Weekly Market Report For : 30 September – 4 October 2024

Overview

- Stock markets fell while oil prices surged 9% amid rising Iran-Israel tensions.
- Global shares rebounded at the end of the week after the job report showed US added 254,000 jobs and unemployment rate ticked lower to 4.1%, paving the way toward a soft landing.
- The 10-year US Treasury yield rose to 3.97% and USD gained 2% as market lowered expectation on Fed rate cuts.
- New Japanese Prime Minister signaled that the country is not ready for an additional rate hike. Japanese yen declined to JPY149 per dollar.
- China shares surged as investors' sentiment improved after Beijing announced massive stimulus package to boost economy and support property sector.

Market Brief

- Global shares fell as Iran-Israel conflicts escalated. Shares rebounded at the end of the week, driven by a stronger-than-expected US September job report.
- The Middle East conflicts heightened after Iran launched missiles at Israel in retaliation for the killing of Hezbollah leader. Fears of a major regional war breaking out have heightened and could lead to a blockade of the Strait of Hormuz. Crude soared more than 9%.
- Strong US job report:
  - Nonfarm payrolls increased 254,000 in September, the most in 6 months and beating market estimates of 150,000.
  - Unemployment rate decreased from 4.2% to 4.1%.
  - Average hourly earnings rose 4% YoY and 0.4% MoM.
  - Job openings increased to 8.04 million in August.
  - Service PMI rose to 54.9 in September from 51.1 in the previous month.
- Robust US economic data paved the way toward a soft landing. The 10-year Treasury yield climbed to 3.97% and USD was up 2% as market lowered bets for a 0.50% Fed rate cut next month.
- Japan shares retreated at the beginning of the week after Shigeru Ishiba, a critic of monetary easing, was elected as a new Prime Minister. Market recovered at the end of the week and JPY weakened to JPY149 per dollar after Ishiba said Japan is not ready to raise interest rates further.
- China shares gained amid weak economic data. Sentiment toward equities has seen a dramatic turnaround as the authorities unveiled a range of stimulus measures. Hedge funds and mutual funds are overweight Chinese stocks. Foreign investors are also returning to show interest in China shares.
- Additional property support measures included easing home-buying curbs and the central bank moved to lower mortgage rates.
  - The trading hub of Guangzhou became the first tier-1 city to remove all restrictions, saying it will stop reviewing homebuyer eligibility and no longer limit the number of homes owned.
  - Shanghai and Shenzhen announced they were lowering minimum down payment ratios for first and second homes to 15% and 20%, respectively, in a bid to boost demand.
  - The PBOC's decision to refinance existing mortgages is expected to lower borrowing costs as much as $5.3 trillion in mortgages. Homeowners will be able to renegotiate terms with their current lenders effective November 1.
  - The government also extended one of its 2022 16-point rescue package measures to the end of 2026, allowing developers' outstanding bank loans and trust borrowings due within the next six months to be extended for a year.

Should you have any queries, please contact Krungsri Asset Management Company Limited
or selling agents or mutual fund sales representatives.

0-2657-5757 krungsriasset.clientservice@krungsri.com www.krungsriasset.com

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