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## Weekly Market Report For : 15 – 19 July 2024



# Overview

- US shares were volatiles. Investors rotated to defensive stocks.
- US politic should remain in focus after Biden drops out of presidential election.
- Fed Chair is more confident that inflation is headed back to the Fed's target. Market raised hopes on Fed rate cuts.
- The crash of CloudStrike caused widespread disruption at many businesses. Its shares price plunged.
- The ECB maintained its policy rates.
- China reported a weaker-than-expected GDP growth. Data showed an uneven recovery.



# Market Brief

- Wall Street posted its highest volatile week since mid-April after Donald Trump the target of an apparent assassination attempt. Despite inflation is cooling, geopolitical risks remain. Investors start rotating out of big tech stocks and into other assets such as defensive and value sectors and small-cap stocks.
  - Nasdaq -3.6%, S&P500 -2%, Dow Jones +0.7%, Russell2000 +1.5% and VIX Index +32% (3-month high).
- President Joe Biden has dropped out the US election race on Sunday July 21, and announced his support for Vice-President Kamala Harris to take his place as the Democratic nomination. However, her candidacy will be confirmed after Democratic delegates vote at the party's August 19 convention.
- Last week in focus:
  - Gold, Bitcoin and Trump Media rose following an assassination attempt on Donald Trump as market expected the incident helped boosting Trump's chance to win the race and those assets should get benefit from Trump's policies. Moreover, at the Republican National Convention, Trump selected 39-year-old senator, J.D. Vance, as his running mate for the presidential election, which may help getting more votes from ne generations.
  - Global Semiconductor shares were under-pressure after the Biden administration said sit is considering severe curbs if companies continue to give China access to advanced semiconductor technology. ASML reported 2Q24 revenues and earnings that beat forecasts, boosted by demand for AI chip. However, its shares price dropped sharply due to concerns about Biden's policy as almost half of its revenues come from China.
  - Fed Chair Jerome Powell signaled that the door is open to Fed rate cuts as latest data helped adding the Fed's confidence that inflation is moving sustainably toward 2% target. Market expected the US central bank to start cutting interest rates in September, followed by 1-2 additional cuts before year end.
  - Netflix reported 2Q24 revenues and earnings that exceeded consensus forecasts. The company adds 8 million new users that surpassed analysts' estimates of 4.87 million as a result of crackdown on password sharing, which led to a 34% increase in ad-supported memberships. The company raised this year's operating margin target to 26% from the prior 25%.
  - Outages were seen across the world early Friday July 19 due to a faulty software update from cybersecurity firm CrowdStrike, which impacted several industries e.g. airlines, health providers, banks and stock exchanges. The incident sent its shares down 18%.
- The ECB kept its policy rate steady as expected amid uncertainty about underlying inflation dynamics, which have weighed on the central bank's resolve to embark on a rapid path of cuts. Headline inflation rose at slower pace due to lower energy prices and normalization of supply chains, while wage growth is still a challenge issue for the ECB. The central bank needs to see additional inflation data before deciding on the next rate cut.
- China 2Q24 GDP expanded by 4.7% YOY, well below market forecasts of 5.1%. Other economic data showed the recovery is uneven – industrial production increased, but retail sales moderated while property sector remained weak.
  - The conclusion from the Third Plenum of the 20<sup>th</sup> CCP Central Committee is in-line with market expectations. The Party leadership laid out reforms for the next five years, with a focus on innovation, urbanization, new-quality productive forces. But there is no guideline about near-term economic stimulus measures. Market expected the near-term packages will be announced at the Politburo meeting at the end of this month.
  - The PBOC lowered the 7-day reverse repo rate to 1.7%, the 1-year and 5-year loan prime rate (LPR) to 3.35% and 3.85% respectively in a move to boost the economy.

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