Weekly Market Report For : 4 – 7 June 2024

Overview

- S&P 500 and NASDAQ hit all-time high, while U.S. Treasury yields fell this week.
- Market expected the Fed would keep its policy rates in this week meeting.
- The Bank of Canada and the ECB lowered cut policy rate, which sent positive sentiment to European stock markets.
- India stock markets were volatile due to election results.
- The Chinese economy has begun to recover as exports and the manufacturing sector showed some improvements.

Market Brief

- During last week, US economic data showed a weakening trend, e.g. the U.S. manufacturing index fell to a three-month low, job openings dropped to the lowest level in more than 3 years and falling below market expectations, private sector employment report for May increased at the slowest pace since February and lower than market expectations, and initial jobless claims increased more than expected.
- Weak economic data help bolstering expectations for Fed rate cuts and sent S&P500 and NASDAQ to their new historical highs during the week, while the U.S. Treasury yields edged down.
- However, investors lowered their bets on Fed rate cuts after the hotter payrolls reports released on Friday (June 7). U.S. nonfarm payrolls climbed by 272,000, outpacing the 185,000 expected and contrasting with other job markets figures. U.S. 10 Year Treasury yield climbed up by 15 basis points to close at 4.43%.
- Despite nonfarm payrolls beats expectations, unemployment rate rose to 4%, the highest level since January 2022 and higher than market projections of 3.9%. Stocks fell on Friday after the release of US nonfarm payrolls data shows the US economy added more workers than expected, but rebounded later. U.S. markets closed higher from the previous week -- S&P 500 +1.3% and NASDAQ +2.4%.
- Interest rate cuts in other markets
  - The ECB cut its policy rates by 25 bps as expected, the first cut in 5 years. Goldman Sachs expected the ECB to lowered rates 2 times this year and 4 cuts next year. The cut boosted optimisms on European stocks.
  - The Switzerland's SNB and Sweden's Riksbank have previously cut interest rates
  - The Bank of Canada slashed rates by 25 bps to 4.75%, the first cuts in 4 years.
- India shares were volatiles last week. Exit polls showed Narendra Modi was set for landslide election win, but actual figures indicate far weaker result than predicted and pulled stocks sharply lower. However, Goldman Sachs commented that although Modi and his coalition parties get fewer seats in the lower house of parliaments, they remain a majority in parliament and Indian economic policy should not be disrupted. In addition, the Central Bank of India upgrades its GDP growth forecast from 7.0% to 7.2, which led to a rebound in India shares.
- In China, exports jumped 7.6% in May, beating expectations and exceeding forecasts. In addition, manufacturing and service PMI also increased. Government stimulus measures are expected to support the Chinese economy in the future.

Investment Outlook

- Market is expected to move sideways this week as investors wait for the FOMC meeting and its projections. Market expected Fed's dot plot to show fewer rate cuts this year compared with 3 cuts previously. Moreover, its new economic projections may give some guidelines for global market.
- Market wait for upcoming China's Third Plenum in July, which is expected to see more economic stimulus measures.

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

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