

# Weekly Market Report

For the period of : 30 August – 3 September 2021

## Overview

Global equity market rose from last week after Fed Chair signaled that the US central bank will not rush to raise its policy rates. SET Index outperformed regional peers as easing lockdown measures added optimism on the economic recovery.



## Equity market

- Global equity markets picked up from last week as investors brushed off signs of an economic slowdown in China and focused on optimism about Jerome Powell's speech at Jackson Hole Symposium which indicating that US central bank is in no rush to raise interest rates as it starts to roll back some of the monetary stimulus it has been providing.
- Thai SET index outperformed regional markets in last week to the highest level since late 2019 as new COVID-19 cases subsided and easing of the lockdown measures raised expectations for the economy recovery. Crude price edged up from last week as developed economies issued robust economic data, while OPEC and its allies agreed to stick to their existing policy of gradual output increases. Strong fund flow from foreign investors was observed for second consecutive weeks with another net buy from proprietary trading, while local individuals and local institutions took the opposite.



## Fixed income market

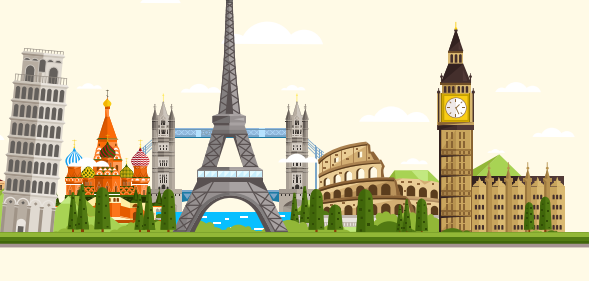
- According to Fed Chairman Jerome Powell's speech at Jackson Hole symposium, the US economy has made substantial further progress towards the Fed's target on inflation while there has also been progress towards its maximum employment goal. As such, it would be appropriate to start reducing the pace of asset purchases this year if the economy evolved broadly as anticipated. Nevertheless, he also reiterated that the tapering of asset purchases does not mean the Fed will be raising interest rates at the same time. US personal income increased 1.1% m/m in July thanks primarily to increases in government social benefits while personal spending rose 0.3% m/m led by service-related spending such as food services and accommodations. Core PCE edged lower to 0.3% m/m in July from downwardly revised 0.4% pace in June. On an annual basis, core PCE stayed unchanged at 3.6% y/y. Pending home sales unexpectedly dropped 1.8% m/m in July, the second straight month of decline.
- Euro area economic confidence slipped to 117.5 in August from an all-time high of 119 the previous month, reflecting weaker sentiment in services, industry, and consumers due to supply disruptions and resurgence in COVID-19 infections. The region's headline inflation surged to a 10-year high of 3% y/y in August from 2.2% in July, significantly above the ECB's 2% target. Core inflation also accelerated to 1.6% y/y from 0.9% y/y. Markit manufacturing PMI printed at 61.4 in August compared to July's 62.8, reflecting ongoing supply shortages. Meanwhile, unemployment rate in the euro zone fell to 7.6% in July from 7.8% in June.
- Japan retail sales rose 2.4% y/y in July following 0.1% increase in June and marking the fifth straight month of increase. However, household confidence softened to 36.7 in August from 37.5 in July, the weakest reading since May. In addition, industrial production shrank 1.5% m/m in July after jumping 6.5% in June, weighed down the fall in production of motor vehicles and other electronic equipment due to supply disruptions.
- China official manufacturing PMI fell to 50.1 in August from 50.4 the month before, the lowest level since February 2020. Caixin manufacturing PMI also fell to 49.2 in August from 50.3 in July, the first contraction since April 2020. Manufacturing sector has been affected by resurgence in COVID-19 outbreaks and higher material costs. Furthermore, official non-manufacturing PMI tumbled to 47.5 in August from 53.3 in July, the first contraction since February 2020, and Caixin services PMI fell to 46.7 from 54.9, the first contraction since April 2020. This reflected the affect of travel restrictions imposed in many major cities to stem the spread of COVID-19.
- Thai industrial production increased 5.12% y/y in July following 18.27% rise in June and marking the fifth straight month of increase thanks to export growth. The gain was mainly driven by higher production of automobiles, electronics, and rubber. The Industry Ministry expects industrial production to increase by 4 - 5% this year.

## Regional Economic Information

### U.S.



- The Fed chairman emphasized that the timing of any interest rate hikes are not to be linked to the timing of taper, noting that the Fed still has much ground to cover before wanting to raise rates from near-zero.
- Nonfarm payrolls increased by 235,000 in August, the lowest in 7 months and well below forecast of 750,000, while unemployment rate fell to 5.2% in August from 5.4% in July.
- Manufacturing ISM climbed to 59.9 in August from 59.5 in July, beating market expectation of 58.6, thanks to higher new orders, production and inventories.



### Europe

- Euro zone manufacturing purchasing managers' index (PMI) dropped to 61.4 in August from 62.8 in July.
- Euro zone unemployment rate fell to 7.6% in July from June's 7.8%.
- Euro zone retail sales fell 2.3% m/m in July, well below market forecast of a 0.1% increase, as online sales fell sharply. However, retail sales rose 3.1% y/y.
- The preliminary euro zone headline inflation increased by 0.4% m/m and jumped 3.0% y/y in August after a 2.2% gain in July, the highest rate since November 2011, driven by a recovery in domestic demand, a low base effect and higher energy cost. Core inflation increased 1.6% y/y after a 0.7% gain in the prior month.
- Euro zone economic sentiment fell to 117.5 in August from an all-time high of 119.0 in the prior month. Sentiment fell for the first time since January amid concerns over the Delta-variant.
- German retail sales fell by 5.1% m/m in July after a jump of 4.5% in June and an increase of 4.6% in May.

### Asia



- Japan retail sales rose for the 5<sup>th</sup> consecutive month in July, rising 2.4% y/y, after a 0.1% gain in June. Japan industrial production fell 1.5% m/m in July after a 6.5% increase in June, hit by a decline in the production of autos.
- China official manufacturing PMI fell to 50.1 in August from 50.4 in July and Caixin manufacturing PMI fell to 49.2 from 50.3 as growth in industry sector slowdown due to supply chain bottlenecks and weakening demand. Official non-manufacturing PMI plunged to 47.5 from 53.3 and Caixin service PMI plunged to 46.7 from 54.9, suggesting that COVID-19 restrictions weighed heavily on services activity.



### Thailand

- The BoT reported that the Thai economy in July was hit by the COVID-19 outbreak. Private consumption declined due to weak consumers' purchasing power and stricter containment measures. A slowdown in both domestic and external demands hit private investment and exports.
- Industrial production increased by 5.12% y/y in July, moderating from a 18.27% gain in June and the weakest growth since February, amid the latest wave of COVID-19 outbreak and a migrant labor shortage.

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