Weekly Market Report For : 10 – 14 June 2024

Overview

- Fed maintained policy rates. U.S. bourses closed higher as inflation eased.
- Apple shares hit new high and lifted both Nasdaq and S&P 500 higher.
- European shares tumbled as investors fretted over political uncertainties in France and the EU hits EV from China with higher tariffs.
- The BOJ put is policy rate on hold and said it would trim bond buying in the future.
- Thai's MPC hold key interest rate steady and projected the Thai economy would grow 2.6% this year.

Market Brief

- Last week, investors focused on the FOMC meeting. The committee voted to leave its policy rates at 5.25%-5.50% as expected. Fed's 'Dot Plot' now points to one rate cut this year.
- Fed's median estimate for core PCE was raised from 2.6% to 2.8% in 2024, and from 2.2% to 2.3% in 2025. The median projection for real GDP growth was maintained at 2.1% in 2024, and 2.0% in 2025 and 2026.
- Headline inflation rose 3.3% YOY in May compared with market estimates of 3.4%, while core inflation grew 3.4% YOY, below consensus forecast of 3.5%. May's headline PPI increased by 2.2% YOY, well below market estimates of 2.5%. On a monthly basis, headline PPI fell 0.2% compared with market projections of a 0.1% increase. Core PPI advanced 2.3% YOY, lower than market expectation of 2.5%.
- Inflation is on downward trend, however the progress has been slower than expected for both CPI and PPI. U.S. stocks gained as market assessed that inflation increased at a slower pace and the Fed statement indicated that the FOMC members acknowledged there had been modest further progress toward their 2% inflation goal.
    - o S&P 500 and NASDAQ hit another record high, as Apple surged. Nasdaq +3.2% S&P 500 +1.6%
    - o Dow Jones dipped 0.5%
    - o U.S. 10-year Treasury yields dropped by 24 Basis Points (bps) to 4.24%
- Europe STOXX 600 plunged 2.4% to its 5-week low. Mainly due to following factors:
    - o French President Emmanuel Macron shocked markets with his decision to call a snap election on June 9 and called a parliamentary election on June 30 and July 7, 2024. Investors worried that if the far-right National Rally party wins a majority, Europe may be dragged into fiscal crisis.
    - o European automakers sector fell 2.1% on fear of retaliation after the European Commission said it would impose duties on imported Chinese EV.
- The BOJ left its benchmark rates steady at 0-0.1%, but it planned to reduce its bond purchases at the upcoming meeting in July 30-31, 2024 in a further step toward policy normalization after years of easy monetary policy. However, the yen weakened as BOJ gives no details about the plan.
- Major issue for China market last week was the European Union imposed extra tariffs on China-made electric vehicles, effective from July 4 onward. It would set tariffs of 17.4% for BYD, 20% for Geely, and 38.1% for SAIC. However, China's EV shares rose as EU tariffs are lower than those in the U.S. and selling prices of EV in Europe are 2 times higher than in China. Investors believed Chinese EV firms can absorb the impacts from additional tariffs as they have ability to generate high profits.
- The BOT's Monetary Policy Committee (MPC) voted to keep its policy rate at 2.5%. The Committee expected the Thai economy should continue to expand, driven by domestic demand and tourism.
    - o Headline inflation is expected to return to target range by the 4th quarter of this year. Headline inflation is projected at 0.6% this year and 1.3% next year, and core inflation is estimated at 0.5% this year and 0.9% next year, as domestic fuel prices increases after government raised the cap on the retail price of diesel.
    - o The Thai economy is expected to expand by 2.6% this year and 3.0% next year.

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

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