

Fitch Ratings

Overview

Global stock markets mostly closed lower as Fitch trimmed US credit rating and major central banks kept raising policy rates.

Equity market

- Majority of global equity markets closed lower as Fitch Ratings downgraded US credit rating from AAA to AA+, while global central banks continued to raise their policy rates. China indices outperformed while other equity markets declined, led by EU markets.

- SET Index posted a high volatile week and closed lower from the previous week. The index made a good start at the beginning of the week, but political uncertainty dragged the market down. Energy and Electronics sectors outperformed while Tourism, Commerce and Property sectors underperformed. Foreign and institutional investors were net sellers, while retail investors were net buyers. Crude oil price jumped due to concerns about tight supply as Saudi Arabia extend its production cut.

Fixed income market

- US pending home sales increased 0.3% m/m in June, marking the first increase since February. Personal income rose 0.3% m/m in June following a 0.5% rise the month before while personal spending increased 0.5% m/m compared with a 0.2% rise previously. Core PCE increased 0.2% m/m and 4.1% y/y in June compared with 0.3% m/m and 4.6% y/y rise in May. This marked the lowest annual reading since September 2021. Meanwhile, core capital goods orders unexpectedly rose 0.2% m/m in June following a downwardly revised 0.5% rise the month before. Lastly, GDP growth printed at 2.4% annualized pace in 2Q23, accelerating from a 2.0% growth in 1Q23.

- The ECB increased key benchmark rate by 25bps to 3.75%, which is the highest rate since the launch of euro currency in 1999. According to the central bank, inflation is slowing but is still expected to be too high for too long. However, it stated that future rate decisions will be data dependent. Meanwhile, headline inflation declined 0.1% m/m in July following a 0.3% increase in June and marking the first decline in six months. In addition, the annual inflation rate printed at 5.3%, down from 5.5% the month before and pointing to the smallest gain since January 2022. However, core inflation remained sticky at 5.5% y/y. The region's economic sentiment declined for the third straight month to 94.5 in July, reaching the lowest reading since last October. This reflected a deterioration in morale among manufacturers, service providers, and constructors, while that among traders and consumers improved. Nevertheless, unemployment rate remained at a record low of 6.4% in June. Lastly, the region's GDP expanded 0.3% q/q in 2Q23 compared with a flat reading in 1Q23.

- The BOJ announced that it will continue to allow 10-year government bond yields to fluctuate in the range of -0.5% to 0.5% but will also offer to purchase the bond at 1% through fixed-rate operations, which effectively expands its tolerance for yield movement. It also raised its median forecast for inflation to 2.5% for fiscal year 2023, up from its 1.8% prediction in April. Industrial production climbed 2.0% m/m in June, reversing a 2.2% decline in May. The increase was led by automobiles amid strong demand from both domestic and overseas markets. On a year-on-year basis, output declined 0.4% compared with a 4.2% rise the prior month. Retail sales dropped 0.4% m/m in June after rising 1.3% in May. On an annual basis, sales increased 5.9% compared with a revised 5.8% increase the month before. Correspondingly, household confidence improved to 37.1 in July from 36.2 in June, marking the highest reading since December 2021.

- China official manufacturing PMI edged up to 49.3 in July from 49.0 in June, marking the fourth straight month below 50. Meanwhile, Caixin manufacturing PMI tumbled to 49.2 in July from 50.5 in June, returning to contraction for the first time in 3 months. Furthermore, non-manufacturing PMI slipped to 51.5 from 53.2, pointing to the lowest reading in 7 months. In contrast, Caixin services PMI climbed to 54.1 from a 5-month low of 53.9.

- The BOT's MPC voted unanimously to raise the policy rate by 25bps to 2.25%. According to the statement, inflation is projected to rebound in the second half of this year driven by higher food prices amid a more severe El Nino episode. Against such backdrop, a higher policy rate would help keep inflation sustainably within the target range and preserve the policy space in light of the highly uncertain outlook.

Regional Economic Information

U.S.

- Fitch ratings downgraded US credit ratings from AAA to AA+, following concerns over the state of the country's finances and its debt burden.

- Nonfarm payrolls increased by 187,000 in July, while unemployment rate fell to 3.5% from 3.6% in the prior month.

- Manufacturing ISM inched up to 46.4 in July from 46.0 in June, while service ISM retreated to 52.7 from 53.9.

Europe

- The euro zone economy expanded by 0.3 q/q in 2Q23, following a flat reading in 1Q23 and beating market forecasts of 0.2%. On year-on-year basis, the euro zone economy grew 0.6%.

- Euro zone headline inflation increased by 5.3% y/y in July as expected, easing from a 5.5% rise in June.

- Euro zone retail sales fell 0.3% m/m in June following a 0.6% growth in May and missing market forecasts of a 0.2% increase.

- Euro zone composite purchasing managers' index (PMI) decreased to 48.6 in July from 49.9 in June as service PMI fell to 50.9 from 52.0 and manufacturing PMI fell to its 3-year low of 42.7 from 43.4.

- Euro zone unemployment rate stayed at its record low of 6.4% in June.

- The BOE voted 8 to 1 to raise its benchmark rate by 0.25% to 5.25% as expected.

Asia

- Japan retail sales were up 5.9% y/y in June as expected, accelerating from a 5.8% rise in May and marking the 16th consecutive month of growth. Industrial production added 2.0% m/m in June, rebounding from a 2.2% fall in May. Composite PMI edged up to 52.2 in July from 52.1 in June as service PMI slid to 53.8 from 54.0 and manufacturing PMI slid to 49.6 from 49.8, pointing to the 6th straight month of contraction in manufacturing activity.

- China official manufacturing purchasing managers' index (PMI) inched up to 49.3 in July from 49.0 in June, while non-manufacturing PMI dropped to 51.5 from 53.2. China Caixin manufacturing PMI went down to 49.2 in July from 50.5 in June, while Caixin service PMI inched up to 54.1 from 53.9.

Thai

- The BOT's Monetary Policy Committee (MPC) raised benchmark policy rate by 0.25% to 2.25% as expected. The committee assessed that the Thai economy continued to recover and headline inflation may rebound on the second half of the year. For further policy rate hike, the committee will judge from economic and inflation outlook as well as associated risks.

- The BOT reported that the Thai economy remained on recovery track in June, supported by tourism sector, while private consumption and investment declined.

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