

Weekly Market Report For 13 - 16 May 2025

Overview



- US shares surged with Dow Jones +3.4% S&P 500 +5.3% and Nasdaq +7.2%.
- The US and China agreed to suspend tariffs for 90 days, tariffs rate on China will be lowered to 30% and levies on US goods will drop to 10%.
- Goldman Sachs predicted S&P 500 reaching 6,500 in the next 12 months.
- Big Tech shares surged amid Trump's Middle East visit, and Trump's plan to rescinds AI chips curb.
- US CPI +0.2% MoM and PPI -0.5%, a 5-year low.
- Fed may adjust inflation target, investors expected 2 cuts this year.
- Moody's downgraded the US credit rating from the highest investment grade "Aaa" to "Aa1".

Market Brief



US-China trade deals

- The US and China agreed to lower tariffs for the next 90 days. The US agreed to drop the 145% tax Trump imposed last month to 30%. China agreed to lower its tariff rate on US goods to 10% from 125%. The tariff reductions were larger than markets had anticipated.



Global Shares closed higher last week. Dow Jones +3.4%, S&P 500 +5.3% and Nasdaq +7.2% to hit more than one-month high, while gold fell almost 5% on cooling trade tensions between the US and China.



US-China trade deals

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- China agreed to lower its tariff rate on US goods to 10% from 125%.
- JPMorgan lifted US economic growth forecasts and saw lower chance that a recession would hit the US in 2025.
- Goldman Sachs expected the S&P 500 to reach 6,500 points in the next 12 months. Goldman Sachs now see the S&P 500 EPS growth of 7% in both 2025 and 2026, up from 3% and 6% in its previous projections.
- Goldman Sachs reduced its 12-month odds of a US recession to 35% from 45%.



US Big Tech shares surged last week as tech giants strike major deals in the Middle East amid Trump's tour

- Trump was weighting a deal allowing the UAE to import more than a million advanced Nvidia chips in 2027.
- NVIDIA and AMD have partnered with Saudi Arabian AI company Humain to supply semiconductors for a hyperscale data centre project.
- The Trump administration plans to rescind Biden AI chip exports rule. The new rule could shift toward negotiating individual deals with countries.



US' April economic data

- Headline CPI and core CPI went up by 0.2% MoM, below the expected 0.3% increase. On yearly basis, headline CPI rose 2.3% and core CPI grew 2.8%. Prices for some sectors which are most affected by tariffs e.g. vehicles and apparel were flat, while tourism and leisure were relatively tame.
- Producer Price Index fell 0.5%, the biggest drop in 5 years, due mainly to a decrease in margins, suggesting businesses may be absorbing some of the impact from higher tariffs.
- Retail sales slowed to a 0.1% gain as consumers scaled back spending on auto, sporting goods and other import goods, while spending at food services and drinking places grew for the 2nd straight month.



Fed

- Fed Chair Jerome Powell said that longer-term interest rates are likely to be higher. Powell also said the Fed may reconsider its focus on targeting average inflation over time -- an approach which gives policymakers the leeway to take a longer-term view if inflation deviations from its long-run 2% target for short periods.
- According to CME FedWatch Tool, market participants expect the Fed will cut rates twice this year, beginning in September.



Moody's cuts US credit rating

- Moody's cut the US government's long-term credit rating from "Aaa" to "Aa1", citing escalating deficits and the increasing burden of refinancing debt amid elevated interest rates. The downgrade brings Moody's in line with Fitch and S&P, which previously stripped the US of its top-tier rating.
- The US Treasury Secretary Scott Bessent said that Moody's ratings were a "lagging indicator" and insisted that the administration is on track to cut spending and spur economic growth.
- After Moody's announcement, the 10-year US Treasury yield climbed to 4.48%, US stock futures dipped on May 19 morning, the dollar weakened, and bullion rose more than 1%.

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