

Weekly Market Report

For the period of : 17 – 21 May 2021

Overview

US market closed lower after the Fed minutes showed some participants thought that it might appropriate to discuss about QE tapering in upcoming meetings, while Asian markets were supported by strong economic data.



Equity market

- Global equity markets closed mixed this week. The concern on a chance of earlier-than-expected QE tapering from Fed led to large sell-off in risky asset including cryptocurrencies but was cooled down by good US jobless claim data. China and North Asia markets rose from the prior week, US and EU indices underperformed, while majority of emerging market ended up higher.
- SET index closed almost flat this week, outperformed regional markets. At the beginning of the week, rising number in COVID-19 cases dragged the market down. However, the index rebounded quite strongly after touching the major support of 1540, but QE tapering concern wiped off all the weekly gain. Food, Transportation, and Electronics sectors outperformed while Energy and Construction Material were underperformers. Foreign investors were net sellers while institutional and retail investors were net buyers. Crude oil price dropped from last week due to concern on COVID-19 in India and potential crude export from Iran.



Fixed income market

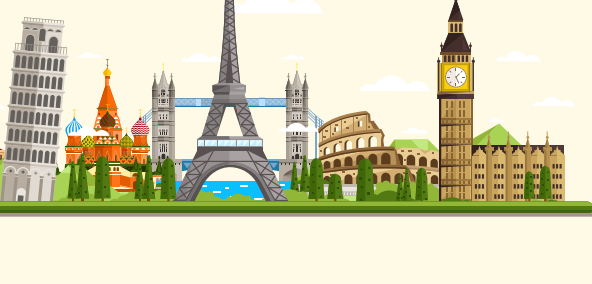
- According to minutes from the FOMC meeting in April, a number of participants suggested that if the economy continued to make rapid progress toward the Committee's goal, it might be appropriate to begin discussing a plan to adjust the pace of asset purchases in upcoming meetings. Nevertheless, some participants also anticipated that it will likely be some time until substantial progress is made toward the Committee's maximum employment and price stability goals. Housing starts dipped 9.5% m/m in April from 15 years' high in March due to soaring prices for lumber and other materials. Building permits modestly rose 0.3% m/m.
- Euro area 1Q21 GDP printed at -0.6% q/q and -1.8% y/y following -0.7% q/q and -4.9% y/y contraction the prior quarter. Headline inflation printed at 1.6% y/y in April compared to 1.3% in March, boosted by the rise in energy prices. However, core inflation softened to 0.7% y/y from 0.9% previously.
- Japan 1Q21 GDP contracted 1.3% q/q following 2.8% q/q growth the prior quarter. For the full fiscal year ending March, GDP shrank 4.6%, the second consecutive year of contraction and the biggest decline on record. Industrial production increased 1.7% m/m and 3.4% y/y in March, the first year-on-year increase since September 2019. In addition, exports surged 38% y/y in April following 16.1% rise in March thanks to demand recovery in Japan's key trading partners. Meanwhile, imports rose 12.8% y/y on the back of 5.7% rise the month before.
- China fixed asset investment rose 19.9% y/y during the first four months compared to 25.6% increase during the first three. Industrial production grew 9.8% y/y in April following 14.1% rise in March. Meanwhile, retail sales rose 17.7% in April, moderating from 34.2% surge in March and missing expectation.
- Thai cabinet approved the draft of an executive decree authorizing the government to borrow an additional THB700 billion to stimulate the economy. With this new loan approve, public debt is estimated to be THB9.38 trillion or 58.6% of GDP at the end of September, compared to the ceiling of 60%. 1Q21 GDP expanded 0.2% q/q but declined 2.6% y/y, beating expectation but marking the fifth straight quarter of annual decline. The main drag to GDP was the decline in service sectors, especially tourism sector. The NESDC as such downgraded its full-year GDP growth forecast to 1.5 - 2.5% from 2.5 - 3.5% in previous estimate.

Regional Economic Infomation

U.S.



- The Federal Reserve (Fed) minutes showed that participants agreed the US economy remained far from the central bank's goal. However, a number of Fed policymakers thought that if the economy continued rapid progress, it would become appropriate "at some point" in upcoming meetings to begin discussing a tapering of the Fed's monthly purchases of government bonds.
- Housing starts decreased 9.5% m/m to an annual rate of 1.57 million in April due to shortage of labor and materials. Building permits increased 0.3% to 1.76 million-unit pace.
- Initial jobless claims dropped to 444,000 in the week ended May 15, from 478,000 in the prior week.



Europe

- The euro zone economy in 1Q21 shrank by 0.6% q/q and contracted by 1.8% y/y, matching its previous report.
- Euro zone flash composite purchasing managers' index (PMI) jumped to 56.9 in May from 53.8 in April as manufacturing PMI eased slightly to 62.8 from 62.9, while service PMI jumped to 35-month high of 55.1 from 50.5.
- UK retail sales rose 9.2% m/m and surged 42.4% y/y in April, accelerating from an increase of 4.6% m/m and 7.2% y/y in March and beating expectation as lockdown measures eased, with sales of clothing soaring by nearly 70% m/m. Retail sales overall were more than 10% higher than pre-pandemic levels.

Asia



- China industrial output rose 9.8% y/y in April, below the median estimate for a 10% increase. Retail sales expanded 17.7% y/y, much slower than a projected 25% rise. Fixed-asset investment grew 19.9% y/y in the first four months of the year, in line with expectation.
- Japan economy declined by 1.3% q/q and contracted at an annualized rate of 5.1% in 1Q21 after it expanded by 2.8% q/q and grew by 11.6% annual rate in 4Q20, and contracted more than expected as capital expenditure fell more than forecast. However, private consumption fell less than expected. Japan exports surged by 38.0% y/y in March after a 16.1% gain in February and better than consensus forecast of a 30.9% rise. Imports increased 12.8% y/y, following a 5.8% growth in February. The trade surplus was at JPY255.3 billion. Japan inflation excluded food and energy costs fell by 0.2% y/y in April after it rose 0.3% in March, due mainly to cellphone fee cut. Core machinery orders rose 3.7% m/m in March, the first gain in 3 months.



Thailand

- The NESDB reported that the Thai economy in 1Q21 grew by 0.2% q/q but contracted by 2.6% y/y, better than the market estimate for a 3.3% contraction. The Thai economy contracted for the 5th consecutive quarter, as the economy was hit by COVID-19 pandemic. The NESDB revised its economic forecast for this year to an expansion of 1.5%-2.5% from an increase of 2.5%-3.5% projected in February.
- The cabinet approved and Executive Decree to borrow THB700 billion in additional to the annual budget to handle the impact of the new round of COVID-19 pandemic. The new budget will be allocated THB400 billion for cash handout to affected individuals from the renewed lockdown, THB30 billion to healthcare, and THB270 billion to revitalize the economy.

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