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Weekly Market Report For 5 – 8 May 2026



Overview

- US equities extended gains, supported by strong tech earnings and resilient labor market, while the bond market staged only a limited recovery.
- US economic data remained firm, with employment and factory orders exceeding expectations, underscoring strong labor market and sustained AI-related investment.
- European equities traded volatile amid renewed US–Europe trade-war concerns, despite support from corporate earnings and easing Middle East tensions.
- Japanese equities rallied, driven by technology and AI-related shares, while bond yields declined alongside lower oil prices. Real wages continued to rise.
- Chinese equities advanced on gains in technology stocks and expectations for trade stability. Tourism activity improved, though consumers remained cautious on spending.

Market Brief

U.S. equities extended gain last week, supported by stronger-than-expected tech earnings and solid U.S. labor market data.

- o S&P 500 +2.3%, Nasdaq +4.5%

- o Technology shares outperformed, while energy and utilities lagged. Semiconductor stocks rallied strongly, with the Philadelphia Semiconductor Index surging more than 10% during the week and climbing over 65% year-to-date.

- o Among the roughly 89% of S&P 500 companies that have reported earnings, 84% exceeded market expectations, with average earnings growth reaching a robust 25%.

Despite the rebound in equities and lower crude oil prices, the bond market recovered only modestly. The U.S. 10-year Treasury yield remained around 4.36%, reflecting reduced expectations for Federal Reserve rate cuts and growing market conviction that the Fed could keep rates unchanged throughout this year.

U.S. economic data

- o April nonfarm payrolls increased by 115,000 jobs, well above market expectations of 62,000, led by gains in healthcare, transportation, warehousing, and retail sectors.

- o March payrolls were revised higher to 185,000 from 178,000, bringing two-month job growth to its strongest pace since 2024.

- o The unemployment rate held steady at 4.3%, highlighting continued labor market resilience.

- o March factory orders rose 1.5%, driven by stronger demand for electronics, reflecting ongoing investment in AI infrastructure.

Europe

- o The STOXX Europe 600 edged slightly higher amid volatile trading.

- o Early in the week, equities were supported by easing Middle East tensions and solid corporate earnings.

- o However, sentiment weakened later in the week after Donald Trump threatened higher tariffs on European imports unless Europe cut tariffs on U.S. goods to 0%.

Japan

- o The Nikkei 225 climbed 5.4% and the TOPIX gained 2.7%, supported by technology and semiconductor amid continued optimism over AI demand.

- o Lower oil prices eased concerns over Japan's energy costs and supply outlook, pushing Japan's 10-year government bond yield down to 2.48% from 2.50% the previous week, in line with the decline in global bond yields.

- o The yen traded volatile amid speculation Japanese authorities could intervene to slow currency weakness during the Golden Week holiday period. Nevertheless, the yen ended the week largely unchanged.

- o On the economic front, Japan's real wages rose 1.0% YoY in March, marking the first three consecutive monthly gains since 2021. The data suggest wage growth is beginning to outpace inflation, supporting the BoJ's policy normalization path.

China

- o The CSI 300 rose 1.3%, the Shanghai Composite gained 1.6%, and the Hang Seng advanced 2.4%, led by technology and selected consumer-related stocks. Markets were also supported by signs of improving domestic demand and expectations that both the U.S. and China would prioritize trade stability in the near term.

- o During the May 1–5 holiday period, domestic travel in China increased 3.6% YoY, while tourism spending rose 2.9% from a year earlier. However, spending per trip declined slightly, suggesting consumers remain cautious despite stable travel demand.

- o Markets are closely watching the expected May 14–15 meeting between Donald Trump and Xi Jinping, amid ongoing discussions between the U.S. and China on extending the trade truce, as well as cooperation in agriculture, AI, semiconductors and rare-earth supply chains.

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0-2657-5757

krungsriasset.clientservice@krungsri.com

www.krungsriasset.com



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