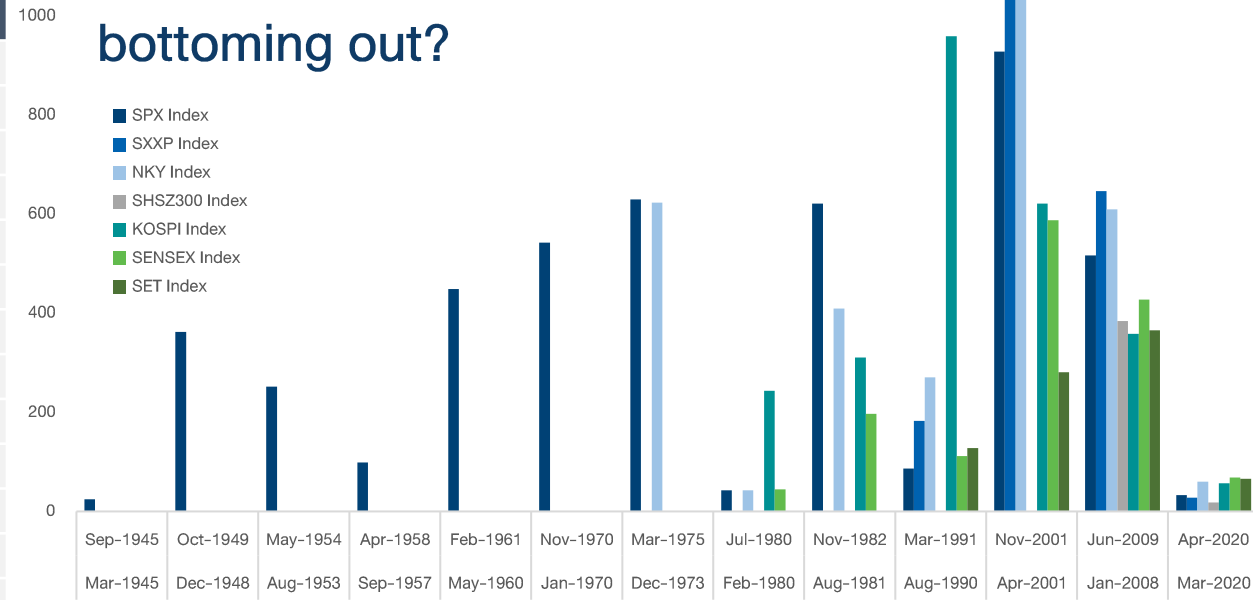
• Supply-side

start	end	SPX	SXXP	NKY	SHSZ300	KOSPI	SENSEX	SET
Mar-1945	Sep-1945	after						
Dec-1948	Oct-1949	before						
Aug-1953	May-1954	before						
Sep-1957	Apr-1958	before						
May-1960	Feb-1961	before						
Jan-1970	Nov-1970	before						
Dec-1973	Mar-1975	before		before				
Feb-1980	Jul-1980	after		after		after	after	
Aug-1981	Nov-1982	before		after		before	after	
Aug-1990	Mar-1991	before	before	before		before	after	before
Apr-2001	Nov-2001	before	before	before		before	after	before
Jan-2008	Jun-2009	before	before	before	before	before	after	before
Mar-2020	Apr-2020	before	before	before	after	before	before	before

after: after entering to recession / before: before entering to recession

Market downturn	SPX	SXXP	NKY	SHSZ300	KOSPI Index	SENSEX	SET
Supply-side shock	363						
Monetary policy	428		410		311	197	
Financial market	723	874	861	385	491	508	324
Government	139						
External shock	33	28	60	18	57	69	66
Supply side shock + Monetary policy	253	183	334		602	79	128

How long does the market fall before bottoming out?



- Most of the time, investors tend to sell off the stock before the recession starts except for the Indian stock exchange.
- When a recession happens due to a Financial market mistake, it takes a longer time for the market to bottom out.

Supply-side shock: 1948

Monetary policy: 1957 1970 1981

Financial market: 2001 2008

Government: 1953 1945

External shock: 2020

Supply side shock + Monetary: 1973 1980 1990

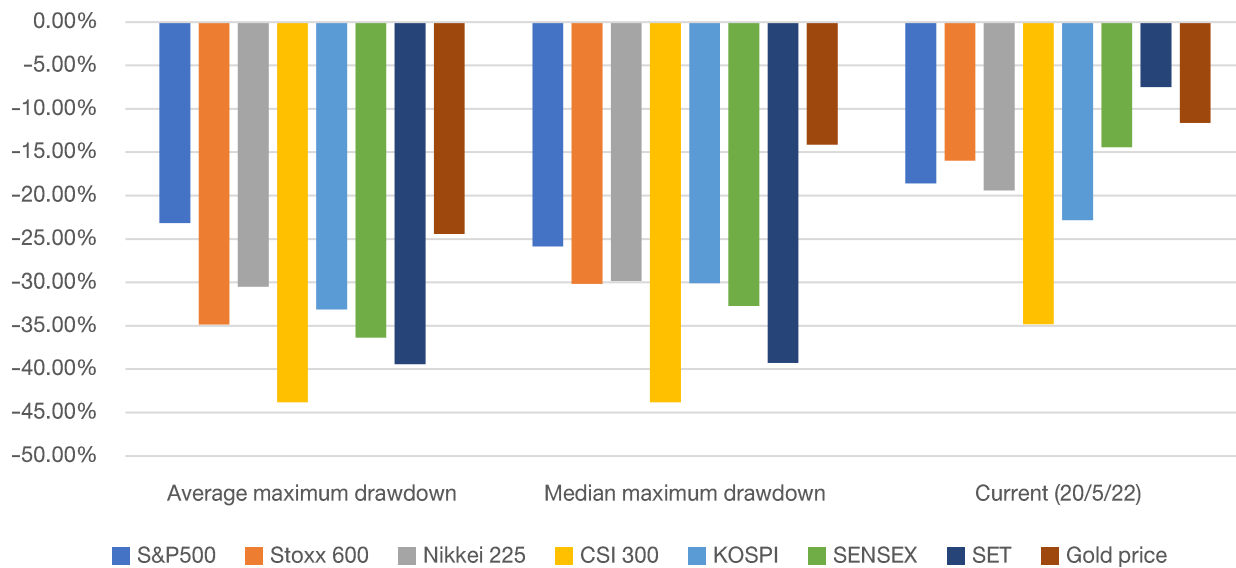


Soft landing investment implication : S&P 500 already priced recession yet?

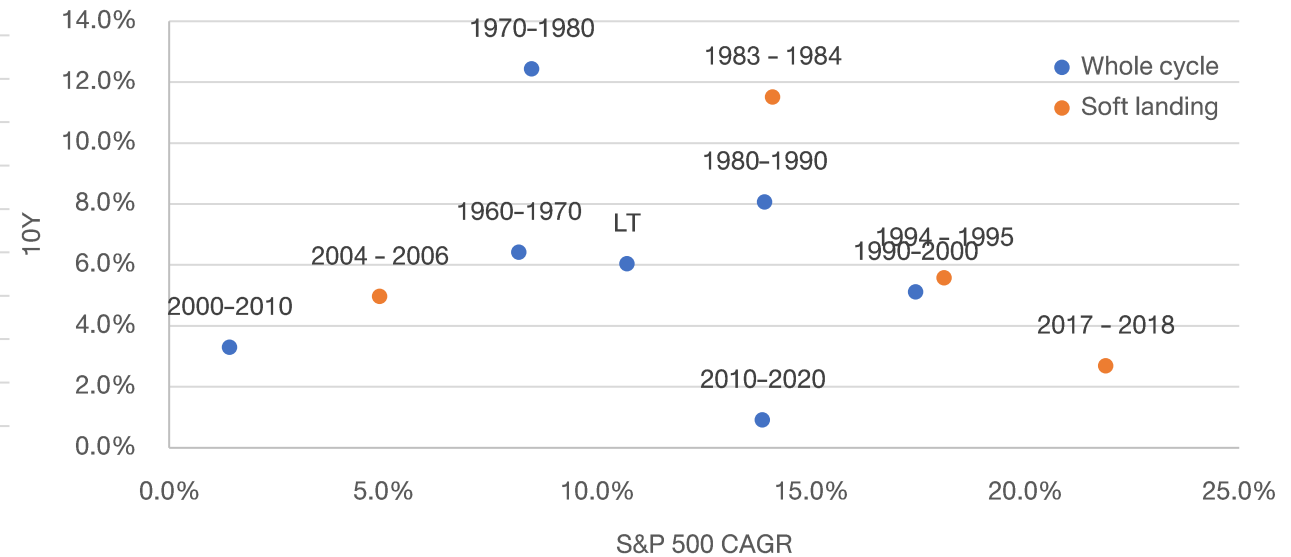


Source : KTBST

US market still does not exhibit a recession in fully-priced in



When the economic cycle shift from the current stage to a soft landing then the upside also widens.



- Current stock markets as of 20/5/22 correct are not fully priced in for recession yet. We believed that both economic data and the financial market still choose either soft landing or recession in 3Q22
- While the upside for risky assets will be larger when investors believed that the soft landing can be delivered. However, even though the inflation has been softening or not, FED still keeps marching toward their tightening.
- When market participants believed in the soft landing, the S&P500 stock market tends to have the largest upside potential due to high sensitivity in 10Y. (next page)

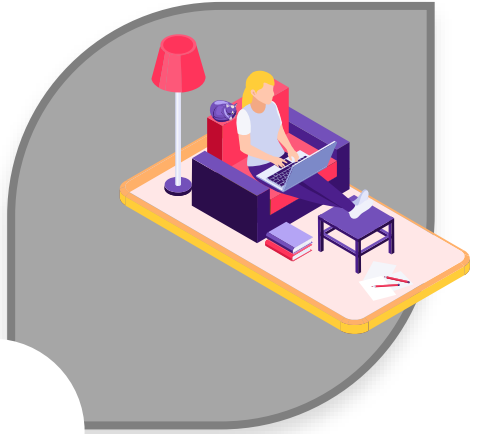
- Assumption for tactical valuing S&P 500 index (next page)
- RR from DDM implied from BB consensus plus policy spread 2.25%
 - Earning surprise just for only next 12M with directly discount from consensus forecast for next 3 years
 - Payout ratio 80% plus gradually upward increasing.
 - Potential growth from FED st. Louis at 2% for 2022 and so on.
 - Historical assumption using historical DDM input plus policy spread 2.25% e.g. 1960 assumption : average dividend yield + long term growth from st. louis

Historical Scenarios/Required rate of return by DDM		Whole cycle of stock market						Soft landing				Historical 10Y in each period	
		1960-1970	1970-1980	1980-1990	1990-2000	2000-2010	2010-2020	LT	2017 - 2018	2004 - 2006	1983 - 1984		1994 - 1995
Earning report below estimate 20%	5.57%					5948.17						0.91%	
	6.19%							4937.35				2.68%	
	6.49%								4556.56			4.96%	
	6.62%					4416.88						3.29%	
	6.62%				4416.56							5.11%	
	6.94%						4088.72					6.04%	
	7.24%										3822.93	5.57%	
	9.03%			2760.58								8.07%	
	9.86%	2441.37										6.41%	
	10.11%									2357.16		11.51%	
10.12%		2354.77									12.43%		
Earning report below estimate 10%	5.57%					6691.69						0.91%	
	6.19%							5554.52				2.68%	
	6.49%								5126.12			4.96%	
	6.62%					4969.00						3.29%	
	6.62%				4968.63							5.11%	
	6.94%						4599.81					6.04%	
	7.24%										4300.80	5.57%	
	9.03%			3105.65								8.07%	
	9.86%	2746.54										6.41%	
	10.11%									2651.80		11.51%	
10.12%		2649.12									12.43%		
Earning report inline	5.57%					7435.21						0.91%	
	6.19%							6171.69				2.68%	
	6.49%								5695.69			4.96%	
	6.62%					5521.11						3.29%	
	6.62%				5520.70							5.11%	
	6.94%						5110.90					6.04%	
	7.24%										4778.66	5.57%	
	9.03%			3450.72								8.07%	
	9.86%	3051.71										6.41%	
	10.11%									2946.45		11.51%	
10.12%		2943.47									12.43%		
Primary theme in each period		VN war	Oil embargo		Bubble dot com	Subprime	Trade war + COVID	Long term assumption	End of QT	Recovery from Bubble	End of 1st 80s stagflation	End of 2nd 90s stagflation	KTBST



Conclusion for next landing and its sign

- Slow growth
- US inflation stays at a high level but keeps increasing at decreasing rate.
- US labor market continue to recover with short run gradually increasing.



- Slow growth
- US inflation still no sign of a consistent downtrend
 - However, US labor is still tight as demand mismatch with supply bottleneck issue.
- The US stock market is still not priced in for recession yet.

Soft landing

current

Hard landing

Q3 22

- Slow growth
- US inflation sharply decline
- GDP exhibit technical recession
- The Fed dot plot keeps changing
- The unemployment rate start to rise above 4%



- At this point, we still expected that the US will experience a soft landing due to being less dependent on outside energy sources in the USA, and current both FED's policies tool and framework are still intact
- While the most of risky asset still volatile in early of 3Q22 and expect to recover from the later of 3Q22.

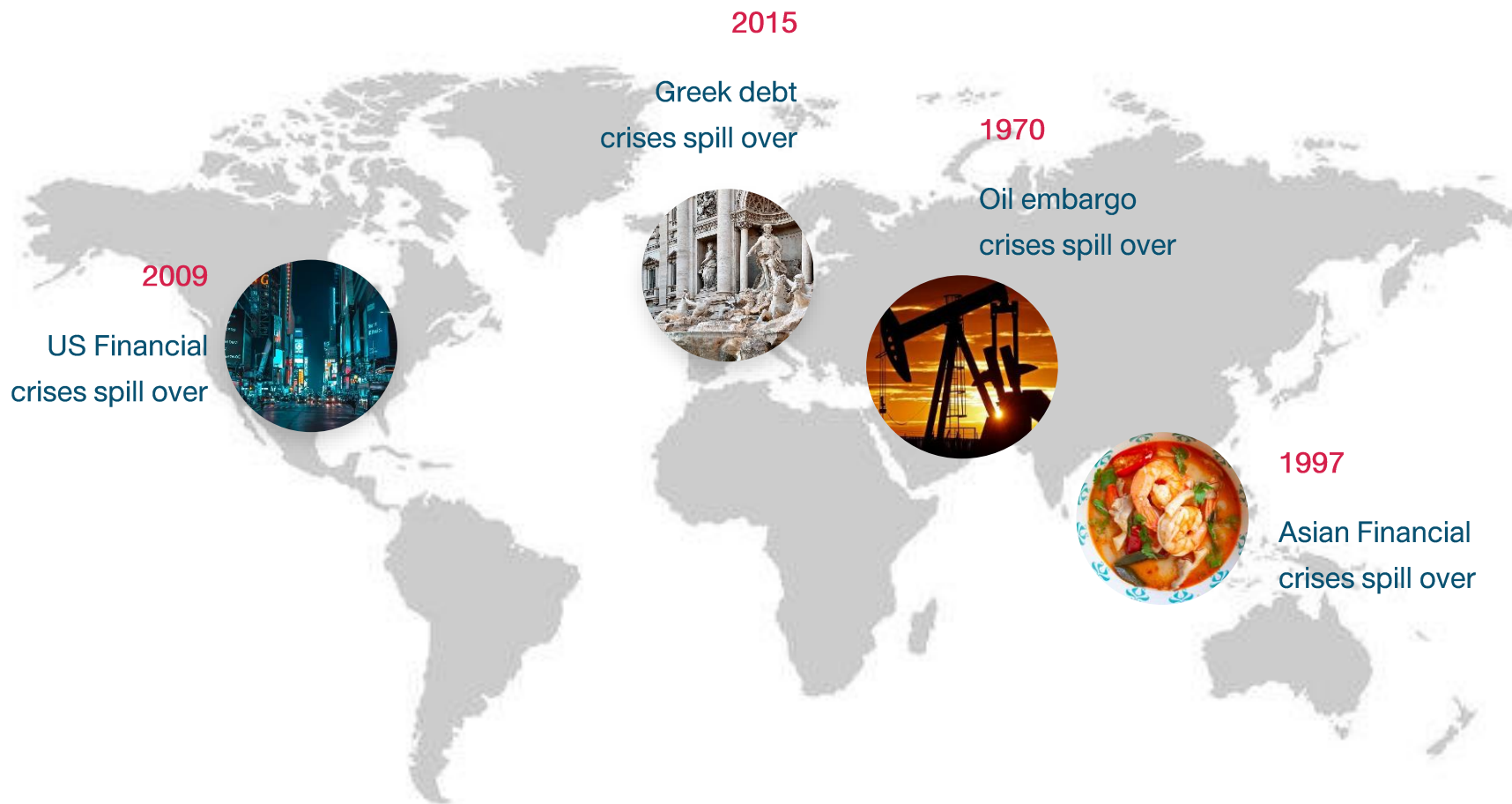


Pour recession over them ,let the fear spill in





What is spill over effect



Spillover effect refers to the impact that seemingly unrelated events in one nation can have on the economies of other nations. Although there are positive spillover effects, the term is most commonly applied to the negative impact a domestic event has on other parts of the world such as an earthquake, stock market crisis, or another macro event.

Source : investopedia

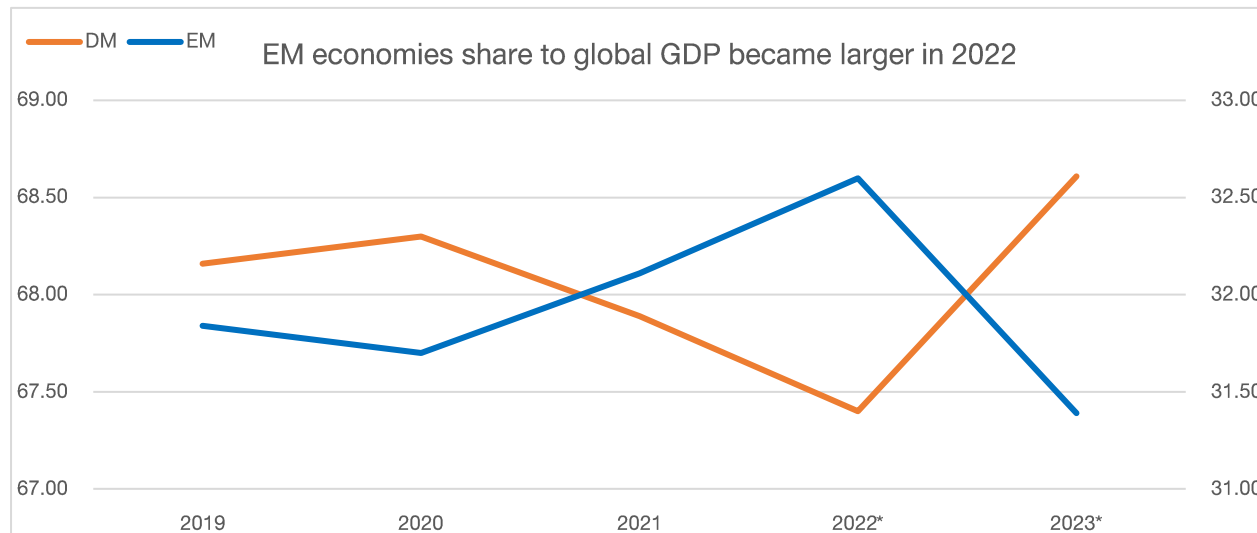
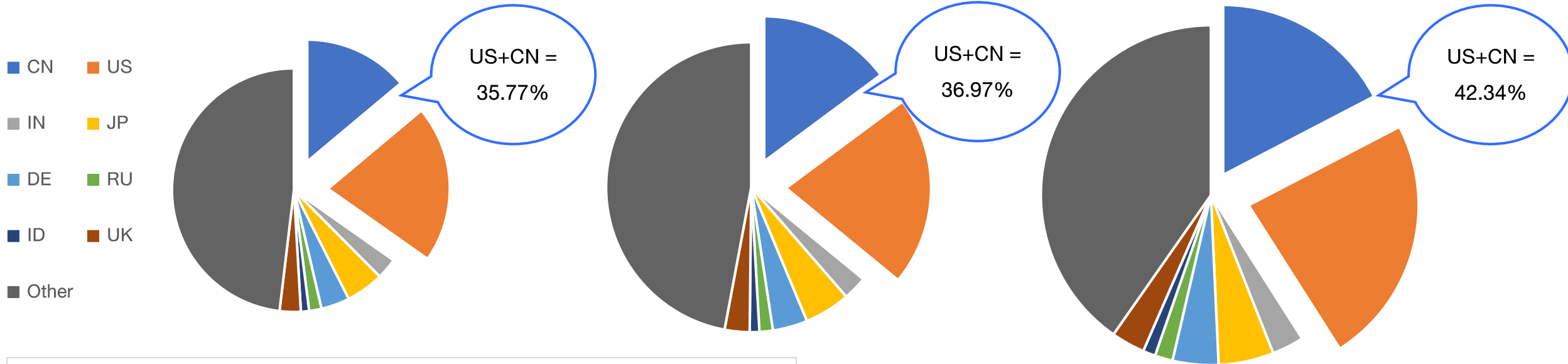


Why FOMC mentioned the risk in EM economic concern and spillover?

2019 Global GDP market share

2020 Global GDP market share

2021 Global GDP market share



EM play an important part to drive global GDP growth for the last couple of years. On the other hand, from the current stagflation concern globally EM might arouse the fear of economic spillover in 2 dimensions

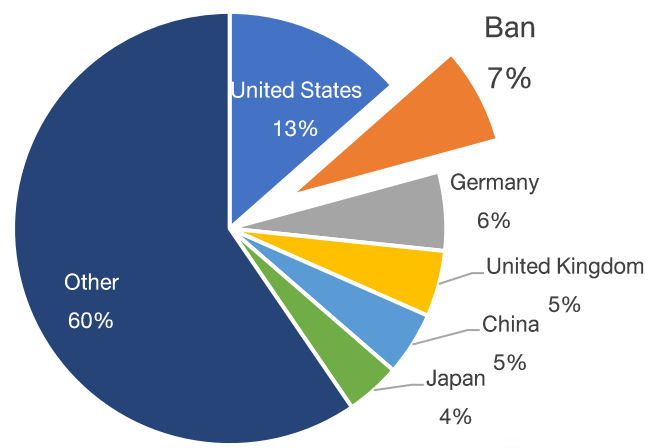
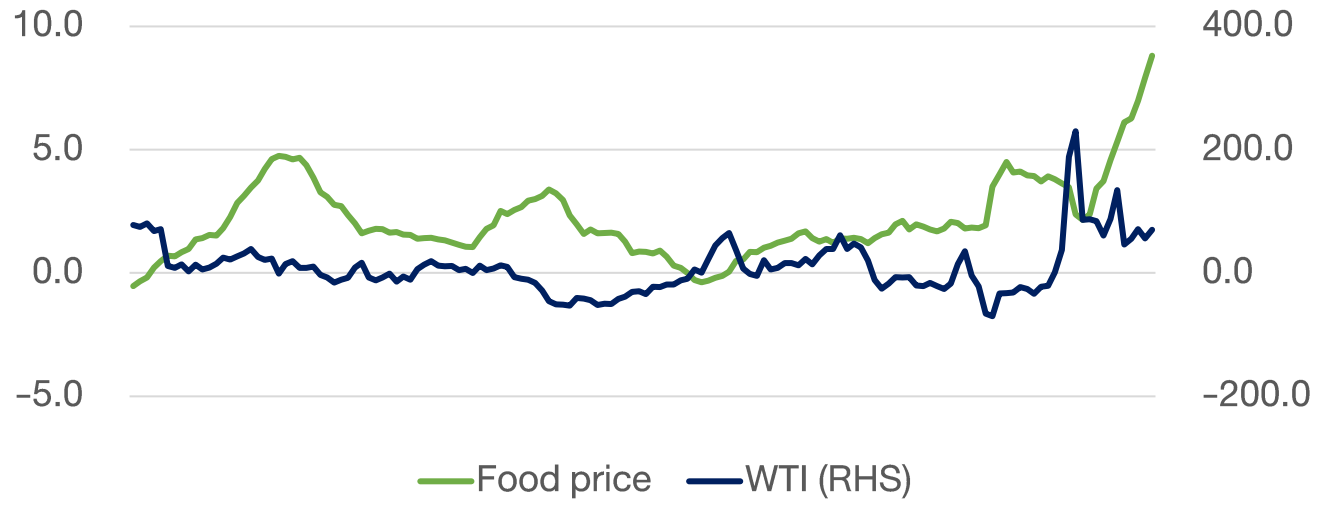
- Firstly, the larger portion of EM economic sharing reach to 31 – 32% with the food prices crises might fuel the fear of stagflation persistent further
- While the 2nd point is not only the larger EM economics sharing but the higher concentration in China also due to about 1/5 for global GDP growth share driven by China while most of trade partner and supplier is mainly China also.



Food crises push inflation higher and pressure mainly DM GDP downward



Food prices became critical pressure to global inflation and economics growth



COUNTRY	TYPE OF FOOD PRODUCT	BAN END DATE
KAZAKHSTAN	Wheat, wheat flour	June 15, 2022
EGYPT	Vegetable oil, maize	June 12, 2022
	Wheat, flour, oils, lentils, pasta, beans	June 10, 2022
ARGENTINA	Soybean oil, soybean meal,	Dec 31, 2023
KUWAIT	Chicken meat products, grains, vegetable oils	Dec 31, 2022
TUNISIA	Fruits, vegetables	Dec 31, 2022
SERBIA	Wheat, corn, flour, oil	Dec 31, 2022
UKRAINE	Wheat, oats, millet, sugar	Dec 31, 2022
TURKEY	Beef, mutton, goat meat, butter, cooking oils	Dec 31, 2022
KOSOVO	Wheat, corn, flour, vegetable oil, salt, sugar,	Dec 31, 2022
IRAN	Potatoes, eggplant, tomatoes, onion	Dec 31, 2022
INDONESIA	Palm oil, palm kernel oil	Dec 31, 2022
INDIA	Wheat	Dec 31, 2022
ALGERIA	Pasta, wheat derivatives, vegetable oil, sugar	Dec 31, 2022
RUSSIA	Sugar, sunflower seeds	Aug 31, 2022

Source: International Food Policy Research Institute



Source : The growing global spillovers from emerging markets By Rabah Arezki, Yang Liu 2021

Spill over framwork and transmission mechanism

Theoretical research identifies three potential explanations of the origins of spillovers (Accominotti et al. 2020)

- Fundamentals
- Financials
- Coordination-failure



Pre-COVID spill over studies

- The spillover effect from DMs is widely spread and has a tremendous negative impact on global economics while they originating from EM do not matter.
- The eruption of spillover effect in EMs cannot transfer to DMs economies.



Post-COVID spill over studies

- The spillover effect from EM also create a significant negative impact larger than DM did around 0.2 times compare to the past due to the higher share of EM's GDP in global market.
- The eruption of spillover effect in EMs can transfer to DMs via fundamental channels and financial channels .

VS



The financial factors explanation relies on the constraints and inefficiencies in banking sectors and international equity markets. Imperfections in the financial system are exacerbated during a crisis, and such imperfections limit the extent in which financial services can be provided to different countries.



Financial factors

Fundamental factors



The fundamental factors explanation of spillovers between countries relies on real channels such as bilateral trade, trade of similar goods with a common market, monetary policy coordination, and macro similarities.

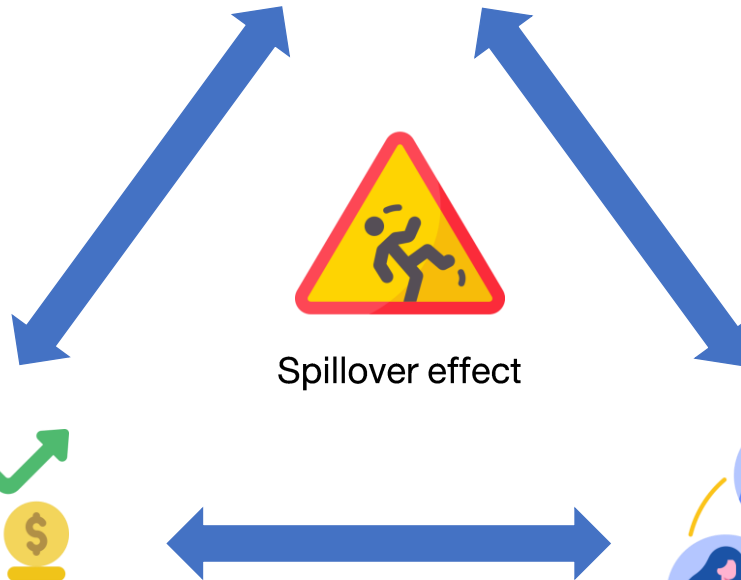


Spillover effect

where spillovers are due to multiple equilibria, herding, learning, and political contagion. The transmission of shocks is related to informational problem that can drive market participants to make decisions affecting many countries at once.



Coordination failure factors





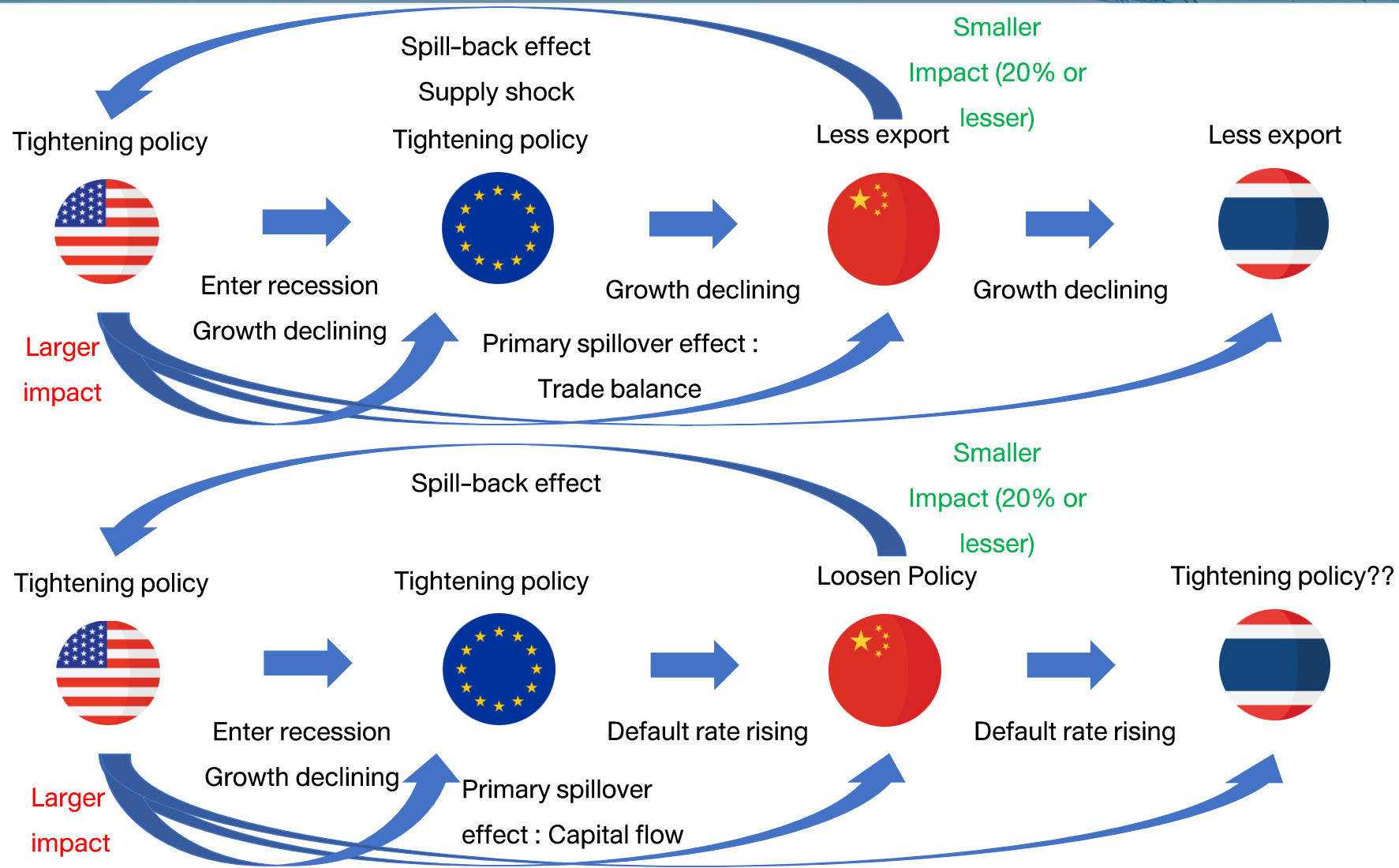
How spillover effect will occur this time : Inside-Out case



Fundamental factors



Financial factors



Coordination failure factors

by

- US & CN tension
- WW3
- US deadlock parliament
- Cross default in fixed income market
- Massive export banning policy

Under global high inflationary pressure & China COVID-19 containment policy



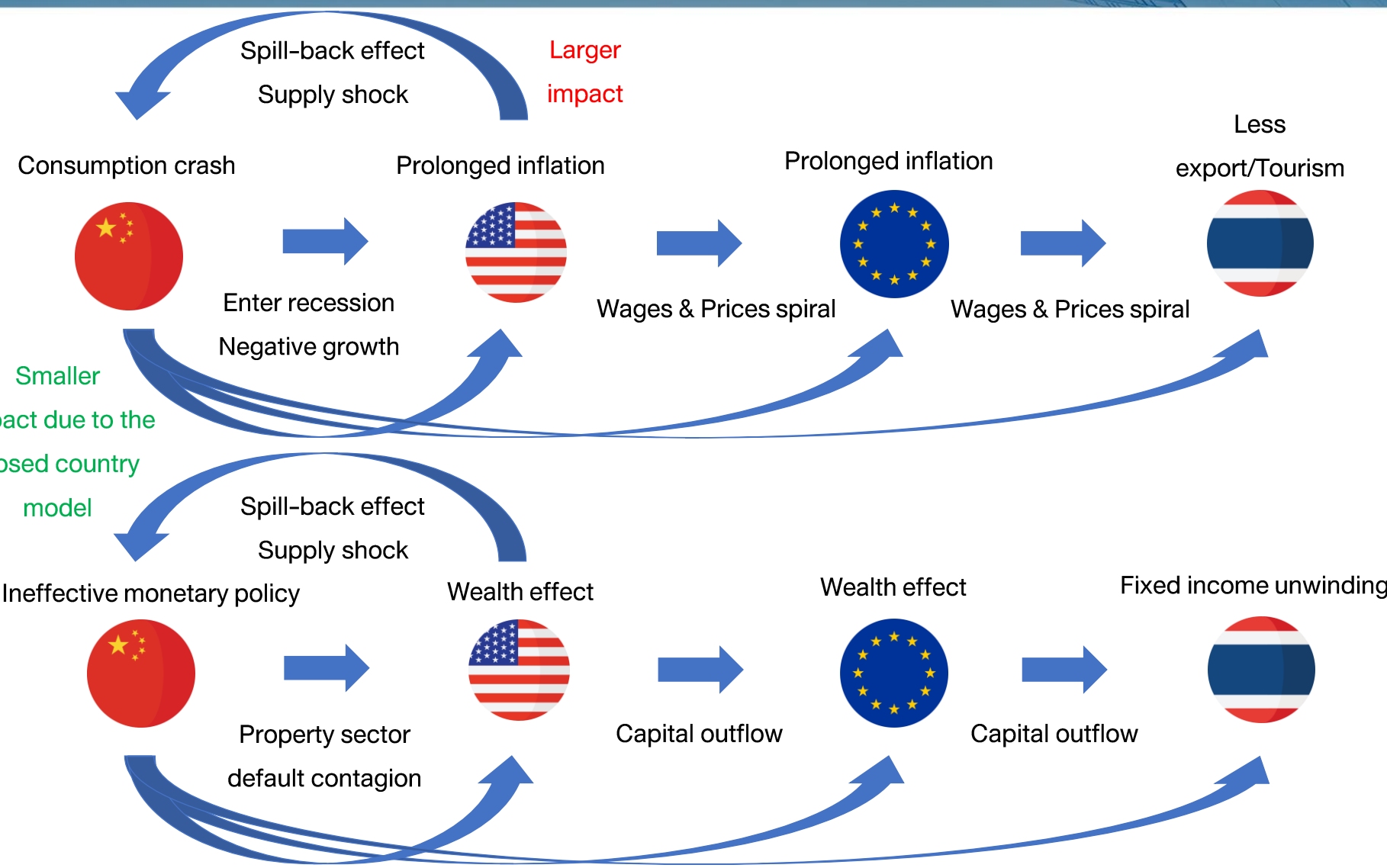
How spillover effect will occur this time : Outside-In case



Fundamental factors



Financial factors



Coordination failure factors

by

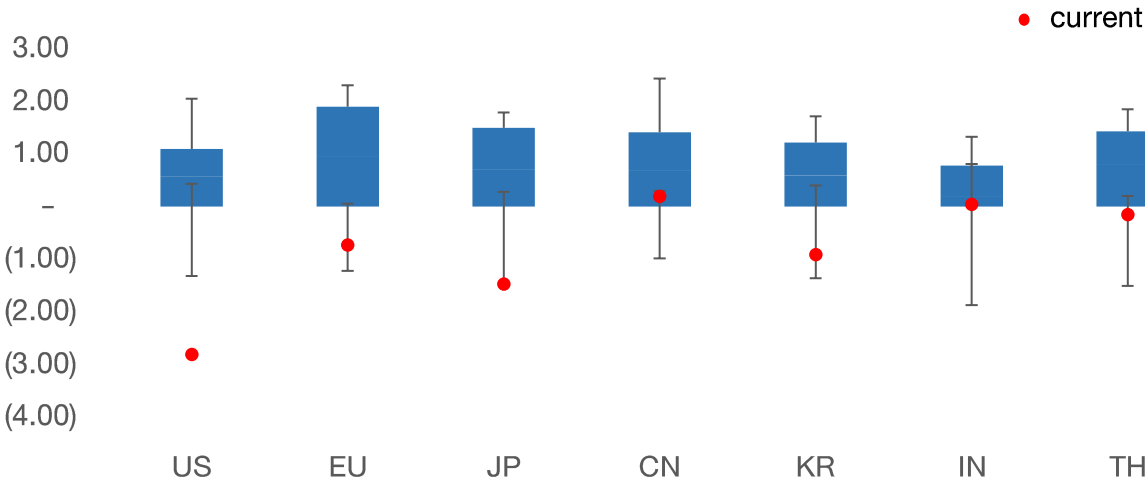
- US & CN tension
- WW3
- US dreadlock parliament
- Cross default in fixed income market
- Massive export banning policy

Under global high inflationary pressure & China COVID-19 containment policy

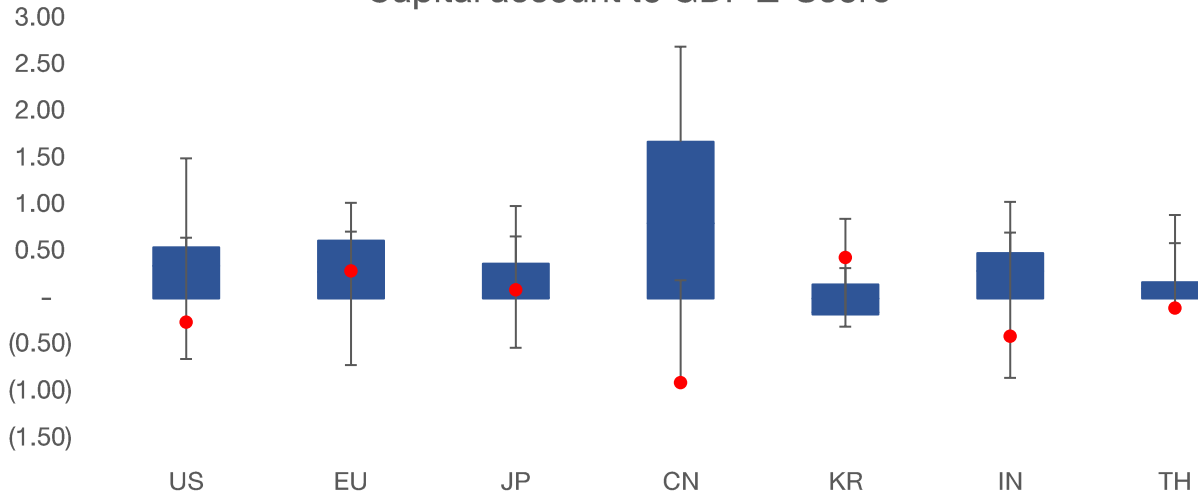


Possibility of spillover from DM and EM : Fundamental factors

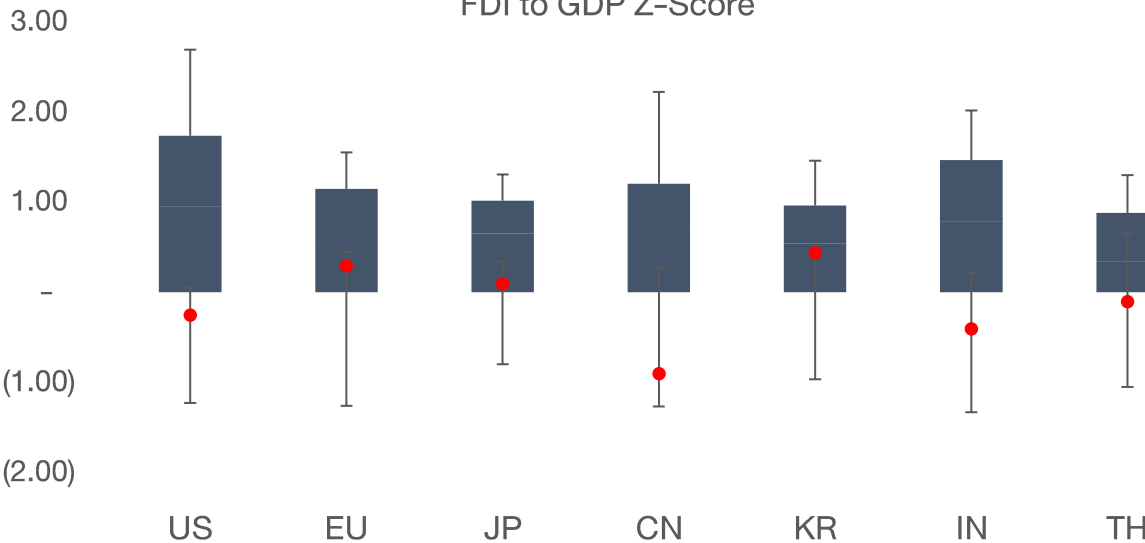
Trade balance to GDP Z-Score



Capital account to GDP Z-Score



FDI to GDP Z-Score



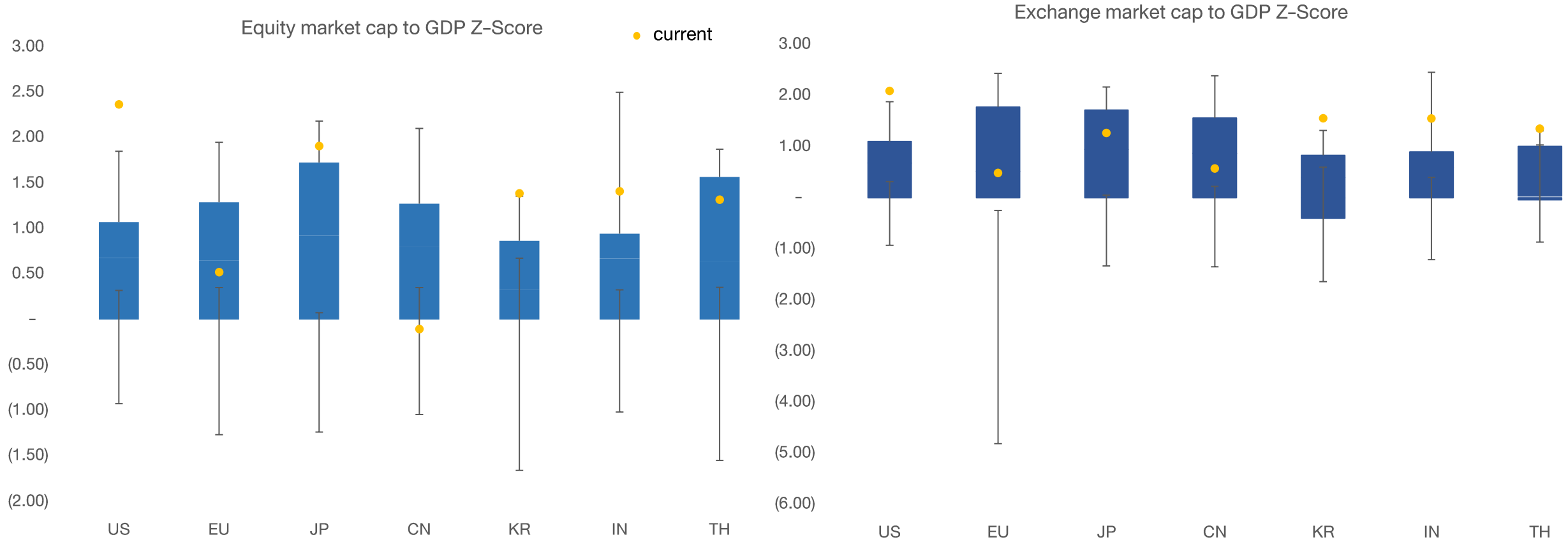
From the perspective of the fundamental factor channel, KTBST believed that there is a low chance of spillover effect from the channel.

From the study paper, ECB has been shown that primary spillover transmission channel occurs by export/import channel followed by Capital account and FDI which directly bring the disaster from DM to EM from time to time. After we have reviewed the current stance of all 3 parameters which show that most EM is still healthy due to low dependence on DM, especially in China

While the USA is still exposed risk of supply bottleneck more and more when the food export banning gets intense.



Possibility of spillover from DM and EM : Financial factors



After the massive QE era, most of the stock market has been manipulated due to the seeking for yield behavior and low financing cost which push their market capitalization to GDP higher. While comparing to the last 20 years, DM shows a significant signal of the higher size of both stock market and exchange financial market capitalization to GDP which is indicate that the current status of the financial market is relatively higher than in the past and fragile to the risk of recession spillover. While in Ems there is a significantly lower risk of spillover in perspective of financial factors compare to the others except for South Korea and India.



Possibility of spillover from DM and EM : Coordination failure

Source : KTBST , Financial stability report May2022

External factors that could spark recession

Worsen war situations and widen the area of warfare higher inflation and interest rates worldwide, and a broad pullback from risk-taking, transmitting stress to institutions that are exposed. Stresses in European financial institutions could affect U.S. financial institutions through their strong interconnections to European banks



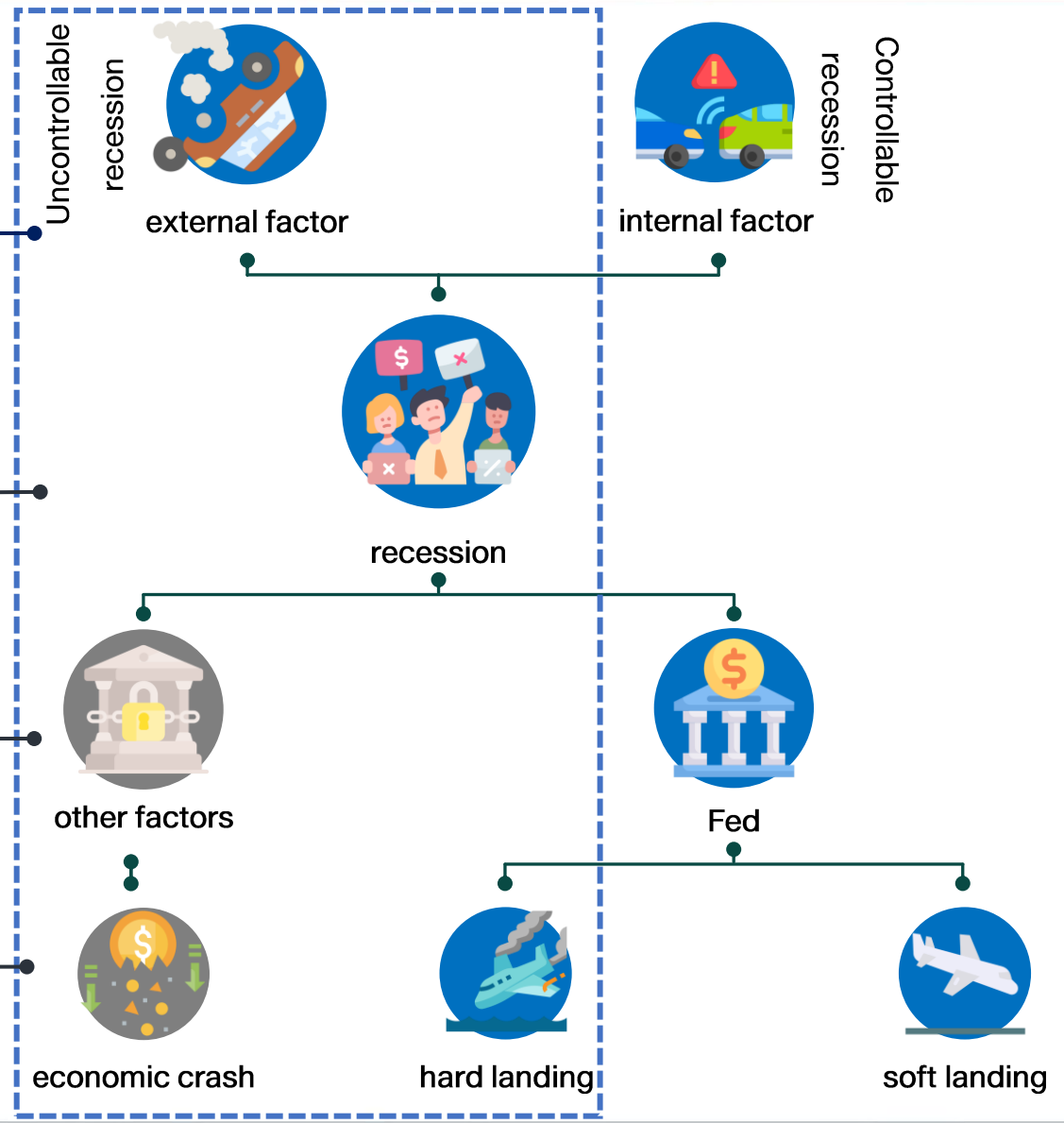
Persistent inflation with rising interest rates. Further adverse surprises in inflation and interest rates, particularly if accompanied by a decline in economic activity, could negatively affect the financial system.



Property stresses in China. Financial stresses in China could strain global financial markets through a deterioration of risk sentiment and disruptions to economic activity due to its economic size



Inflationary shock in EM. Increased debt levels in many EMEs since the onset of the pandemic have made these economies more vulnerable to adverse shocks. More recently, higher food and energy prices have worsened the terms of trade for some EMEs





The spillover effect from both inside-out and outside-in have significantly impact to GDP growth while the size of impact depends on the connectivity of fundamental , financial and coordination failures factors



The origins

The spillover effect size of impact depends on its origin while the impact from DM tends to be larger than EMs



The differences

The spillover transmission mechanism is still the same as studied in the paper in the pre-covid era but different in the “spill-back results”



DM posed some risks

In case of recession from both DM/EM, due to the current stagflation stage of economics DM posed a larger potential risk of spillover from both inside-out and outside-in due to supply bottleneck issues



EM limited downside

While EMs tend to have less dependent on global trade and global financial flow compared to the last couple of decades, especially in China which makes this time different and make EM seems to be a good investment



Exogenous shocks

However, the triggers of the spillover effect are not only just fundamental/financial factors but coordination-failures also which are hard the detect earlier.



Economics summary : Widening trade deficit with lower purchasing power

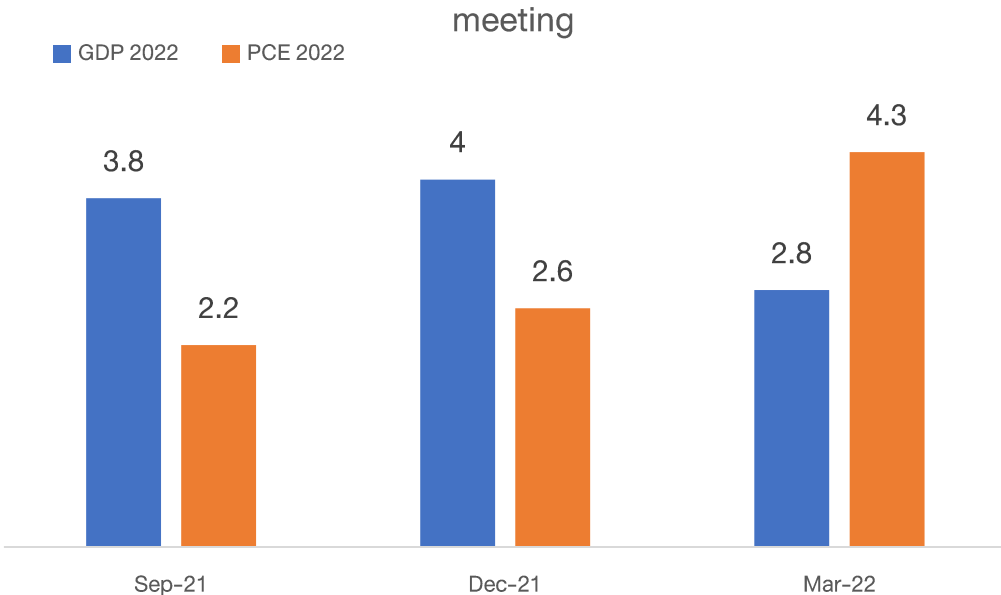


Economics forecast	2022			2023			Comment	Economics forecast	2022			2023			Comment
	GDP Growth	KTBST	Cons	Prev.	KTBST	Cons			Prev.	GDP Growth	KTBST	Cons	Prev.	KTBST	
US	2.63	3.1	3.41	2.05	2.1	2.35	We've assumed that FED will raise their rate to 3% at least with economics broad-based soft landing while the primary engine for US GDP growth like private consumption has no shock from wealth effect with the mild negative impact from high energy prices. However, with negative trade balance will become a vital threat to GDP growth with the depreciation of the dollar.	CN	4.02	4.8	5.0	5.17	5.1	5.50	We cut China's GDP down due to the slow progress of the COVID-19 control policy. The Chinese government is still struck by the traditional containment policy while lacking of a new mRNA vaccine still foggy. So we decide to cut China's GDP 1st time in 2022 even though we have already used the conservative input for the GDP estimate earlier.
C	2.5	3.0	4.5	2.3	2.3	2.30		C	4.2		5.8	5.5		6.3	
I	5.0	6.8	6.5	2.5	3.2	1.70		I	2.4		2.9	2.7		3.5	
G	2.5	0.2	2.75	2.2	1.5	2.00		G	3		3	2.5		2.5	
X	4.5	7.1	4.5	4.1	4.7	4.00		X	5.5		7.5	6.5		7	
M	9.5	6.9	8.9	9.5	3.0	10.00		M	5.0		4.5	4.5		3.8	
EU	2.61	2.8	4.00	1.76	2.3	1.8	EU GDP downgrade revisions are inevitable due to rising trade deficit and sluggish consumption while the ECB is signaling to tighten their policy rate in the hope to curb inflation which creates a price-spiral effect on domestic demand for 2H22 – 2023.	IN	6.61	8.8	8.50	7.45	7.5	6.3	We revised IN GDP 22 downward due to a larger deficit in trade balance with higher oil price while the wheat export banning policy is still effective for at least 1-2 years (2 crop periods) while the private consumption showed a significant slowdown sign from higher living cost.
C	2.70	3.7	3.50	1.6	2.2	1.6		C	7.7		11.5	8.3		7.5	
I	2.35	4.1	3.00	2.2	3.5	2.5		I	5.5		8	6.5		6.5	
G	2.33	1.9	2.60	2.3	1.0	2.3		G	15		15	10		10	
X	7.00	6.3	9.00	5.5	3.6	6		X	1.5		3	4		4	
M	11.30	7.1	7.00	8.9	4.0	4		M	13.5		9.5	10.43		7.5	
JP	1.53	2.1	2.70	1.28	1.8	1.50	We have downgrade JP GDP due to the delay of travel restriction revoked and widen trade deficit due to the rising in oil price. For the tourism sector, we foresee a silver lining but not will happen so soon in 2022 – 1H23 due to Chinese travel restrictions still valid.	TH	2.68	3.0	3.2	3.7	4.2	2.8	We also revise Thai GDP along with China's GDP also due to the less surplus in the trade account while the domestic demand remains weak. In term of purchasing power, only domestic consumption cannot push GDP to our previous estimation even though the tourism sector shows some sign of recovery but the recovery momentum still depends on China lockdown policy
C	1.89	2.5	2.50	1.10	1.8	0.80		C	2.5	3.9	4.7	3.35		3	
I	1.00	2.1	1.00	1.30	3.0	1.50		I	1.8	3.5	3	3.0		2.5	
G	2.00	1.6	2.00	1.50	0.8	1.50		G	2	3.4	3	2.5		2	
X	8.00	3.8	8.00	6.25	3.3	6.25		X	7.5	7.3	13	8		10	
M	13.40	3.0	5.30	7.70	3.1	3.88		M	6.7	4.5	5.5	5.5		6.5	



3Q22 outlook tied it together : Discrepancy inputs issue

FOMC economics projection from 2022 March meeting



2022 Policy rate from Taylor rule

3.55%

- Input implied from Mar22 meeting
- PCE = 4.3% , GDP = 2.8%

3.15%

- John c. Williams (Dovish)'s input
- PCE = 4.3% , GDP = 2%

3.00%

- CME's target rate
- Implied input approximately : PCE = 4% , GDP = 2%

3.45%

- nonpartisan Congressional Budget Office
- PCE = 3.8% , GDP = 3.1%
- Expected fed fund rate = 1.9%???

Taylor Rule Formula



$$\text{Target Rate} = \text{Neutral Rate} + 0.5 * (\text{GDP}_e - \text{GDP}_t) + 0.5 * (I_e - I_t)$$





Supportive reasons to raised

- The policy rate should be raised along with inflation
- Maintain policy spread gap
- Prepare the bullets for the next recession.
- Regional policy rates hike
- The labor market is struggling to recover due to pandemic issues both in and outside Thailand while inflation rising to provide a little unemployment rate decreased.

Stabilize domestic inflation

Need to raised

Contrary reasons to raised

- The sources of inflation pressure come from outside the border.
- The policy rate will push the higher living cost
- NPL will rise up.
- To stimulus economics growth

Hold

Reach full employment level

Need to raised

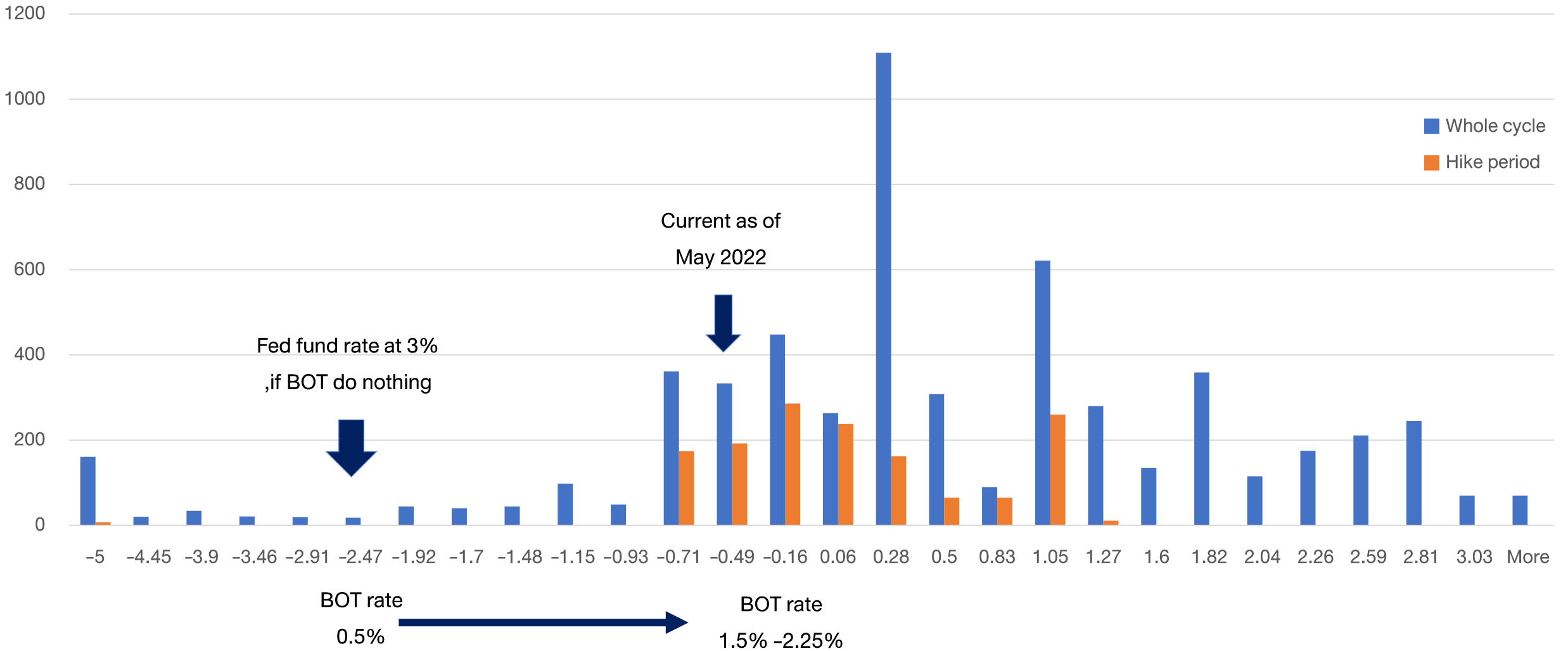
Maintain stability in FX market



3Q22 outlook tied it together : Challenging BOT policy rate struggle



Thailand policy spread distribution since 2000 – 2022 (BOT rate – Fed fund rate)





USDTHB for 3Q22 : Policy spread catch-up



Economics forecast			2022			2023		
			KTBST	Cons	Prev.	KTBST	Cons	Prev.
Growth concern Scenario	Inflation	US	3.2	2.9	3.2	2.6	2.3	2.6
		TH	2.1	2.7	2.1	1.8	1.3	1.5
	Policy rate	US	2.50	2.35	1.5	2.50	2.85	2.0
		TH	0.75	0.65	0.5	1.25	n.m.	0.75
Hawkish Scenario	Inflation	US	3.8	2.9	3.8	2.75	2.3	2.75
		TH	2.9	2.7	2.9	2.23	1.3	2.23
	Policy rate	US	3.0	2.35	2.0	3.75	2.85	3
		TH	1.0	0.65	0.75	1.75	1.3	1.0
Recession fear Scenario	Inflation	US	3.8	2.9	3.8	2.0	2.3	2.75
		TH	2.9	2.7	2.9	1.5	1.3	2.23
	Policy rate	US	3.0	2.35	2.0	3.0	2.85	3.0
		TH	1.0	0.65	0.75	1.0	1.3	1.0

Forecast Thai baht/USD exchange rate as of May 25, 2022
 The baht tends to appreciate after the Fed has policy clarity.
 3Q22 : 31.82 – 34.22, 6M range : 32.33- 34.43

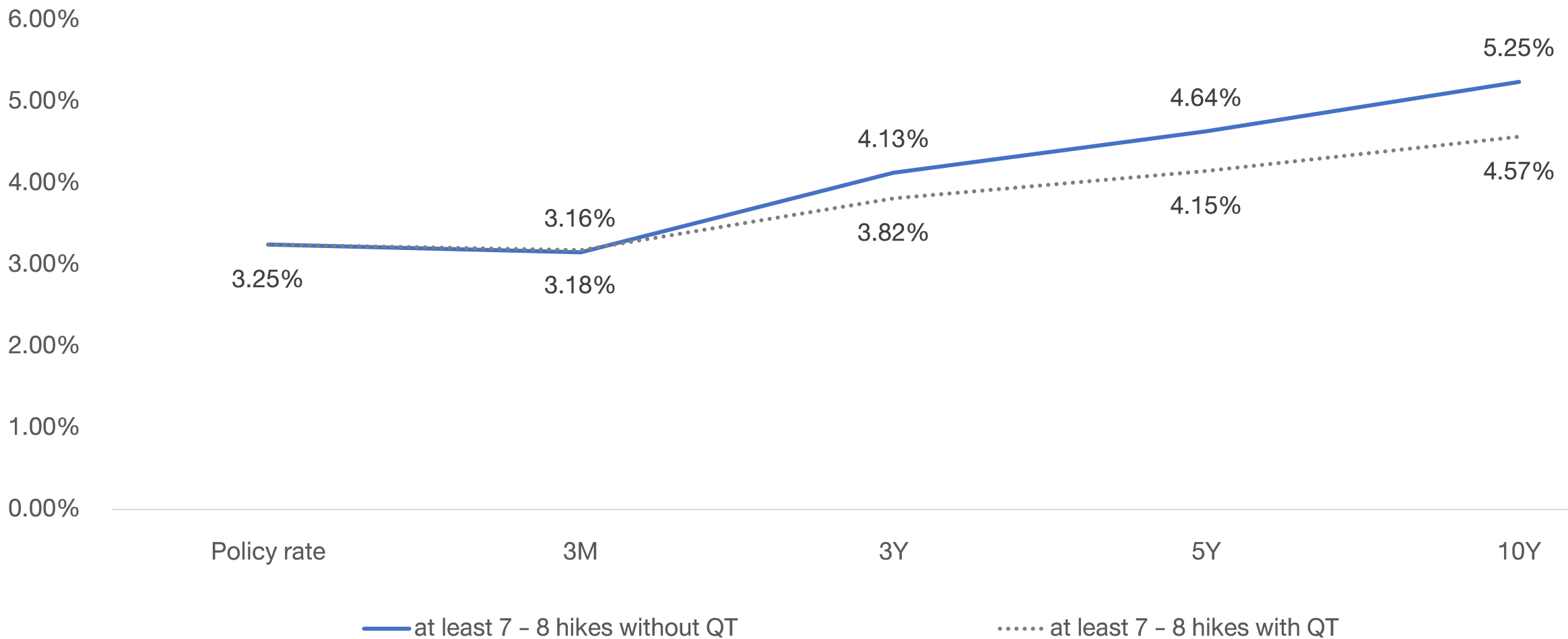
Factors causing the baht to depreciate more than expected

1. The Fed's Fed Monetary Policy Failure Happened Faster Than We Thought
2. Increasing Thailand's travel restrictions to control the spread of COVID-19 that affect the tourism sector
3. World political tensions escalate into World War
4. Stagflation in Thailand

Recommend “hedged” within the range of 33.50-34 baht /USD or more, about 65%-70% of Portfolio due to the trend of currency appreciation more. This is because the direction of real yield in Thailand for the remainder of 2022 tends to be higher than that of the United States. In terms of baht hedging, KTBST views that during April-May The rapidly depreciating Thai baht began to face downside risks of around 14% - 18% from its peak.

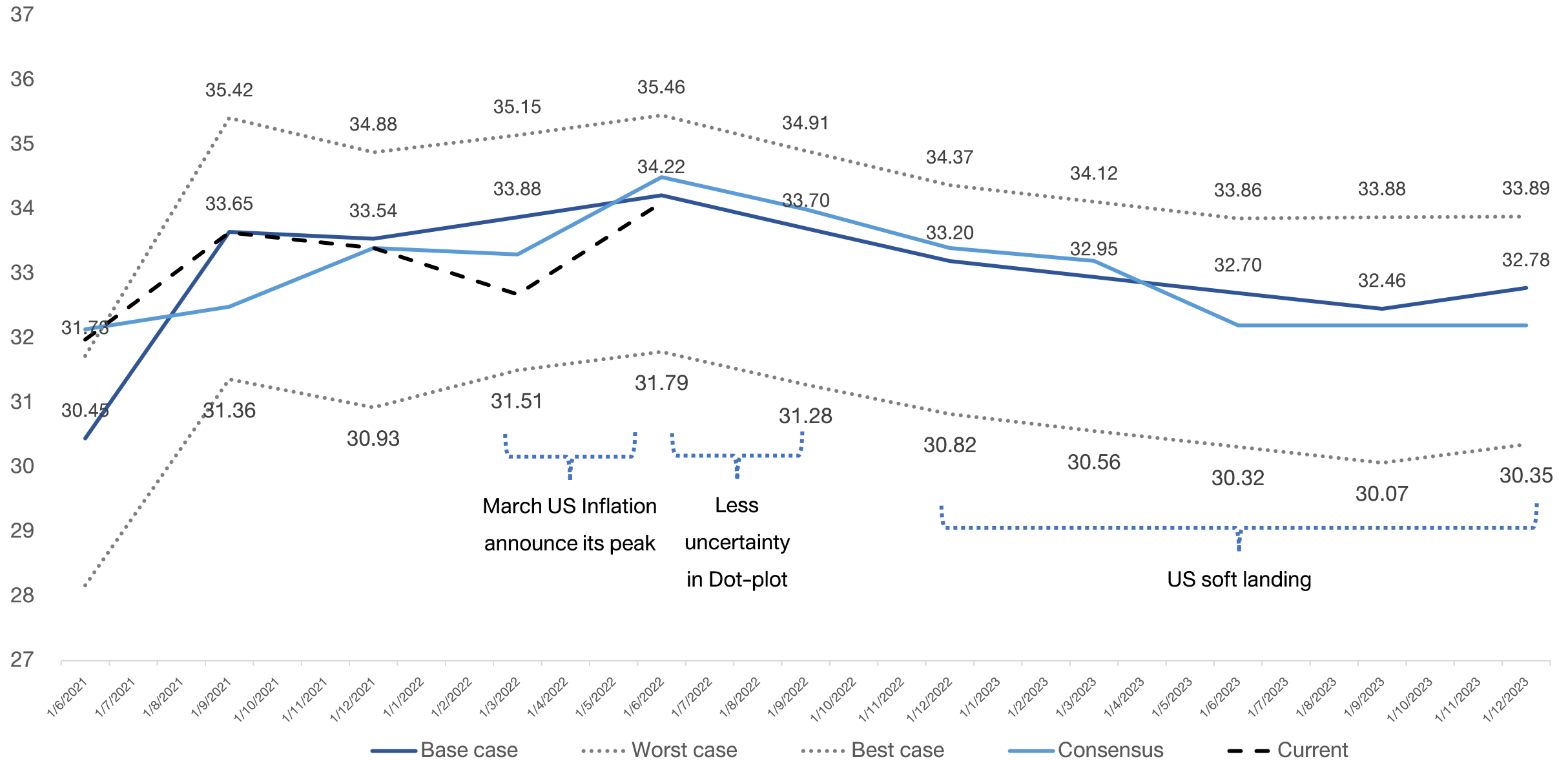


US Yield curve will be flattening during QT implementation



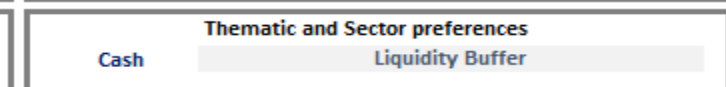
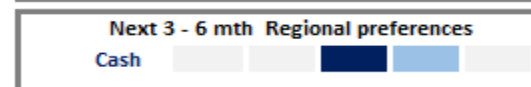
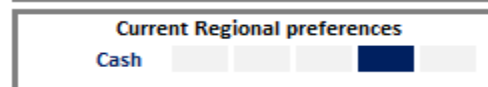
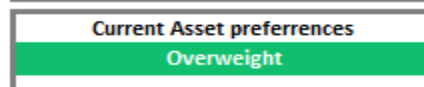
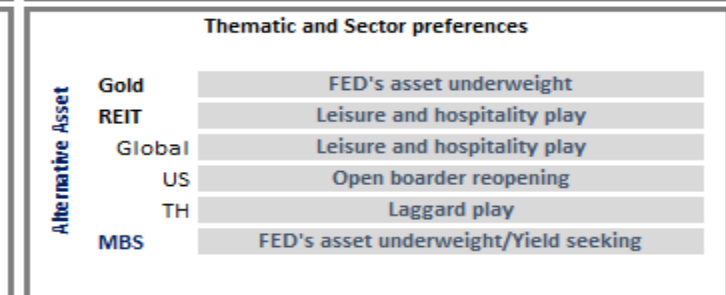
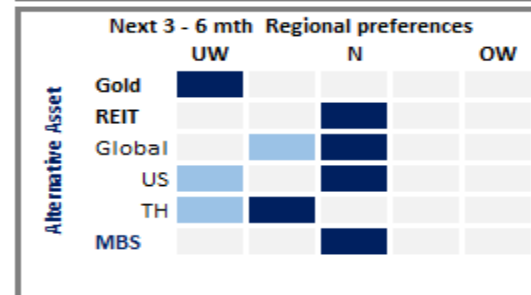
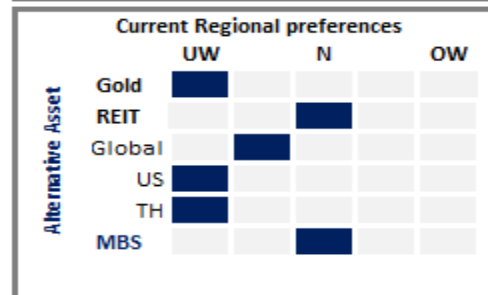
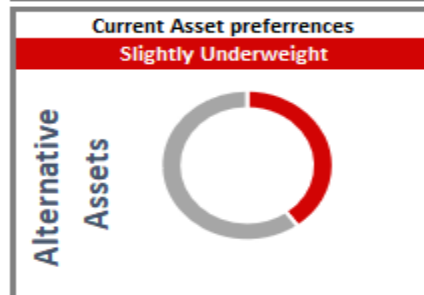
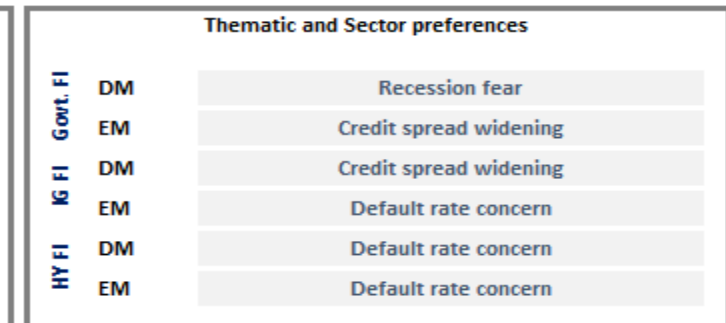
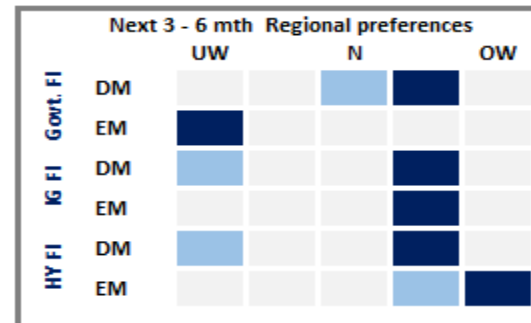
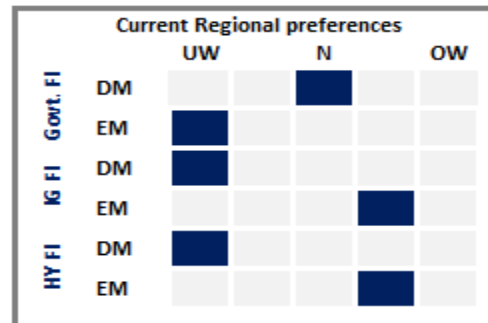
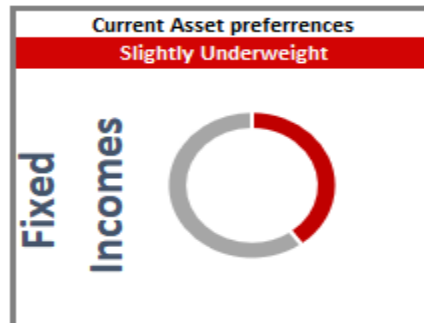
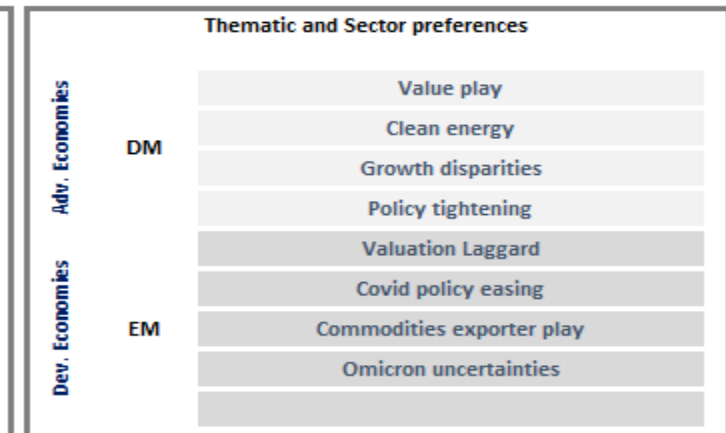
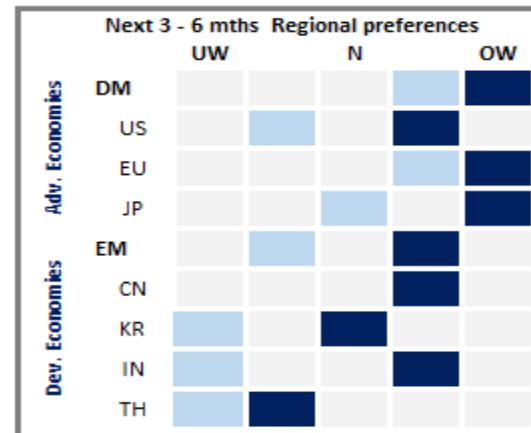
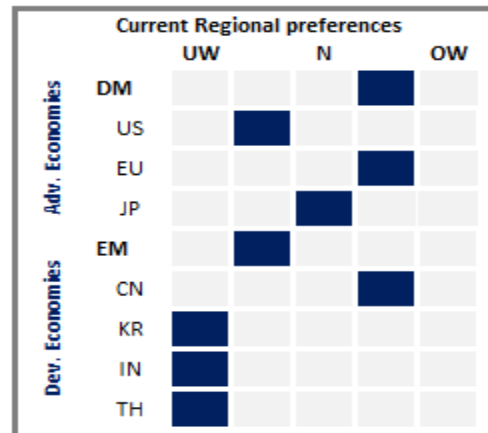
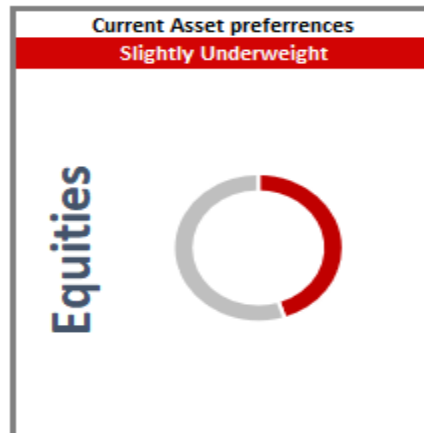


USDTHB for 2022 : Where USDTHB should be when Fed fund rate at 3%





2022 Tactical Asset allocation summary





TAA Market recommendation



Asset Class	Selection	Prev.	New	Comment
Foreign Equity	U.S.	NT	UW	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นสหรัฐฯ เนื่องจากเรามองว่าการปรับขึ้นของตลาดหุ้นสหรัฐฯ ขึ้นใกล้เคียงระดับ 4200 จุด เป็นเพียงการขึ้นในช่วงสั้น โดยเราคาดว่าธนาคารกลางสหรัฐฯ มีแนวโน้มที่จะปรับขึ้นทั้งประมาณการอัตราเงินเฟ้อของปี 2022 และ dot plot พร้อมทั้งปรับลดประมาณการการขยายตัวทางเศรษฐกิจลงในรอบการประชุมเดือนมิ.ย. จึงมองว่าแรงกดดันในแง่ของความเสี่ยงในการเกิด Recession จะยังคงครุครุ่น
	Europe	OW	OW	คณน้ำหนักการลงทุนในระยะสั้นจากทิศทางกาดำเนินนโยบายการเงินที่ชัดเจนมากยิ่งขึ้นของสหรัฐอเมริกา ในขณะที่ปัจจัยเสี่ยงด้านสงครามนั้นเริ่มมีผลกระทบต่อตลาดสินทรัพย์เสี่ยงน้อยลงตามลำดับ โดยภาพรวมตลาดหุ้นยุโรปยังคงเป็นกลุ่มประเทศที่ฟื้นตัวได้ในทางเศรษฐกิจและมีนโยบายเอื้อต่อการฟื้นตัว
	Japan	NT	NT	คณน้ำหนักตลาดหุ้นญี่ปุ่นหลังทิศทางกาขึ้นดอกเบี้ยของ FOMC มีความชัดเจนมากขึ้น โดยเฉพาะในกลุ่มสินค้าจำพวกเครื่องจักรและเทคโนโลยี ประกอบกับทิศทางกาใช้นโยบายการคลังที่ยังคงไม่มีความคืบหน้าแม้ว่าจะผ่านการเปิดสภาฯ หลังการเลือกตั้งในช่วงปลายปีที่ผ่านม
	China	OW	OW	เราปรับเพิ่มน้ำหนักการลงทุนในตลาดหุ้นจีน หลังจากทางกาการเงินเริ่มมีการผ่อนปรนมาตรการควบคุมการแพร่ระบาดของโควิด-19 มากขึ้น อีกทั้งในฝั่งของสหรัฐฯ ที่ประสบกับภาวะเงินเฟ้อ เลยมีแนวโน้มที่สหรัฐฯ จะกลับมาเจรจาเรื่องการยกเว้นภาษีการนำเข้าจากจีนมากขึ้น ซึ่งคาดว่าจะจะเป็นประโยชน์ต่อภาคการส่งออกของจีนที่เริ่มฟื้นตัวพร้อมกับการกลับมาเปิดเมือง
	Korea	UW	UW	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นเกาหลีใต้เป็น underweighted จากการทำนโยบายการเงินที่เข้มงวดมากขึ้นของธนาคารกลางเกาหลีใต้เพื่อจัดการกับเงินเฟ้อ และ yield spread เมื่อเทียบกับอัตราดอกเบี้ยนโยบายของสหรัฐฯ ที่มีแนวโน้มกว้างขึ้นหากไม่ปรับขึ้นอัตราดอกเบี้ยนโยบายต่อ
	India	OW	UW	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นอินเดีย จากแรงกดดันในการใช้นโยบายการเงินที่เข้มงวดเร็วกว่าที่คาดการณ์ไว้ และมีแนวโน้มที่ธนาคารกลางอินเดียจะเร่งใช้นโยบายการเงินที่เข้มงวดต่อในช่วงที่เหลือของปี
	Other EMs	UW	UW	คณน้ำหนักลงทุนใน EM อื่นๆ น้อยกว่าตลาด จากประเด็นแรงกดดันด้านราคาพลังงานที่กดดันการเติบโตทางเศรษฐกิจอย่างมีนัยยะสำคัญและทิศทางกาทำ QT ของ FOMC ซึ่งจะกระทบกับค่าเงิน EM อย่างมีนัยยะสำคัญ
Thai Equity	Thailand	UW	UW	ยังคงน้ำหนักลงทุนไทยด้วยน้ำหนักน้อยกว่าตลาด และแนะนำให้นักลงทุนรอดูตัวเลขนักท่องเที่ยวว่าผ่านจุดต่ำสุดไปแล้วหรือไม่ เพราะจะเป็นตัวแปรสำคัญที่ทำให้เศรษฐกิจกลับมาฟื้นตัว
TH Money Market	1 year Deposit	OW	OW	ปรับเพิ่มการถือครองเงินสดสู่ระดับ 13.35% หลังตลาดหุ้นทั่วโลกเริ่มมีความเสี่ยงมากขึ้นหลังดัชนีสำคัญอย่างสหรัฐอเมริกาและยุโรปหลุดแนวรับสำคัญ
Fixed Income	Government Bond	NT	NT	ปรับเพิ่มน้ำหนักการลงทุนในตราสารหนี้ภาครัฐสู่ระดับ Neutral หลังภาพรวมของการลงทุนโลกเข้าสู่ risk-off mode และ Recession fear
	Corporate Bond	UW	UW	ลดสัดส่วนการถือครองตราสารหนี้ภาคเอกชนใน DM จากแนวโน้มของการใช้ QT ที่มีความชัดเจนมากยิ่งขึ้น โดยจะส่งผลให้ภาวะความตึงตัวด้านสภาพคล่องมีโอกาสสูงขึ้นตามลำดับ ในขณะที่นักวิเคราะห์ในตลาดตราสารหนี้ยังไม่ได้มีการปรับอัตราการผิดนัดชำระหนี้คาดการณ์ (Expected default rate) เท่าใดนัก ซึ่งจากประเด็นดังกล่าวทำให้เรามีมุมมองเชิงลบมากขึ้นต่อตราสารหนี้ภาคเอกชน
Alternative asset	Property/REIT	NT	NT	ปรับเข้าสู่ระดับ Neutral หรือเท่ากับตลาด หลังทิศทางกาปรับขึ้นดอกเบี้ยของ FOMC มีความชัดเจนมากยิ่งขึ้น ส่งผลให้แนวโน้มการฟื้นตัวของค่าเช่าในกลุ่ม REIT ทั้งโลกฟื้นตัวได้ตามลำดับในทิศทางเดียวกับดอกเบี้ยและเงินเฟ้อ
	Gold	UW	UW	เรามีมุมมองเชิงลบมากขึ้นต่อราคาทองคำหลังผลการประชุม FED เดือนมีนาคมมีความชัดเจนว่าจะเกิดการทำให้ QT ในอัตราที่ใกล้เคียงกับที่เราคาด สะท้อนว่าราคาทองคำที่ขึ้นมาั้นมาจากปัจจัยด้านสงครามเพียงอย่างเดียว ซึ่งทำให้ทองคำนั้นสูญเสียคุณสมบัติด้านการป้องกัน/กระจายความเสี่ยงไปในช่วงต่อจากนี้
	THBUSD	Hedge		คงคำแนะนำ hedged ในบริเวณ 33.50 บาท / \$ ขึ้นไป ประมาณ 70% ของ Portfolio จากการอ่อนค่าที่สะท้อนความอ่อนแอของเศรษฐกิจไทยในช่วง 2021 ไปแล้ว



TAA playbooks

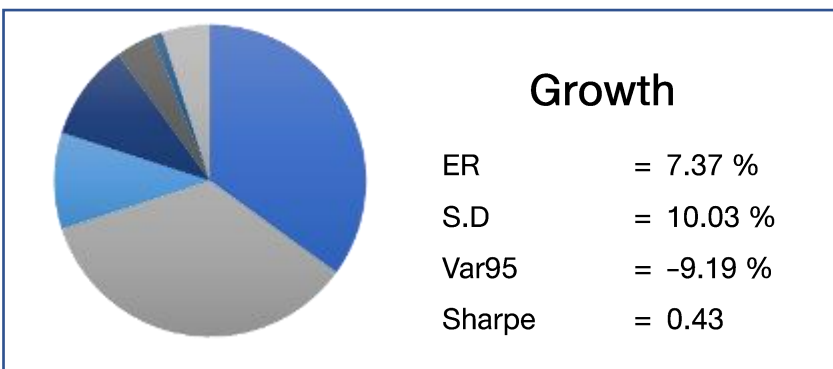
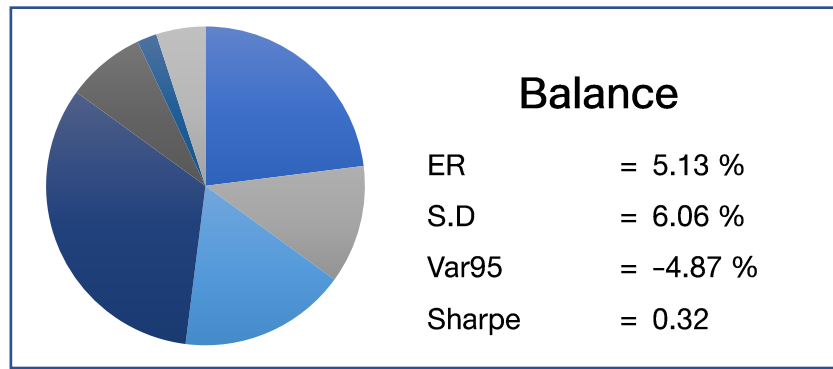
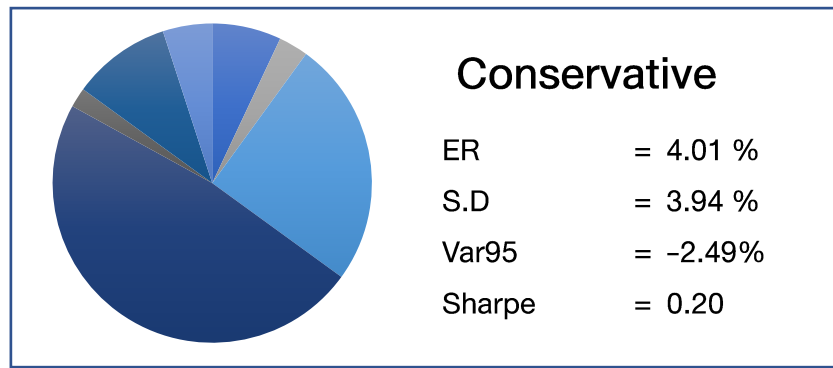


Asset Class	Selection	+1 Months	+3 - 6 Months	Strategy	Key factors turning recommendation to	
					Positive	Negative
Foreign Equity	U.S.	UW	OW	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นสหรัฐฯ เนื่องจากเรามองว่าการปรับขึ้นของตลาดหุ้นสหรัฐฯ ขึ้นใกล้เคียงระดับ 4200 จุด เป็นเพียงการขึ้นในช่วงสั้น โดยเราคาดว่าธนาคารกลางสหรัฐฯ มีแนวโน้มที่จะปรับขึ้นทั้งปริมาณการอัดตราเงินเพื่อองปี 2022 และ dot plot พร้อมทั้งปรับลดประมาณการการขยายตัวของเศรษฐกิจลงในรอบการประชุมเดือนมิ.ย. จึงมองว่าแรงกดดันในแง่ของความกังวลในการเกิด Recession จะยังคงครุคุกรุ่น	Inflation peaked	Recession fear
	Europe	OW	OW	เป้าหมายหลักในการลงทุนช่วงครึ่งปีแรก 2022 เน้นในกลุ่ม Value/blend และยังมีนโยบายการเงินแบบผ่อนคลายเป็นช่วยให้อัตราดอกเบี้ยต่ำลง เน้นลงชื่อหุ้นขาย	Vaccine gen 2 - 3	Energy price
	Japan	NT	OW	การลงทุนในญี่ปุ่นได้รับผลกระทบจากค่าเงินเยนที่อ่อนค่า โดยปกติการอ่อนค่าของเงินเยนนั้นจะช่วยให้ส่งออกและการท่องเที่ยวดีขึ้น โดยในปัจจุบันการส่งออกยังไม่สามารถทำได้อย่างเต็มที่ ทำให้การอ่อนค่าของเงินเยนกลับกลายมาเป็นอุปสรรคในการลงทุนของญี่ปุ่น	Vaccine gen 2 - 3	Geopolitical
	China	OW	OW	เราปรับเพิ่มน้ำหนักการลงทุนในตลาดหุ้นจีน หลังจากทางการจีนเริ่มมีการผ่อนปรนมาตรการควบคุมการแพร่ระบาดโควิด-19 มากขึ้น อีกทั้งในฝั่งของสหรัฐฯ ที่ประสบกับภาวะเงินเฟ้อ เรายังมีแนวโน้มที่สหรัฐฯ จะกลับมาเจรจาเรื่องการยกเว้นภาษีนำเข้าจากจีนมากขึ้น ซึ่งคาดว่าจะเป็นส่วนต่อภาคการส่งออกของจีนที่เริ่มฟื้นตัวพร้อมกับการกลับมาเปิดเมือง	mRNA vaccine/Antiviral medication	US sanction/Lockdown policies
	Korea	UW	NT	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นเกาหลีใต้เป็น underweighted จากการทำนโยบายการเงินที่เข้มงวดมากขึ้นของธนาคารกลางเกาหลีใต้เพื่อจัดการกับเงินเฟ้อ และ yield spread เมื่อเทียบกับอัตราดอกเบี้ยนโยบายของสหรัฐฯ ที่มีแนวโน้มกว้างขึ้นหากไม่ปรับขึ้นอัตราดอกเบี้ยนโยบายต่อ	Earning upgrade	No revision in EPS, Hawkish in central bank
	India	UW	OW	เราปรับลดน้ำหนักการลงทุนในตลาดหุ้นอินเดีย จากแรงกดดันในการใช้นโยบายการเงินที่เข้มงวดเร็วกว่าที่คาดการณ์ไว้ และมีแนวโน้มที่ธนาคารกลางอินเดียจะเร่งใช้นโยบายการเงินที่เข้มงวดต่อในช่วงที่เหลือของปี	Policy easing	Omicron control
	Other EMs	UW	UW	ภาพรวมของ EM จะยังคงไม่ฟื้นตัวไปจนกว่าจะ 2H22 ซึ่งจะมีจีนเป็นประเทศหลักที่จะดันดัชนีฟื้นตัวในช่วงหลังของปี	mRNA vaccine/Antiviral medication	Energy prices
Thai Equity	Thailand	UW	UW	ตลาดหุ้นไทยยังมีลักษณะ "Selective buy" เนื่องจากแรงซื้อโดยส่วนมากจะยังไม่ใช้เม็ดเงินนักลงทุนสถาบันและต่างชาติ ทำให้การจัดพอร์ตโฟลิโอโดยเน้นตลาดหุ้นไทยนั้นไม่น่าสนใจในระยะสั้น	FDI EV, Tourism	New variant/Public debt
TH Money Market	1 year Deposit	OW	UW	เพิ่มการถือครองเงินสด จากความไม่แน่นอนในการระบาดของ Omicron ที่มีแนวโน้มที่จะแพร่กระจายง่ายกว่าสายพันธุ์ Delta		
Fixed Income	Government Bond	NT	NT	อัตราผลตอบแทนพันธบัตรรัฐบาลอายุ 10 ปี ในระดับที่ใกล้เคียง 3% เป็นระดับที่พอเหมาะสำหรับส่วนชดเชยความเสี่ยงของเงินเฟ้อในระยะยาวที่ 2% ทำให้เรามีมุมมองเชิงบวกมากขึ้น	Recession fear	Inflation rising
	Corporate Bond	UW	NT	ลดสัดส่วนการถือครองตราสารหนี้ภาคเอกชนใน DM จากแนวโน้มของการใช้ QT ที่มีความชัดเจนมากยิ่งขึ้น โดยจะส่งผลให้ความตึงตัวด้านสภาพคล่องมีโอกาสสูงขึ้นตามลำดับ ในขณะที่นักวิเคราะห์ใน ตลาดตราสารหนี้ยังไม่ได้มีการปรับอัตราการผิดนัดชำระหนี้คาดการณ์ (Expected default rate) เท่าใดนัก ซึ่งจากประเด็นดังกล่าวทำให้เรามีมุมมองเชิงลบมากขึ้นต่อตราสารหนี้ภาคเอกชน	Reopening	NPL rising
Alternative asset	Property/REIT	NT	NT	คมน้ำหนักการลงทุนเท่ากับตลาดเนื่องจากเงินเฟ้อเข้าใกล้ระดับสูงสุดของปี 2022 เป็นที่เรียบร้อยแล้ว	Occ. Rate improvement	Hawkish policy
	Gold	UW	UW	เรามีมุมมองเชิงลบมากขึ้นต่อราคาทองคำหลังผลการประชุม FED เดือนมิถุนายนออกมา สะท้อนให้เห็นถึงการฟื้นตัวของเศรษฐกิจโลกที่มีความแข็งแกร่งมากยิ่งขึ้น ทำให้ภาพของอุปสงค์ความต้องการในสินทรัพย์ปลอดภัยเริ่มลดลงตามลำดับ	US and russia tension	Hawkish policy
	THBUSD	Hedge		คงค่านำเข้า hedged ในบริเวณ 33.50 บาท / \$ ขึ้นไป ประมาณ 70% ของ Portfolio จากการอ่อนค่าที่สะท้อนความอ่อนแอของเศรษฐกิจไทยไปแล้ว		



TAA Recommendation & SAA expected return

Asset Class	Selection	Prev.	New	Conservative			Moderate			Aggressive		
				SAA	TAA	Change	SAA	TAA	Change	SAA	TAA	Change
Foreign Equity	Overall DM portion	OW	OW	7.00%	6.00%	0.00%	23.0%	19.30%	0.40%	35.0%	29.00%	1.00%
	U.S.	NT	UW		0.50%	-0.50%		1.70%	-1.40%		2.60%	-2.00%
	Europe	OW	OW		1.00%	0.00%		2.75%	0.00%		4.00%	0.00%
	Japan	NT	NT		0.10%	0.00%		0.20%	0.00%		0.35%	0.00%
	Overall EM portion	UW	UW	3.00%	1.05%	0.39%	12.00%	6.50%	0.60%	35.00%	23.70%	0.00%
	China	OW	OW		0.34%	0.17%		2.20%	0.70%		8.00%	2.00%
	Korea	UW	UW		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%
	India	OW	UW		0.00%	-0.06%		0.00%	-0.30%		0.00%	-1.00%
	Thailand	UW	UW		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%
Liquidity	1 year Deposit	OW	OW	5.00%	8.60%	0.00%	5.0%	13.35%	0.00%	5.0%	13.35%	0.00%
Fixed Income	Government Bond	UW	UW			0.00%			0.00%			0.00%
	DM	NT	NT	48.00%	48.00%	0.00%	33.0%	33.00%	0.00%	10.0%	10.00%	0.00%
	EM	UW	UW	25.00%	0.00%	0.00%	17.0%	0.00%	0.00%	10.0%	0.00%	0.00%
	Corporate Bond	OW	OW			0.00%			0.00%			0.00%
	DM	UW	UW	0.00%	0.00%	0.00%	0.0%	0.00%	0.00%	0.0%	0.00%	0.00%
	EM	OW	OW	0.00%	23.41%	0.00%	0.0%	12.00%	0.00%	0.0%	5.00%	0.00%
Alternative asset	Global REIT	NT	NT	10.00%	10.00%	0.00%	8.0%	8.00%	0.00%	4.0%	4.00%	0.00%
	Gold	UW	UW	2.00%	1.00%	0.00%	2.0%	1.00%	0.00%	1.0%	0.00%	0.00%



*นับตั้งแต่วันที่ 14/3/2022 KTBST ได้มีการปรับสัดส่วนการลงทุนของ SAA conservative เพื่อให้สอดคล้องกับสภาพการณ์การลงทุนโลกในระยะยาวตามสมมติฐานของ CME

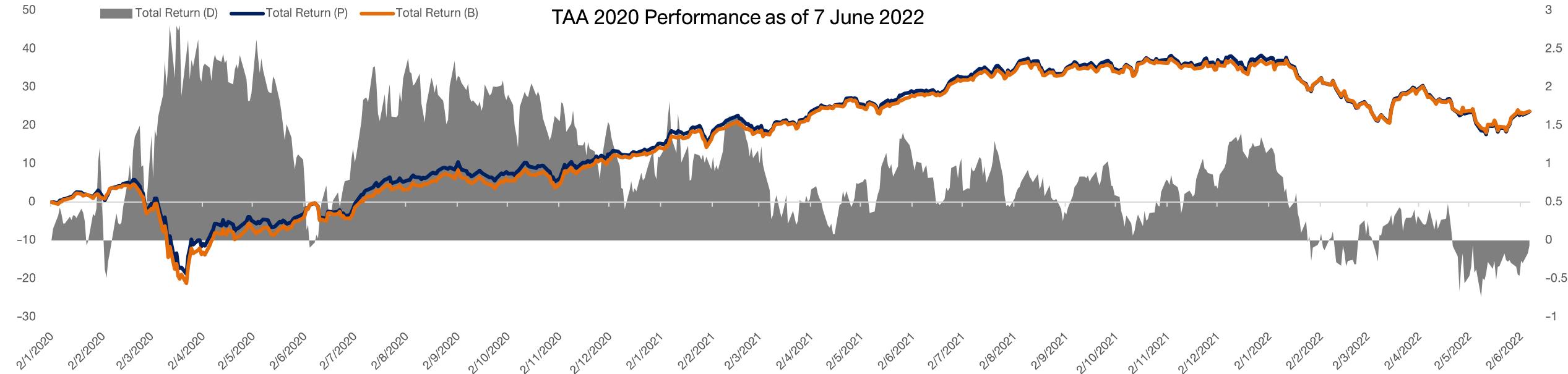
■ DM Equity ■ EM Equity ■ EM Bond ■ DM bond
 ■ Global Reit ■ Gold ■ Oil ■ Cash



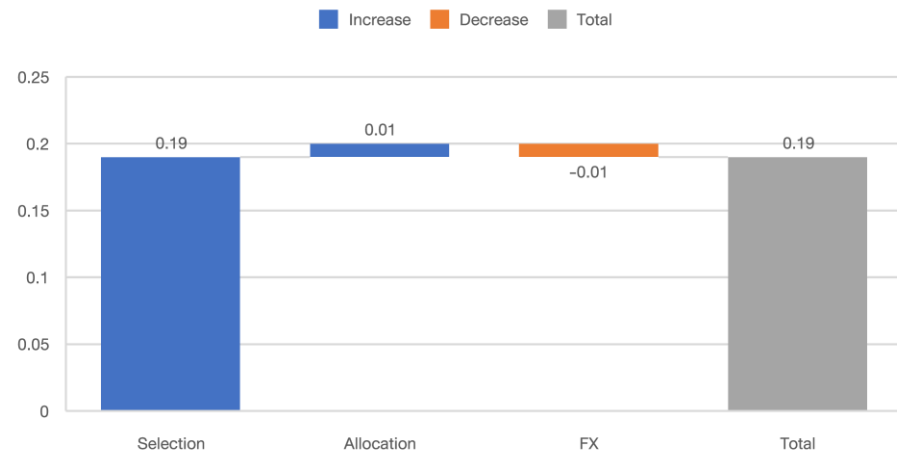
2020 : Tactical Asset Allocation Performance



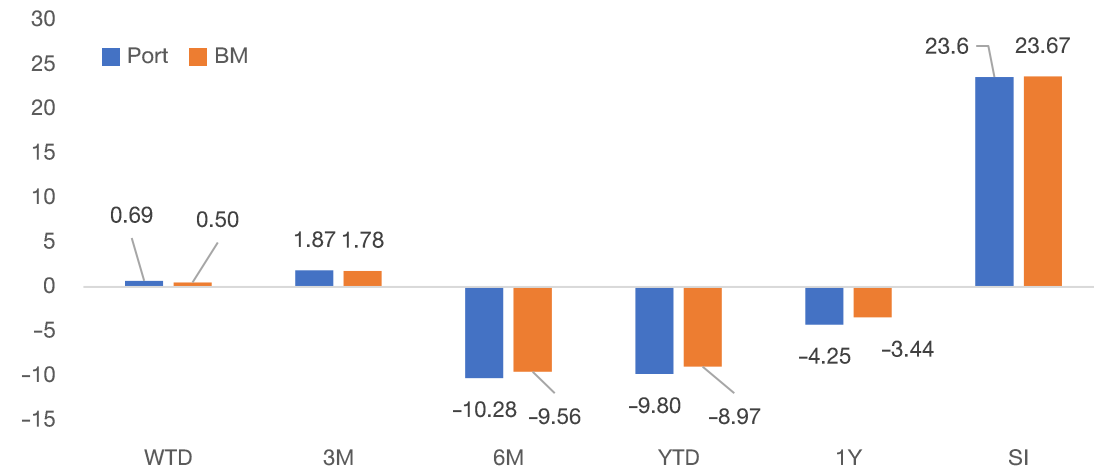
TAA 2020 Performance as of 7 June 2022



WTD Active return as of 7 June 2022



TAA Aggressive portfolio Performance as of 7 June 2022



Comments:

Our portfolio weekly outperformed by 19 bps from overweighting CN equity

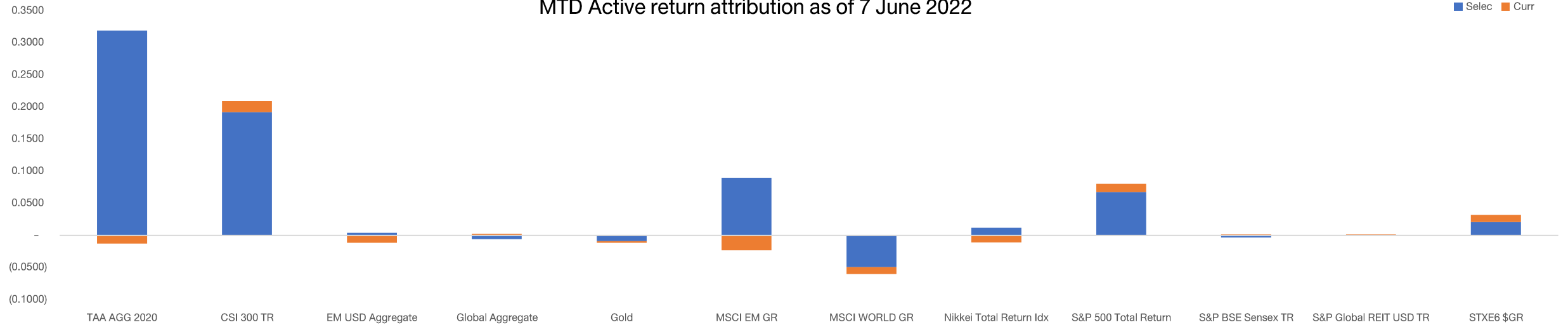
Source: KTBST, Bloomberg as of 7 June 22



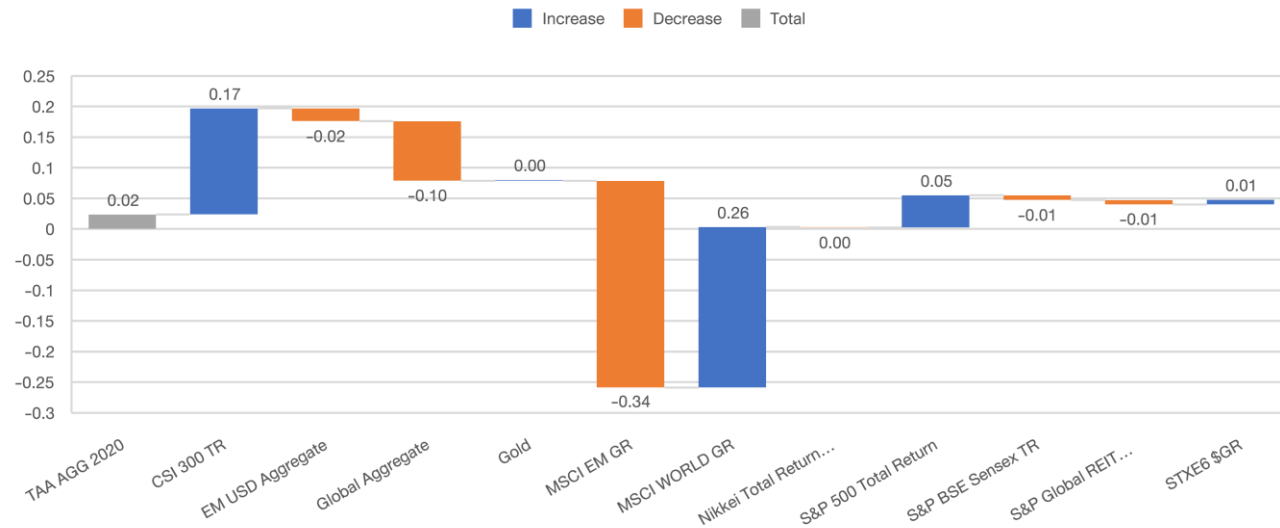
2020 TAA aggressive portfolio



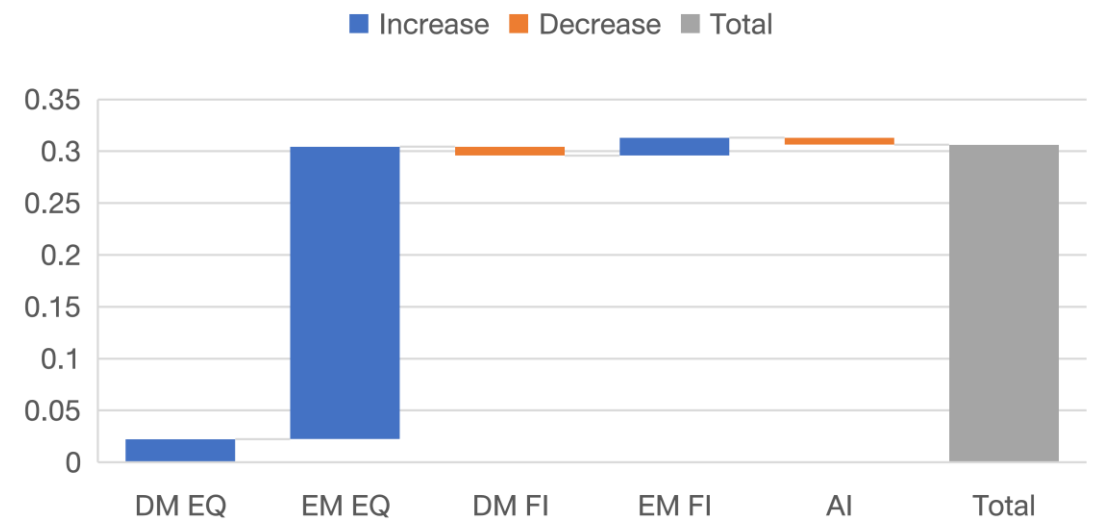
MTD Active return attribution as of 7 June 2022



MTD return composition as of 7 June 2022



MTD Active return attribution by asset classes as of 7 June 2022





Appendix : Global Price/Earnings Ratio Current

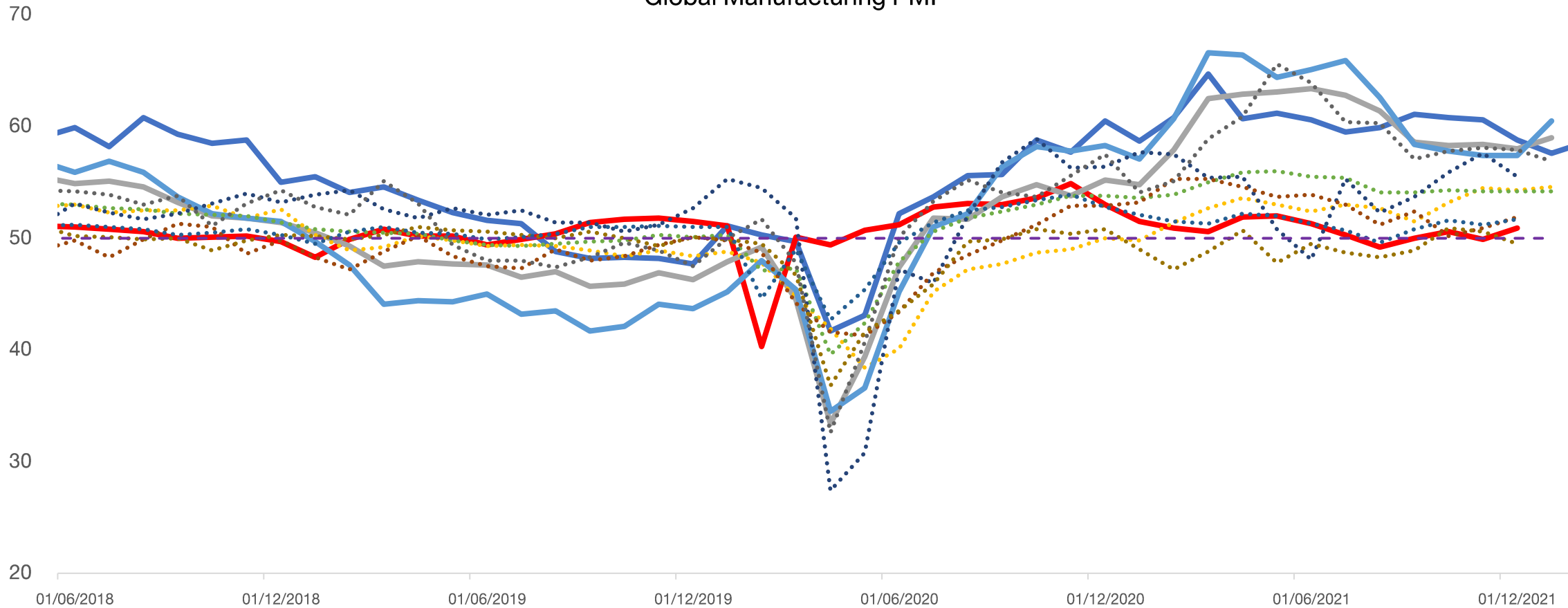


				Growth		
	Bloomberg ticker	fwd P/E	2022 EPS	2022	2023	2024
DJIA	INDU	17.86	1912.77	2.95%	10.49%	9.30%
S&P500	SPX	20.81	228.25	14.15%	9.18%	9.10%
STOXX 600	SXXP	15.93	34.29	23.33%	5.25%	5.85%
Nikkei 225	NKY	20.09	1775.40	26.34%	6.99%	8.01%
CSI300	SHSZ300	15.91	313.19	18.20%	17.06%	14.01%
Hang Seng	HSI	7.92	1964.81	-29.21%	15.52%	10.72%
Nifty 50	NIFTY	21.34	878.63	13.84%	15.52%	3.49%
BSE SENSEX	SENSEX	22.37	2778.39	12.39%	16.83%	6.11%
KOSPI	KOSPI	11.27	248.43	6.62%	16.34%	9.85%
SET	SET	17.58	96.35	3.60%	10.48%	14.10%
MSCI AC	MXWD	17.20	41.90	10.06%	7.73%	7.49%
MSCI DM	MXWO	18.35	172.23	12.65%	7.42%	7.58%
MSCI EM	MXEF	11.40	90.95	-2.30%	9.59%	7.29%

Source : Bloomberg, Fiscal year, as of 08/06/2022, Green = Increase in P/E , Red = Decrease in P/E



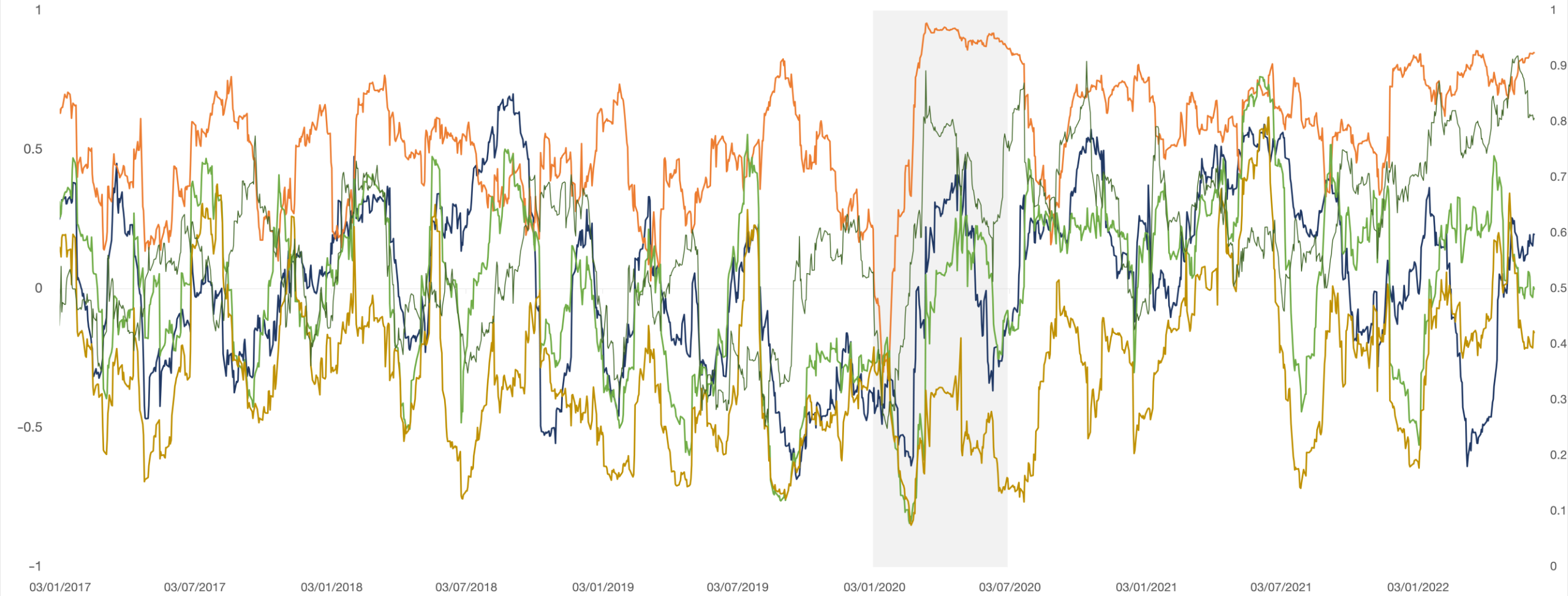
Global Manufacturing PMI



- ISM US PMI
- Markit Germany PMI
- Markit UK PMI
- Caixin China PMI
- JPMorgan Global PMI
- Markit Thai PMI
- Markit Euro PMI
- Nikkei India PMI
- Markit EM PMI
- Nikkei Japan PMI
- Nikkei SK PMI
-



Correlation between asset class



Recession period -Gold vs EQ -REIT vs EQ -Global Bond vs EQ -US Gov bond vs EQ -BTC vs EQ