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Asset
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Weekly Market Report

For the period of : 16 – 20 January 2023

Overview

Global stock market closed mixed as US Fed officials signaled for more rate hikes ahead amid fear of global recession, while China economy showed signs of improvement.

Equity market

- Global equity market closed mixed. US markets were underperformers as some Fed officials said that Fed needs more rate hikes to bring inflation down and disappointing earnings of some corporates, while China and many Asian markets increased after China data suggested that the economy has been improving.

- SET Index fell from the previous week, underperformed global peers, led by Banking and Commerce sectors, while Tourism, Energy and ICT sectors outperformed the index. Foreign and retail investors were net buyers while institutional investors were net sellers. Oil price increased from a week earlier, driven by higher demand from China.

Fixed income market

- US retail sales declined 1.1% m/m in December following a downwardly revised 1.0% drop the prior month. Even after excluding gasoline and autos, retail sales fell 0.7% m/m on the back of a 0.5% decline previously, highlighting weakness in consumer spending due to tightened monetary condition. Housing starts decreased 1.4% m/m to a 5-month low in December and fell 3% for the whole of 2022. In addition, building permits fell 1.6% to the lowest since May 2020. On the bright side, homebuilder sentiment unexpectedly improved in January, marking the first improvement in 12 months.

- Euro zone industrial production increase 1.0% m/m in November, rebounding from a revised 1.9% fall in October. The improvement was driven by the rise in output for capital goods, intermediate goods, and durable goods which helped offset the fall in non-durable and energy production. On a yearly basis, production rose 2.0%, compared to a 3.4% rise previously.

- China exports fell 9.9% y/y in December following an 8.7% decline the prior month and the steepest fall since February 2020. This also marked the third consecutive month of decline amid weakening global demand and local COVID outbreak. Meanwhile, imports shrank 7.5% y/y on the back of a 10.6% decline the prior month, pointing to lackluster domestic demand. For the whole of 2022, exports rose 7% y/y while imports increased 1% y/y. Retail sales declined 1.8% y/y in December on the back of a 5.9% decline the prior month and marked the third consecutive month of decrease. For the whole of 2022, sales decreased 0.2% y/y. Industrial production rose 1.3% y/y in December following a 2.2% gain the month before, the weakest growth since May. This brought full-year growth to 3.6% y/y. Fixed asset investment rose 5.1% y/y in 2022, bolstered by growth in manufacturing and infrastructure investment which offset the fall in property development. GDP rose 2.9% y/y in 4Q22 compared to 3.9% growth in 3Q22. This brought full-year growth to 3% in 2022, down from 8.4% growth in 2021 and missing the official target of 5.5%.

- The BOJ kept its main policy settings unchanged, leaving interest rate at -0.1% and 10-year bond yields target at 0%. Japan core inflation accelerated to 4.0% y/y in December from 3.7% in November, hitting a fresh 41-year high and exceeding the BOJ's target for the ninth straight month. In addition, core-core inflation quickened to 3.0% y/y from 2.8% the prior month. Industrial production rose 0.2% m/m in November, recovering from a 3.2% decline the prior month and marking the first increase since August. On a yearly basis, output declined 0.9% after rising 3.8% the month before. Meanwhile, exports growth slowed sharply to 11.5% y/y in December from 20% gain in November, marking the slowest growth since the beginning of 2022. This has been driven by the fall in sales of cars, auto parts, and chip-making machinery to China which is battling a wave of COVID infections. In turn, imports grew 20.6% y/y on the back of 30.3% gain the prior month, led by oil, coal and natural gas.

- Tourism Authority of Thailand expects tourism spending during the Lunar New Year to reach THB21.3 billion, or 48% of the amount in 2019, this year. Most of the estimated receipts will come from foreign visitors, especially those from Northeast and Southeast Asia.

Regional Economic Information

U.S.

- Retail sales fell 1.1% m/m in December, following a 1.0% decline in November and worse than market consensus estimates of a 0.8% fall.

- Producer price index slowed more than expected to 6.2% y/y in December from November's 7.3%.

- Industrial production dropped 0.7% m/m in December after a 0.6% fall in November.

- Housing starts dropped 1.4% m/m to an annualized rate of 1.382 million units in December and building permits fell 1.6% to 1.33 million units. Existing home sales decreased by 1.5% m/m to an annualized rate of 4.02 million units in December.

- Initial jobless claims fell by 15,000 to 190,000 in the week ended January 14.

Europe

- The euro zone economic sentiment index surged by 40.3 points to 16.7 in December from -23.6 in November, marking the positive reading for the first time since February 2022 as analysts expected an improvement in economic activity.

- UK retail sales fell 1.0% m/m in December, following a 0.5% drop in November as an increase in prices forced consumers to cut spending.

Asia

- The Chinese economy expanded by 2.9% y/y in 4Q22, beating market estimates of a 1.8% growth, following a 3.9% expansion in 3Q22. For the whole year of 2022, the Chinese economy grew by 3.0%, registering the second weakest growth since 1976. The PBOC kept its 1-year Loan Prime Rate (LPR) at 3.65% and 5-year LPR at 4.3% as expected. Retail sales dropped 1.8% y/y in December, improving from a 5.9% fall in November and well above market forecasts of an 8.6% decline. Industrial production rose 1.3% y/y in December, easing from 2.2% in November but beating market estimates of 0.2%. Fixed asset investment increased by 5.1% y/y in 2022, after a 5.3% growth in the first 11 months.

- The BOJ voted unanimously to keep its policy rate at -0.1% and that for 10-year government bond yields around 0%. The central bank cut its 2022 GDP growth forecast to 1.9% from 2.0%, citing slowdowns in global economy and high commodity prices. For fiscal year 2023, the bank slashed its GDP growth forecast to 1.7% from 1.9%. Inflation is expected to stay around 3% in fiscal year 2022 and 1.6% in 2023. Japan exports grew 11.5% y/y in December, easing from 20.0% growth in a month earlier and marking the 22nd straight month of growth. Imports surged 20.6% y/y, the 20th straight month of double-digit rise. The trade deficit widened to JPY 1.45 trillion. Core machinery orders plunged 8.3% m/m in November, well below market expectations of a 0.9% fall, after a 5.4% increase in October. Core inflation, which excluded food but included energy, surged 4.0% y/y in December, following a 3.7% rise in November. Excluding food and energy, the so-called core-core inflation increased 3.0% y/y, accelerating from 2.8% in the prior month. Producer price index surged 10.2% y/y in December, accelerating from 9.7% in November, driven by higher commodity prices and weak yen.

Thai

- Thai Industries Sentiment Index fell to 92.6 in December from 93.5 in November, marking the first decline in 7 months due to concerns about higher cost of production cost, especially the increase in electricity bills and the increase in borrowing costs.

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