Weekly Market Report For 19 - 23 May 2025

Overview



- US shares pressured by bond yields and Trump's tariff.
- US House passes Trump tax and spending bill.
- Japan's 30-year and 40-year yield soared to records.
- Energy and food prices drove Japan's inflation higher.
- % The PBOC lowered 1-year and 5-year LPR.
- The NESDC cut 2025 GDP growth projections to 1.3% 2.3%.

Market Brief





Last week, the US stock markets faced pressure from bond yields and Trump's threat. All three major indexes fell around 2.5% as investors turns to risk-off mode amid economic and policy uncertainties.

- o US bond yields rose significantly, especially the 20-year yield, due to concerns about growing government debt burden, US credit rating has been downgraded by Moody's, and a lackluster 20-year bond auction.
- o The US House of Representatives has passed the tax and spending bill in a 215-214 vote. Some key points included:
 - o raise the federal government's debt ceiling by USD4 trillion,
 - o extend corporate and individual tax cuts, o expanded a deduction for state and local tax payments from USD30,000
- to USD40,000,
- o new tax breaks on OT and tips, o strip low-income Medicare beneficiaries and cancel many green-energy incentives passed by Democratic former President Joe Biden, and
 - o boost spending on the military and border enforcement.

Trump revived global trade war

- o Trump announced a straight 50% tariff on the EU, starting from June 1. However, he reversed course on his threats after talking with the bloc's head, delaying new tariff implementation to at least July 9.
- o Trump has threatened a 25% tariff on any company selling foreign-made phones in the US that could arrive by the end of June. Apple share fell more than 3% as the company is pressured to move manufacturing to the US. However, it is difficult for Apple to relocate its iPhone manufacturing operations and costly endeavor.



Japan

- o The 30-year and 40-year JGB yields rose to new records as investors waited for the BOJ's interim assessment of its QT (Quantitative Tightening) plan. The 10-year yield increased slightly.
- o The BOJ governor downplayed the need for immediate intervention, but the central bank would keep close monitoring on recent sharp rises in super-long yields. o Inflation rose 3.5% YoY in April, driven by energy and food prices. The
- Japanese government has been considering measures to ease the cost of living, while the BOJ is in no rush to raise rates. o Exports grew by 2% YoY in April, slowing from a 4% increase in March.
- Shipments to the US and China fell 1.8% and 0.6% respectively, while exports to Asia increased 6%. Imports fell by 2.2% due to lower imports of coal and crude oil. o Japan wants to advance US tariff talks after President Donald Trump has
- expressed support for the partnership between US Steel and Nippon Steel. Trump said that the partnership would create at least 70,000 jobs and add USD14 billion to the US economy.

o The PBOC cut 1-year Loan Prime Rate (LPR) from 3.1% to 3.0% and lowered

China

- 5-Year LPR from 3.6% to 3.5% after China state banks cut deposit rates by 0.25% to lower their funding costs. o This marks the first reduction in LPR since October 2024, and reflects
- Beijing's intention to bolster a sluggish economy. **Thailand**

o GDP grew by 3.1% YoY in 1Q25, exceeding forecasts of 2.9%, but eased

- from a 3.3% expansion in 4Q24. o Growth in the first quarter was driven by a 13.8% increase in exports, especially electronics goods, as factories rushed to ship goods ahead of Trump's
- new tariffs. o The NESDC cut its 2025 economic growth forecast to 1.3% - 2.3% from a range of 2.3% - 3.3% seen earlier due to the impact of trade war, global economic
- slowdown, and high household debt. o The agency warned that businesses and consumers should be ready to cope with higher risks and be cautious with their spending.

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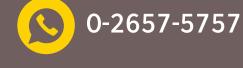
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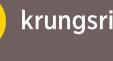
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