

Weekly Market Report

For the period of : 25 - 29 October 2021

Overview

Despite a weaker-than-expected US 3Q21 GDP, US stock markets rose to fresh record high on strong earnings, while SET Index was dragged by Energy sector as oil prices fell.



Equity market

- Global markets closed mixed this week. Key concerns were a super spreader case and ongoing Evergrande issue in China, while good 3Q21 earnings results and rising US consumer confidence supported some markets. China and many Asian markets underperformed, while US and EU indices outperformed.
- SET index closed lower from prior week, underperformed global markets. Sell-offs in Energy and Petrochemical sectors due to a drop in crude oil price was a key factor. Energy, Transportation, and Commerce were underperformers, while Property and Banking sectors supported the market. Foreign and Institutional investors were net sellers, while retail investors were net buyers. Crude price dropped from last week due to higher-than-expected U.S. stockpile report.



Fixed income market

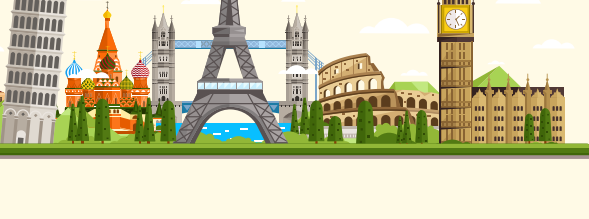
- US existing home sales rebounded 7% m/m in September to the strongest level in 8 months supported by robust labor market. Median existing home price rose 13.3% y/y, moderating from over 20% pace a few months ago. Inventory was down 0.8% m/m and -13% y/y to an equivalent of 2.4-month at the present sales pace. On the other hand, pending home sales unexpectedly fell 2.3%, constrained by elevated prices and the rise in mortgage rates. Meanwhile, new home sales jumped 14.0% m/m to a 6-month high level. Median new home price accelerated 18.7% y/y, skewed by more sales in higher price ranges, and inventory stood at around 5.7-month of sales at current pace. Core capital goods orders rose 0.8% m/m in September on the back of a revised 0.5% increase the month before. Furthermore, backlogs rose to a record level due to ongoing supply bottlenecks and labor shortages.
- The ECB kept interest rates and its monetary policy unchanged at its October meeting. President Lagarde also reiterated that the central bank continues to see the recent rise in inflation as temporary and will fade throughout 2022. Euro area Markit manufacturing PMI declined to 58.5 in October's flash reading from 58.6 in September, the lowest level since February, while services PMI fell to 54.7 from 56.4, the lowest level since April. As a result, the flash composite PMI fell to a 6-month low of 54.3 from 56.2 the month before. Economic sentiment in the euro zone rose for the second straight month in October, printing at 118.6 compared to the all-time high of 119.0 seen in July.
- The BoJ kept its monetary policy unchanged and lowered its inflation and growth forecasts at its October meeting. The central bank now see inflation at 0.0% and growth at 3.4% for FY2021, down from 0.6% and 3.8% respectively at its prior forecast. Japan retail sales recovered 2.7% m/m in September following a 4.0% decline the month before and beating expectation. Compared to a year ago, retail sales fell 0.6% compared with a 2.3% drop previously. Furthermore, household confidence rose to 39.2 in October from 37.8 the month before, marking the strongest reading since May 2019. On the other hand, industrial production declined 5.4% m/m in September, the third straight month of decline driven by sliding output at car manufacturers due to part shortages. On a year-on-year basis, production declined 2.3% y/y compared to an 8.8% rise previously.
- China industrial profit growth accelerated to 16.3% y/y in September compared with 10.1% pace the previous month. For the first nine months of the year, profits climbed 44.7% y/y boosted by profits at fuel processing industries thanks to soaring energy prices.
- Thai industrial production fell 1.28% y/y in September following a downwardly revised 4.71% fall in August and marking the second consecutive month of decline. Exports grew 17.1% y/y in September following an 8.93% rise the month before and surpassing expectation. On the other hand, imports increased 30.3% y/y, slowing down from 47.92% the month before and missing expectation. Over the first nine months, exports recovered strongly at 15.5% y/y, thanks to overseas demand recovery and weak Thai baht. Imports grew a robust 30.9% y/y over the same period after contracting in 2020.

Regional Economic Information

U.S.



- The US economy expanded at an annual rate of 2.0% in 3Q21, after a 6.7% growth in the previous quarter and lower than market estimates of a 2.6% growth as consumer spending grew at a slower pace due to the resurgence in Delta variant cases, positive impacts from government stimulus checks and other economic relief program diminished, and shortages of supply have capped companies' ability to keep up with rising consumer demand.
- Personal income fell 1.0% m/m in September, following a 0.2% advance in August, while personal spending grew 0.6% m/m after an 1.0% rise in August. Core personal consumption expenditures index (core PCE) increased 3.6% y/y in September, following a 3.6% gain in August.
- Pending home sales dropped 2.3% m/m in September after an 8.1% jump in August.
- Durable goods orders fell 0.4% m/m in September, the first decline in 4 months, as auto and aircraft dropped. Excluding transportation, durable goods orders were up 0.4% m/m.
- Initial jobless claims fell by 10,000 to 281,000 in the week ended October 23.



Europe

- The ECB said it will hold its benchmark interest rate at 0% and continue buying bonds under a EUR18.5 trillion asset purchase program at least through March 2022.
- The euro zone economy in 3Q21 expanded by 2.2% q/q, accelerating from a 2.1% growth in the prior quarter, helped by domestic demand and exports.
- Inflation in the euro zone jumped 4.1% y/y in October, preliminary estimates showed, after a 3.4% rise in September and the highest reading since July 2008, as energy prices surge.
- Euro zone economic sentiment rose to 118.6 in October from 117.8 in September.
- German business climate index fell to 97.7 in October from 98.8 in September as supply bottlenecks continued to weigh on the economy.

Asia



- The BoJ decided to maintain its monetary policy as it was and reiterated that the central bank will ease policy further without hesitation as needed. Retail sales jumped 2.7% m/m and slid 0.6% y/y in September, well above market expectations of a 2.3% y/y drop. Japan preliminary industrial production fell 5.4% m/m in September to its lowest level in 13 months, dragged down by slumping auto production resulting from a semiconductor shortage and supply chain disruptions in Southeast Asia.
- Profits at China industrial firms in the first 9 months increased by 44.7% y/y, slowing from a 49.5% surge in the first 8 months.



Thailand

- The BoT reported that the Thai economy in September improved from a month earlier after the government COVID-19 containment measures, which resulting in improving in private consumption and investment.
- The MoC reported that Thai exports increased 17.1% y/y in September. Excluding gold, oil related products, and weaponry, exports rose 14.8% y/y. Imports surged 30.3% y/y, resulting in a trade surplus of USD609.8 million. For the first 9 months, exports expanded by 15.5% and imports jumped 30.9%, resulting in a trade surplus of USD2.02 billion.
- Industrial production decreased by 1.3% y/y but increased by 6.6% m/m in September.

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