

Weekly Market Report

For the period of : 4 – 7 January 2022

Overview

Global stock markets fell after the Fed minutes signaled that the US central bank might raise its policy rates and reduce its balance sheet earlier than expected. SET Index closed almost flat from last week.



Equity market

- Global equity markets closed mixed this week. Main concerns this week were Fed's signal on accelerating QE tapering and Omicron pandemic that started to gain momentum in many countries leading to stricter lockdown measure and travelling bans. China and U.S. indices were key underperformers, while EU stocks outperformed.
- SET index closed almost flat from last week, outperformed regional peers. At the beginning of the week, SET index rose in-line with global stocks and foreign inflow. However, fear of Fed raising rate earlier than expected and rising number of Omicron cases hit the index in the latter half of the week. Energy, Food and Beverage and Banking sectors outperformed again this week, while Electronics, ICT and Tourism related sectors underperformed. Foreign investors and retail investors were net buyers, while institutional investors were net sellers. Crude oil price was still on an upward trend after the OPEC+ maintained its production pace, in-line with consensus.



Fixed income market

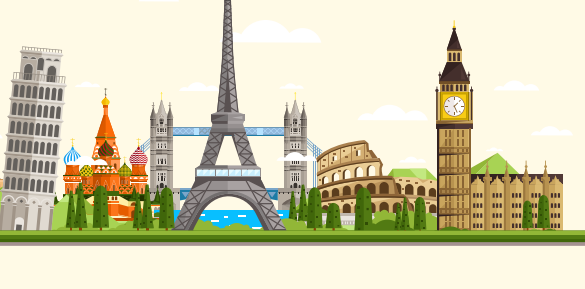
- According to the minutes from FOMC meeting in December, Fed officials saw the timing of reducing the USD8.8 trillion balance sheet as likely "closer to that of policy-rate liftoff than in the committee's previous experience". This hinted that the central bank is preparing to act even more aggressively than the market previously expected to combat inflation.
- Euro area manufacturing PMI dropped to a 10-month low of 58.0 in December from November's 58.4. In addition, services PMI sank to an 8-month low of 53.1 from 55.9 in November due to tighter restriction following new surge in COVID-19 infections.
- Japan household spending unexpectedly declined 1.3% y/y in November following a 0.6% decline in October and marking the 4th straight month of negative reading. On a month-on-month basis, spending also fell 1.2% after increasing 3.4% the month before, highlighting that consumers remained cautious despite the fall in COVID-19 cases. In addition, household confidence weakened for the 1st time in 4 months to 39.1 in December from 39.2 previously due to rising domestic COVID-19 cases towards the end of the month.
- China Caixin manufacturing PMI rebounded to 50.9 in December from 49.9 in November, the highest reading since June thanks to easing supply constraints. In addition, Caixin services PMI rose to 53.1 from 52.1 amid higher demand and easing inflationary pressure.
- Thailand headline inflation declined 0.38% m/m but rose 2.17% y/y in December, softening from 0.28% m/m and a 7-month high pace of 2.71% y/y the month before thanks to stabilizing oil prices. Meanwhile, core inflation was unchanged at 0.29% y/y, the highest level in 5 months. Full-year headline inflation came in at 1.23% y/y and core inflation at 0.23% y/y.

Regional Economic Information

U.S.



- The minutes from the December 14-15 Federal Reserve (Fed) policy meeting showed Fed officials signaled that the central bank may raise the fed funds rate sooner than expected and start to reduce the size of the Fed's balance sheet after beginning to raise the rate.
- Nonfarm payrolls increased by 199,000 in December, well below market forecast of 400,000, while unemployment rate fell to 3.9% in December from November's 4.2%.
- The trade deficit increased by 19.3% m/m in November to USD80.2 billion as exports rose to a new record high of USD224.2 billion and imports climbed to a new record high of USD304.4 billion.
- Manufacturing ISM fell to an 11-month low of 58.7 in December from 61.1 in November, reflecting a decline in new orders and production. Service ISM plunged to 62.0 from a record high of 69.1. The demand for services remains strong but companies continue to struggle with supply constraints.



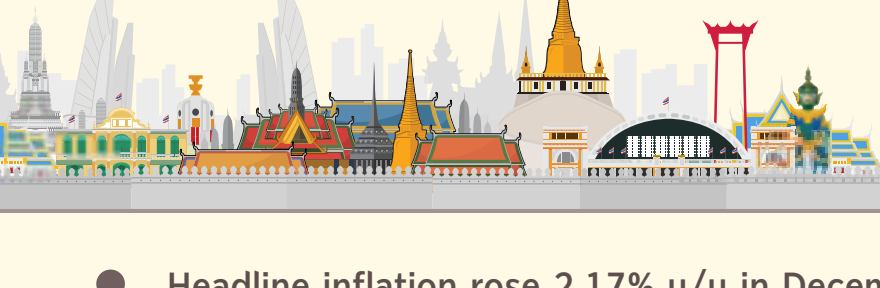
Europe

- Euro zone composite purchasing managers' index (PMI) fell to 53.3 in December from 55.4 in November as service PMI dropped to 53.1 from 55.9 and manufacturing PMI slid to 58.0 from 58.4.
- Euro zone preliminary headline inflation rose to a record high of 5.0% y/y in December from 4.9% in November.
- Euro zone retail sales rose 1.0% m/m and surged 7.8% y/y in November, well ahead of projections for a decline of 0.5% m/m and a 5.6% y/y growth.
- Euro zone economic sentiment dropped to 115.3 in December from 117.6 in November, following the imposition of restrictive measures to curb COVID-19 outbreak.
- German retail sales rose 0.6% m/m and increased 5.9% y/y in November, higher than market expectations.

Asia



- Japan manufacturing PMI slid to 54.3 in December from November's 54.5 and service PMI fell to 52.1 from 53.0. Household spending fell 1.3% y/y in November after a 0.6% decline in October, falling for the 4th straight month amid worries over the rapid spread of the Omicron variant that could delay the economic recovery.
- China official manufacturing PMI inched up to 50.3 in December from 50.1 in November and Caixin manufacturing PMI rose to 50.9 from 49.9. Official non-manufacturing PMI climbed to 52.7 from 52.3 and Caixin service PMI jumped to 53.1 from 52.1.



Thailand

- Headline inflation rose 2.17% y/y in December, slowing from a rise of 2.71% in November. Core inflation, which excludes fresh food and energy prices, increased 0.29% y/y.

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