

## Overview

Global stock markets mostly closed higher, driven hopes on Fed rates pause. SET index was flat from the prior week as political resolution impulse seemed to have faded.

## Equity market

- Global equity markets closed higher from the previous week as the US labor market continued to show signs of cooling and raising hopes on Fed rates pause. China markets gained as government added more stimulus measures. Asian markets slightly outperformed US and EU indices.

- SET Index closed almost flat from last week and underperformed global markets as political resolution impulse faded. Banking and Tourism sectors outperformed while Energy and Commerce underperformed. Foreign and retail investors were net sellers, while institutional investors were net buyers. Oil price increased as US crude inventory fell more than expected amid tight supply.

## Fixed income market

- In his keynote address at Jackson Hole, Fed Chair Jerome Powell said that inflation remains too high, and the Fed is prepared to raise rates further if appropriate. On the other hand, he also acknowledged the lags with which the 525bps of hikes could affect the economy and said the Fed will look at incoming data in deciding whether to tighten further. In addition, he said the Fed intends to keep policy rates at a restrictive level until they are confident that inflation is sustainable within its target. Personal spending jumped 0.8% m/m in July on the back of a 0.5% increase in June. This was the biggest increase since January and was above expectations. On the other hand, personal income went up 0.2% m/m, slowing down from a 0.3% pace the month before and slightly lower than expected. The core PCE index increased 0.2% m/m and 4.2% y/y in July compared with 0.2% m/m and 4.1% y/y the month before and matching forecasts. Meanwhile, pending home sales ticked up 0.9% m/m in July, marking the second straight month of increase despite elevated prices and rising mortgage rates. Lastly, US 2Q23 GDP has been revised to 2.1% y/y from an initial estimate of 2.4% compared with 2.0% growth in 1Q23. The downward revision reflected weaker-than-expected business investment which outweighed stronger consumer spending.

- Euro area economic confidence declined for the fourth consecutive month to 93.3 in August from 94.5 the month before. This marked the lowest reading since November 2020 and reflected the decline in morale across the board. Consumer confidence dropped to -16.0 from -15.1 previously, marking the first deterioration since last September. Unemployment rate remained stable at a record low of 6.4% in July. Headline inflation rose 5.3% y/y in August's flash reading, matching July's pace. Core inflation slowed to 5.3% y/y from 5.5% the prior month.

- Japan household confidence unexpectedly eased to 36.2 in August from 37.1 in July, halting 8-month streak of improvement. However, retail sales rose 6.8% y/y in July, accelerating from a downwardly revised 5.6% gain in June and marking the 17<sup>th</sup> straight month of expansion. In contrast, industrial production declined 2.0% m/m in July compared with an upwardly revised 2.4% growth the previous month. On a yearly basis, output fell 2.5% compared with a flat reading the month before.

- China industrial profits fell 6.7% y/y in July following a 8.3% fall in June and marking the 7<sup>th</sup> straight month of slump. Over the first seven months, profit declined 15.5% from the same period last year. Official manufacturing PMI rose to 49.7 in August from 49.3 in July but remained in contraction territory for the 5<sup>th</sup> month in a row. In addition, Caixin manufacturing PMI rose to 51.0 from 49.2, marking the highest reading since February. This reflected firmer domestic demand while new export orders continued to decline. On the other hand, non-manufacturing PMI fell to 51.0 from 51.5 the month before.

- Thai industrial production fell 4.43% y/y in July following a 5.24% decline in June. This marked that 10<sup>th</sup> straight month of decline in manufacturing activities dampened by a global economic slowdown. In the January-July period, industrial output contracted 4.54% y/y. The ministry therefore cut its 2023 industrial output forecast to a fall of 2.8 - 3.8% from a previous forecast of 0 - 1% growth.

## Regional Economic Information

### U.S.

- The US economy expanded an annualized 2.1% in 2Q23, following a 2.0% growth in 1Q23 and lower than the preliminary estimate of 2.4% as consumer spending eased from a 4.2% growth in 1Q23 to 1.7% in 2Q23 and exports decreased at the fastest pace since 2Q20, while business investment grew at the fastest pace in almost a year.

- Personal spending surged by 0.8% m/m in July after a 0.5% rise in June and increasing at the fastest pace since January. Personal income grew 0.2% m/m in July following a 0.3% gain in June.

- Core personal consumption expenditures index (core PCE) rose 4.2% y/y in July as expected, following a 4.1% increase in June

- Nonfarm payrolls increased by 187,000 in August. Job gains were below 200,000 for the 3<sup>rd</sup> straight month, unemployment rate jumped to 3.8% from 3.5% in July, and the number of job openings fell to 8.827 million in July from 9.165 million in June, indicating a gradual easing of labor market conditions.

- Manufacturing ISM rose to 47.6 in August from 46.4 in July, but still pointed that activity within the manufacturing sector had contracted for the 10<sup>th</sup> straight month.

- Pending home sales rose by 0.9% m/m in July.

### Europe

- Euro zone headline inflation increased 5.3% y/y in August, following a 5.3% rise in July and higher than market estimates of 5.1% as energy prices dropped at a slower pace, a preliminary data showed. The headline figure remained above the ECB's target of 2.0%. Core inflation, which excludes food and energy prices, slowed to 5.3% y/y from 5.5% in July as expected.

- Euro zone unemployment rate held steady at a record low of 6.4% in July.

- Euro zone economic sentiment indicator fell to 93.3 in August from 94.5 in July, falling for the 4<sup>th</sup> consecutive month and marking the lowest level since November 2020, as the ECB continued to tighten its policy amid persistently high inflation rates.

- Euro zone manufacturing purchasing managers' index (PMI) inched up to 43.5 in August from 42.7 in July. The reading still pointed to weak activity in manufacturing sector.

### Asia

- Japan unemployment rate climbed to 2.7% in July from 2.5% in June as the number of job openings in the manufacturing sector has been in a downward trend, which reflects the impact of declining overseas demand. Manufacturing PMI remained at 49.6 in August and indicating the 3<sup>rd</sup> consecutive month of fall in manufacturing activity and a preliminary data showed Japan industrial production fell 2.0% m/m in July after a 2.4% rise in June, weighed by production of machinery and electronic devices and parts. ON the other hand, retail sales jumped 6.8% y/y in July, following a 5.6% growth in June and marking the 17<sup>th</sup> consecutive month of expansion which suggesting that consumption continued to recover after it slumped during the COVID-19 pandemic.

- China official manufacturing purchasing managers' index (PMI) rose to 49.7 in August from 49.3 in July and Caixin manufacturing PMI jumped to the highest level since February of 51.0 in August from 49.2 in July as both output and new orders grew, providing hope that the worst of sector's contraction may be over. In contrast, official non-manufacturing PMI fell to 51.0 from 51.5, indicating that the country's economic recovery may be dragged down by the property crisis and subdued consumer spending. China industrial profits fell by 15.5% y/y in the first 7 months, following a 16.8% drop in the first 6 months.

### Thai

- The BOT reported that the Thai economy remained on the recovery track in July as private consumption and investment and public investment grew and the number of foreign tourists continue to increase while the value of merchandise exports decreased due to lower demand from trading partners.

#### Disclaimer

The information contained in this document is correct and accurate at the time of publication, but does not provide any warranty of its accuracy. However, the Company reserves the rights to change any information, opinions and estimates contained in this document without giving prior notice.

Investment contains certain risks. Investors should carefully study the fund prospectus before making investment decision. Past performance is not an indicative of future performance. This document is not the fund prospectus and is intentionally produced for general information only.

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