

Weekly Market Report

For the period of : 18 – 22 July 2022

Overview

Global stock markets closed higher from last week, thanks to strong earnings and the Fed lower its inflation expectations. The ECB raised its policy rate more than expected, while the BOJ and the PBOC kept rate unchanged.



Equity market

- Majority of global equity markets increased significantly this week. Better US economic data, lower commodity prices and lower inflation expectation from the Fed were key factors helping global stock markets. US Tech stocks were clear winner this week while almost all region saw significant uptrends.
- SET Index closed higher from last week but underperformed most markets. Banking, Property and Tourism names were key outperformers while ICT and Food sectors were underperformers. Foreign investors and institutional investors were net buyers, while retail investors were net sellers. Oil price changed slightly from the previous week.



Fixed income market

- US retail sales rose 1.0% m/m in June on the back of an upwardly revised 0.1% fall in May and beating expectation. On a year-on-year basis, retail sales increased 8.4% compared to a 8.2% rise previously. Existing home sales dropped 5.4% m/m in June to the lowest level since June 2021. The number of homes on the market improved to around a 3-month supply at the current sales pace while the median selling price increased 13.4% y/y to a new record level. In addition, housing starts dipped 2% m/m and building permits fell 0.6% m/m in June to the lowest level since September 2021. Both declines were driven by the weakness in single-family segment. Furthermore, homebuilders' sentiment plummeted in July by the most since the start of the pandemic, weighed down by concerns over rising construction costs and mortgage rates.
- The ECB raised its key policy rates by 50bps, more than what was previously guided in June. The ECB President Christine Lagarde explained that the larger-than-expected increase was partly due to the upside surprises to inflation but also made clear that the front-loading rate hike did not imply a change in terminal rate. The ECB also unveiled an anti-fragmentation tool, the Transmission Protection Instrument (TPI), which will be used to prevent unwarranted widening of euro-area bond spreads as monetary policy normalizes. The region's consumer confidence slipped 3.2 points to -27.0 in July, hitting the lowest level on record.
- The BOJ kept interest rates unchanged at its meeting in July. At the same time, the central bank revised up its inflation forecast for the current fiscal year ending March 2023 to 2.3% which is above its target level of 2%. Japan core inflation rose 2.2% y/y in June, up from 2.1% pace in May driven by higher energy prices. Furthermore, core-core inflation quickened to 1.0% y/y from 0.8% the prior month, marking the biggest increase since February 2016. Meanwhile, exports jumped 19.4% y/y in June on the back of 15.8% increase in May, led by sales of machinery. This also marked the 16th straight month of gain and the fastest pace since November 2021. In addition, imports expanded 46.1% y/y following 48.9% jump the month before. This marked the 15th straight month of double-digit growth amid surging commodity prices and weak yen.
- According to Thai Ministry of Tourism and Sports, tourism revenue this year may total THB1.2 trillion which is below the government's target of THB1.5 trillion. To make up for the short fall, the ministry is proposing stimulus packages that are currently being reviewed.



Regional Economic Information

U.S.



- Housing starts dropped 2% m/m to an annualized rate of 1.559 million units in June, and building permits slid 0.6% to 1.685 million units, amid soaring prices and mortgage rates. Existing home sales fell by 5.4% to an annualized rate of 5.12 million units, declining for the 5th straight month to the lowest level since June 2020.
- Initial jobless claims increased by 9,000 to 251,000 in the week ended July 16, higher than market expectations for a decline to 240,000.

Europe



- The ECB raised its policy rate from 0% to 0.50%, higher than market expected for a 0.25% hike and the first increased in 11 years, as inflation in the euro zone continued to hit new records.
- Euro zone preliminary composite purchasing managers' index (PMI) fell to 49.4 in July from June's 52.0, pointing to the first contraction in economic activities since February 2021, as manufacturing PMI dropped to 49.6 from 52.1 and service PMI tumbled to 50.6 from 53.0.
- UK headline inflation increased 9.4% y/y in June, the highest rate since 1982 and exceeding market forecasts of 9.3%, mainly driven by higher petrol prices.

Asia



- The BOJ kept its policy rate at -0.1% and that for 10-year bond yields around 0% as expected. The central bank revised down its 2022 GDP growth forecast to 2.4% from 2.9%, but revised 2023 GDP outlook to 2.0% from an earlier projection of 1.9%; and 2024 GDP to 1.3% from 1.1%. It projected inflation would increase by 2.3% this year, compared to its previous forecasts of 1.9%. Exports rose by 19.4% y/y in June, after a 15.8% increase in May and beating market consensus of a 17.5% growth. Imports surged 46.1% y/y, after a 48.9% jump in May and above market estimates of 45.7% rise. The trade balance showed a deficit of JPY1.3838 trillion. Japan headline inflation went up 2.4% y/y in June after a 2.5% rise in May. Excluding food and energy costs, inflation grew 1.0% y/y, accelerating from an increase of 0.8% in May.
- The PBOC kept its 1-year Loan Prime Rate (LPR) at 3.7% and 5-year LPR at 4.45% as expected.

Thailand



- Thai industries Sentiment Index increased to 86.3 in June from 84.3 in May, the first gain in 3 months, thanks to the relaxation of COVID-19 restrictions. However, entrepreneurs remained concerns about inflation, supply shortages, and global economic slowdown.

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