krungsri Asset Management

a member of SC Asset, a global financial group

Weekly Market Report

For the period of : 11 – 15 July 2022

Overview

Global stocks fell, while the dollar gained for the third straight week as US inflation hit 40-year high fueled bet on steep Fed rate hikes, and China economy slowed sharply in the second quarter.

Equity market

- Majority of global equity markets dropped sharply from last week. US inflation rose more than forecast, powered bets on a 100 bps rate hike at this month's Fed meeting. China's 2Q22 GDP came out lower than expected due to strict COVID-19 control. China markets underperformed, US and Europe markets experienced significant losses, while other Asian indices outperformed.

- SET Index closed lower from the previous week, in-line with global markets. Banking and Tourism were the most underperforming sectors, while Energy and Healthcare stocks outperformed. Foreign investors and institutional investors were net sellers, while retail investors were net buyers. Oil price extended the loss for another week due to concern on global demand.

Fixed income market

- US headline inflation quickened to 1.3% m/m and 9.1% y/y in June on the back of 1.0% m/m and 8.6% y/y rise in May, exceeding market estimates for the fourth month in a row. This was driven primarily by the spike in energy prices, which rose 11.2% m/m and 60% y/y. Meanwhile, core inflation rose 5.9% y/y compared to 6.0% the month before. This marked the lowest reading in 6 months but still exceeded expectation. Furthermore, PPI climbed 1.1% m/m and 11.3% y/y in June following 0.9% m/m and 10.9% rise the prior month and primarily driven by energy prices.

- Euro industrial production rose 0.8% m/m in May, accelerating from an upwardly revised 0.5% increase in April and beating expectation. This was driven by the pickup in output of capital and non-durable consumer goods. On a year-on-year basis, output increased 1.6% reversing a 2.5% decline the prior month.

- China headline inflation was flat m/m and rose 2.5% y/y in June, following a 0.2% m/m decline and 2.1% y/y gain in May. This was the highest annual increase since July 2020. Nevertheless, core inflation remained subdue at 1.0% y/y compared to 0.9% pace the month before. In addition, PPI rose 6.1% y/y compared to 6.4% pace the month before. The decline was attributed to continued efforts by the government to accelerate resumption of production and unclog supply chains. Exports rose 17.9% y/y in June, accelerating from 16.9% pace in May and marking the fastest pace in 5 months, thanks to easing of supply chain disruptions. On the other hand, imports edged up just 1.0% y/y, slowing from May's 4.1% gain and reflecting subdue domestic demand. Fixed asset investment increased 6.1% y/y over the first half of 2022, slowing from 6.2% increase registered in the first five months. Meanwhile, industrial production rose 3.9% y/y in June following a 0.7% rise in May. In addition, retail sales rose 3.1% y/y after declining 6.7% the month before and registering the first growth in 4 months. Lastly, GDP expanded just 0.4% y/y in 2Q22, weighed down by lower industrial production and consumer spending caused by lockdowns across the country.

- Japan industrial production tumbled 7.5% y/y in May on the back of a 1.5% drop in April and the steepest decline since May 2020. This was driven by the fall in production of motor vehicles because of COVID-19 restrictions. On a yearly basis, output fell 3.1% compared to a 4.9% decline in April.

- The Thai cabinet extended the THB5 per litre excise tax cut for another 2 months until 20th September to ease the burden on the public and the business sector. The excise tax cut will maintain the retail price of diesel currently capped at THB34.94 per litre.

Regional Economic Infomation

U.S.

- Headline inflation surged 9.1% y/y in June, the largest increase since November 1981, after rising 8.6% in May and above market forecast of 8.8%, mainly due to higher energy prices. Core inflation, which excluded food and energy prices, rose at the slowest pace in 6 months of 5.9% y/y, following a 6.0% increase in the previous month.

- Retail sales rose 1.0% m/m in June after a 0.1% drop in May and beating market estimates of a 0.8% increase. Excluding automobiles, gasoline, building materials and food services increase 0.8% after a 0.3% drop in a month earlier.

- Initial jobless claims increased by 9,000 to 244,000 in the week ended July 9.

Europe

- Euro zone industrial production went up 0.8% m/m in May, accelerating from 0.5% in April.

- Euro zone economic sentiment index plunged to -53.8 in July from -28 in June, the lowest reading since December 2011, due to concerns that the energy crisis in Europe might hit the European economy.

Asia

- China economy in 2Q22 fell 2.6% q/q and grew a tepid 0.4% y/y, below market forecasts of a 1.5% q/q contraction and 1.0% y/y growth, due to the imposition of lockdowns in major cities across the country. June data offered signs of improvement as COVID curbs have been lifted. Exports jumped 17.9% y/y in June, accelerating from a 16.9% gain in May and beating market forecasts of 12.0%, as logistic issues eased following a relaxation of COVID-19 restrictions. Imports inched up 1.0% y/y, slowing from a 4.1% growth in a month earlier, resulting in a trade surplus of USD97.94 billion. Industrial production rose 3.9% y/y, accelerating from 0.7% gain in May. Retail sales grew 3.1% y/y after a 6.7% drop in May. Fixed asset investment went up 6.1% y/y in the first 6 months, after rising 6.2% in the first 5 months. China new local currency loans were at CNY2.81 trillion in June, higher than May's CNY1.89 trillion and above market forecasts of CNY2.4 trillion, thanks to the relaxation of COVID-19 curbs and government stimulus measures.

- Japan core machinery orders fell 5.6% m/m in May, the first drop in 3 months, as Japanese firm delayed spending due to higher energy and raw materials costs.

Should you have any queries, please contact Krungsri Asset Management Company Limited

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