krungsri Asset Management

Weekly Market Report

For the period of : 19 – 23 September 2022

Overview

Global stock markets extended their losing streak as investors feared that synchronized rate hikes could spark a global recession.

Equity market

- Majority of equity markets closed lower from the previous week. The dot plot raised market concern as it showed aggressive rate hike path for the rest of 2022. Escalating tension in Russia – Ukraine war also add further negative sentiment as President Putin ordered mobilization of 300,000 additional troops to Ukraine. All major indices experienced sharp decline, except some emerging markets.

- SET Index changed slightly from last week, significantly outperformed peers. Construction material, Commerce and Food sectors were underperformers, while Energy, Banking and Transportation sectors were outperformers. Foreign investors and institutional investors were net sellers while retail investors were net buyers. Crude oil price decreased this week due to concern about demand.

Fixed income market

- The Fed hiked rates by 75bps to 3.00-3.25% as expected. The dot plot pointed to an additional 125bps of hikes this year which would take the policy rate up to 4.25-4.50% by year-end. Powell also reiterated that the FOMC will be data dependent and that it will make decisions one meeting at a time. Meanwhile, the FOMC revised down GDP growth forecast to 0.2% for this year and 1.2% for 2023. Core PCE inflation forecast was revised up by 20bps to 4.5% for 2022 and by 40bps to 3.1% for 2023. US housing starts rebounded 12.2% m/m in August, boosted by construction of multi-family units due to strong demand for rental apartments. Building permits tumbled 10.0% m/m to the lowest level since June 2020 as builders focused on working through their backlogs. Existing home sales declined 0.4% m/m to the slowest pace since June 2020. The median price of existing homes sold rose 7.7% y/y, supported by tight supply which stood at 3.2-month at current sales pace.

- Euro area consumer confidence slumped to -28.8 points in September, the lowest level on record due to concerns over energy price and soaring inflation.

- The BOJ voted unanimously to keep its monetary policy unchanged as widely expected. Japan core inflation quickened to 2.8% y/y in August from 2.4% the month before, hitting the fastest annual pace since October 2014 and exceeding the BOJ's 2% target for the fifth straight month. The rise in utility charges, processed food prices and yen weakness have been the main drivers. In addition, core-core inflation rose 1.6% y/y compared to 1.2% the month before and marking the fastest rise since 2015.

- Thailand's Ministry of Public Health announced that it will further relax its diseases control measures starting 1st October. Under the new rules, visitors to Thailand will not be asked to provide their vaccination certificate or COVID test result upon arrival, and infected individuals with few or no symptoms will not have to isolate.

Regional Economic Infomation

U.S.

- The Federal Reserve (Fed) raised its policy rates by 0.75% to 3.00 – 3.25%. The committee expected the policy rates will reach 4.40% at the end of this year and rise to 4.60% in 2023, compared to its previous projections of 3.40% and 3.80% respectively. Policymakers cut this year growth forecast to 0.2% and next year to 1.2%, well below its previous estimates of 1.7% in 2022 and 2023.

- Housing starts grew 12.2% m/m to an annualized rate of 1.575 million units in August, beating market estimates for a decline to 1.445 million units, while building permits fell 10.0% to 1.517 million units, well below market forecasts of 1.61 million units. Existing home sales slid 0.4% m/m to an annual rate of 4.8 million units in August, marking the 7th straight month, due to rising mortgage rates.

- Initial jobless claims fell by 5,000 to 213,000 in the week ended September 17.

Europe

- The flash euro zone composite purchasing managers' index (PMI) went down to 48.2 in September from 48.9 in August as manufacturing PMI fell to 48.5 from 49.6 and service PMI dropped to 48.9 from 49.8, indicating that private sector activity contracted for the 3rd straight month.

- The BOE raised its benchmark rate by 0.50% to 2.25% as expected. Three policymakers voted of a 0.75% hike.

Asia

- The BOJ kept its short-term interest rate at -0.1% and targeted 10-year bond yields at near 0% as expected. Japan headline inflation increased 3.0% y/y in August, marking the fastest pace since September 2014, following a 2.6% rise in July, as food and energy costs surged as well as a slump in yen. The core-core inflation, which excluded food and energy, increased 1.6% y/y, accelerating from a 1.2% gain in July.

- The PBOC kept its 1-year loan prime rate (LPR) at 3.65% and 5-year LPR at 4.3% as expected. Foreign direct investment into China increased 16.4% y/y in the first 8 months, decelerating from a 17.3% rise in the first 7 months.

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

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