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Weekly Market Report

For the period of : 5 – 9 September 2022

Overview

Global stock markets rebounded from last week sell-off. US economic data came out better than expected, while euro zone, Japan and China reported weak data.



Equity market

- Majority of global equity markets closed higher, technical rebounds after major sell-off last week. However, negative factors are still looming the markets such as weak China's PMI, Chengdu lockdown and EU – Russian tension on gas pipeline closure. US and China stocks were outperformers, while some Asian markets underperformed.
- SET Index moved higher this week, in-line with peers. Electronics and Tourism sectors were outperformers, while Banking underperformed. Foreign investors were net sellers while institutional and retail investors were net buyers. Crude oil price decreased this week as OPEC+ production cut failed to offset concern on China lockdown.



Fixed income market

- The ECB raised key rates by a record-setting 75bps at its September meeting following a 50bps increase in July. The central bank also say it expects to raise interest rates further at its next meetings to bring inflation back to its two-percent target. In an updated set of forecasts, the ECB expected inflation to fall to 5.5% in 2023 and 2.3% in 2024. Meanwhile, it cut its GDP growth forecast for 2023 to 0.9% from 2.1% previously. Euro area services PMI fell to 49.8 in August from 51.2 the month before, pointing to the first decline in service activity since March 2021 and missing expectation. The region's retail sales increased 0.3% m/m but fell 0.9% y/y in July compared with 1.0% m/m and 3.2% y/y decline the month before. This reflected weakness in sales of non-food products, which declined 0.4% m/m and fell 0.9% y/y. The Euro area 2Q22 GDP printed at 0.8% q/q, higher than a 0.6% rise in the previous estimate and 0.7% growth in 1Q22.
- China Caixin services PMI edged down to 55.0 in August from 55.5 in July, supported by the recovery in domestic demand. Exports rose 7.1% y/y in August, following 18.0% rise in July and marking the slowest pace since April. Exports were impacted by the fall in exports to the US which posted the first contraction since May 2020 as well as by extreme weather and COVID outbreaks. In addition, imports increased just 0.3% y/y compared to 2.3% growth the prior month and the weakest since April. Headline inflation rose 2.5% y/y in August compared with 2.7% gain in July. Prices have been suppressed by weak spending due to sporadic lockdowns. Furthermore, PPI slowed to 2.3% from 4.2% the prior month, driven by the fall in commodity prices.
- Japan household spending dropped 1.4% m/m in July following a 1.5% rise in June, weighed down by concerns over rising COVID-19 cases and cost of living. On an annual basis, spending rose 3.4%, easing from 3.5% rise the month before. 2Q22 GDP expanded 0.9% q/q, stronger than the preliminary estimate of 0.5% rise and an upwardly revised 0.1% growth the prior quarter.
- Thai headline inflation increased 0.05% m/m and 7.86% y/y in August compared with a 0.16% m/m decrease and 7.61% y/y increase in July. This marked the steepest rise in July 2008 and was attributed to higher oil prices and last year's low base. Main drivers remain meats, fuel, utilities, and prepared food. Meanwhile, core inflation also quickened to 3.2% y/y from 3.0% the month before.



Regional Economic Information

U.S.



- Services ISM inched up to 56.9 in August from 56.7 in July, beating market forecasts of 55.1, and indicating that services activity expanded at the strongest pace in 4 months.
- Exports increased 0.2% m/m to the highest level on record in July, while imports dropped 2.9% m/m, sending the trade deficit to its lowest level in 9 months of USD70.7 billion.
- Initial jobless claims fell by 6,000 to 222,000 in the week ended September 3, better than market expectations of 240,000.



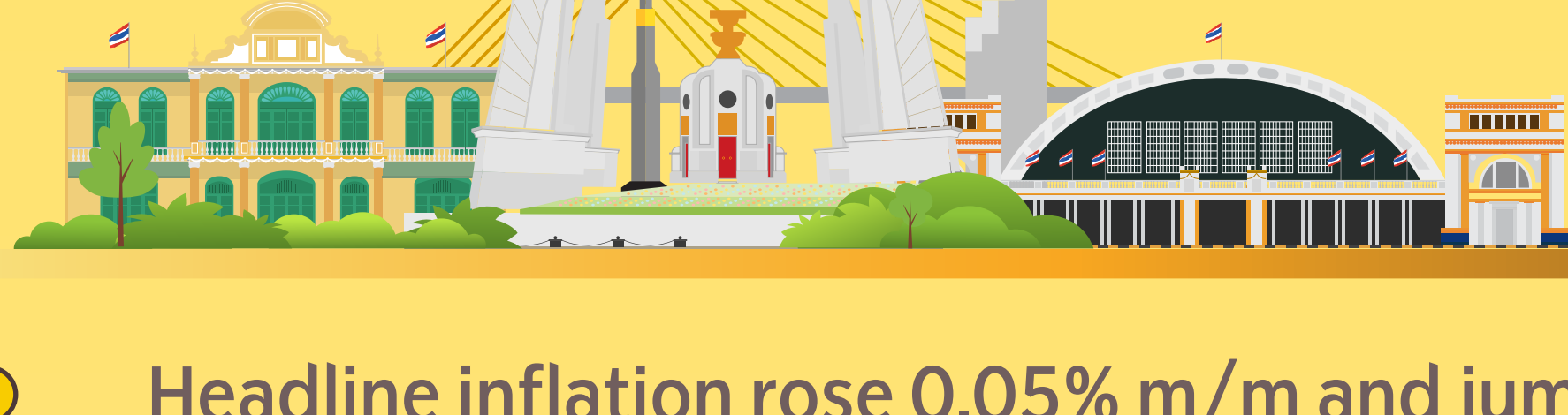
Europe

- The euro zone economy in 2Q22 grew 0.8% q/q, the strongest growth in three quarters and higher than a 0.6% expansion in the previous estimate. Growth was mainly driven by household spending after the relaxation of COVID-19 restrictions, and the tourism season in the southern countries. Compared to the same quarter last year, the euro zone GDP grew 4.1%, higher than 3.9% in the previous estimate.
- The ECB raised its policy rate by 0.75% to 1.25% as expected. The central bank said the interest rates should rise further over the next several meeting, aiming to lower demand and curb inflation.
- Euro zone composite purchasing managers' index (PMI) fell to 48.9 in August from 49.2 in July as service PMI dropped to 49.8 from 50.2 due to falling demand.
- Euro zone retail sales increased by 0.3% m/m in July, following a 1.0% decline in June.
- German factory orders fell 1.1% m/m in July. Marking the 6th straight month of decline, amid persistently high inflation and supply shortages. German industrial production dropped 0.3% m/m in July after a 0.8% increase in June.

Asia



- Japan economy in 2Q22 grew 0.9% q/q and 3.5% annualized rate, higher than the previous estimates of a 0.5% q/q and 2.2% on an annual basis, after an expansion of 0.1% q/q and 0.2% annualized rate in 1Q22, driven by private consumption after the relaxation of COVID-19 restriction. Service PMI decreased to 49.5 in August from 50.3 in July due to a surge in COVID-19 infections. Household spending increased 3.4% y/y in July, helped by the lifting of COVID-19 restrictions that prompted a rise in recreational and dining expenditure.
- China Caixin service PMI dropped to 55.0 in August from 55.5 in July, indicating that service sector expanded for the third straight month. Exports grew 7.1% y/y in August, following a 18.0% increase in July and well below market forecasts of 12.8%, caused by COVID-19 curbs. Imports edged up 0.3%, resulting in a trade surplus of USD79.4 billion. Headline inflation slid 0.1% m/m and rose 2.5% y/y in August, decelerating from a 2.7% increase in July and below market estimates of 2.8%, amid COVID-19 lockdowns and heatwave.



Thailand

- Headline inflation rose 0.05% m/m and jumped 7.86% y/y in August after a 0.16% m/m fall and 7.61% increase in July, mainly driven by higher energy and food prices. Core inflation, which excluded food and energy, grew 0.09% m/m and 3.15% y/y.

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