

Weekly Market Report

For the period of : 20 – 23 September 2021

Overview

SET Index moved in-line with global markets. Fears of the fallout of Evergrande sank global markets at the beginning of the week. However, markets rebounded as Fed's gave upbeat tone on the economic recovery and Evergrande fears fade.



Equity market

- Global markets fell sharply at the beginning of the week as fears about China Evergrande Group – China's second-largest property developer – inched closer to missing interest payment. However, global stock markets rebound as investors grew more confident that contagion from the possible collapse of Evergrande would be limited. Markets extended gains after the Fed gave upbeat tone on the economic recovery.
- SET Index also fell sharply at the beginning of the week on concerns about Evergrande issues. The index rebounded in-line with global markets, and close slightly higher from the previous week, led by big cap stocks. Oil prices rose from last week as US crude inventory fell to a 3-year low and falling for the 7th consecutive weeks.



Fixed income market

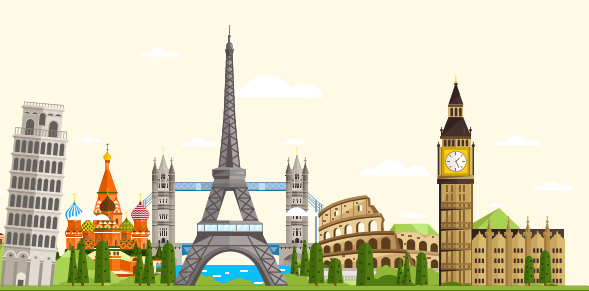
- The FOMC voted unanimously to maintain the target range for its benchmark rate and the pace of its asset purchase. However, Fed Chair Jerome Powell said the central bank could begin scaling back asset purchases soon and complete the process by mid-2022. Again, he reiterated that tapering did not signal the timing of interest rates liftoff and added that he expected the Fed to begin raising rates after the taper process is completed. Meanwhile, the new dot plot revealed that 9 officials anticipate at least one rate hike in 2022, compared to 7 seen in June. US housing starts rose 3.9% m/m in August, beating expectation thanks to multi-family segment. However, single-family starts declined for a second straight month as builders continued to struggle with shortages of materials and labor. Building permits increased 6.0%, also primarily driven by multi-family segment. Existing home sales declined 2% m/m and -1.5% y/y, the first annual decline in 14 months. Supply of homes for sale fell to an equivalent of 2.6 months and median prices rose 14.9% y/y.
- Euro area headline inflation accelerated to a 10-year high of 3% y/y in August, up from 2.2% pace in July and driven largely by the jump in energy prices. On a month-on-month basis, inflation rose 0.4% after a 0.1% contraction the prior month. Core inflation also surged to 1.6% y/y from 0.9% the month before.
- The BoJ kept its monetary policy unchanged and said it stood ready to employ more easing measures if the pandemic's impact on the economy is greater than expected. The central bank also offered a bleaker view on exports and industrial output citing supply bottlenecks issue.
- Monetary and Fiscal Policy Committee has decided to raise the ceiling of Thailand public debt-to-GDP ratio from 60% to 70%. According to the Finance Minister, the decision was intended to provide the government with more fiscal space should the need arise for it to borrow more to rehabilitate the economy affected by COVID-19. The minister also added that the THB500 billion loan decree issued earlier this year is still adequate for short-term policies whereas the revised ceiling is intended for medium-term fiscal policies.

Regional Economic Information

U.S.



- The Federal Reserve (Fed) kept its policy rates at 0 – 0.25% and signaled that it will start pulling back its asset purchases soon, which the central bank expected it could wrap up its asset purchase program before the end of 2022. Moreover, the Fed signaled that it would start raising its policy rates by the end of next year. The central bank lowered this year economic growth forecast to 5.9% from 7.0% previously, but upgraded next year growth to 3.8% from 3.3%. Inflation is expected to increase by 4.2% this year, compared to 3.4% in its previous estimate.
- Housing starts rose 3.9% m/m to an annual rate of 16.15 million units in August, well above market forecast of 1.555 million units. Building permits jumped 6% to 1.728 million units. Existing home sales fell 2% m/m to an annual rate of 5.88 million units.
- Initial jobless claims increased by 16,000 to 351,000 in the week ended September 18, and missing market expectation for a fall to 320,000.



Europe

- Euro zone preliminary composite purchasing managers' index (PMI) fell to 56.1 in September from 59.0 in August as manufacturing PMI dropped to 58.7 from 61.4 and service PMI slid to 56.3 from 59.0.
- The BoE voted unanimously to put its policy rate on hold at 0.1% and voted 7-2 to keep its asset purchases programme at GBP875 billion.

Asia



- The BoJ left its policy rate unchanged at 0.1% and kept the target for the 10-year government bond yield at around 0% as expected, citing negative outlook on output and exports caused by supply chain disruptions, especially chips and parts from Southeast Asia.
- The PBoC put its 1-year loan prime rate at 3.85% and 5-year at 4.65%.

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