Weekly Market Report For : 20 - 24 May 2024

Overview

Global stocks retreated as strong US economic reported raised fear that the Fed is likely to keep rates higher for longer.

Equity market

- US stocks closed mixed in a volatile week as the blue-chip Dow Jones Industrial Average fell, S&P500 was flat, while the tech-heavy Nasdaq Composite gained. Strong economic reports fueled concern that the Fed might keep interest rates high for longer.
- European stocks ended lower after traders pushed back expectations of interest rate cuts by the Federal Reserve to later in 2024 following strong US economic data.
- China shares retreated as fresh data showed spending and investment in the country remained weak. Fears of a renewed trade war with Washington also weighed.
- SET Index followed global markets lower. Food and Beverages gained, Banking index was flat, while Tourism, ICT, Transportation and Energy underperformed. Foreign investors were net sellers while institutional investors and local investors were net buyers.
- Oil prices fell as the market flashed signs of weakness ahead of the US summer driving season. The OPEC+ alliance meets on June 1 and is widely expected to prolong current output curbs into the second half of 2024.

Fixed income market

- The 10-year US Treasury yields rose following the stronger-than-expected reports on the US economy, which forced traders to rethink about when the Fed could lower interest rates. Market now fully price the Fed's first full quarter-point rate cut in December. Growth in activity at US service providers was the fastest in a year and manufacturing output expanded at a quicker pace. Such resilience is making it difficult for inflation to cool, thus the Fed is likely to keep rates higher for longer.

Regional Economic Infomation

U.S.

- The Federal Reserve Open Market Committee minutes indicated that officials assessed that the disinflation process might take longer than previously thought and some policymakers said that they are willing to tighten policy further if risks to inflation materialize in a way that such an action became appropriate.
- Durable goods orders increased by 0.7% m/m in April after it expanded by 0.8% in March. Core capital goods orders, a proxy for business spending plan, rose by 0.3% m/m in March following a 0.1% drop in March.
- New home sales fell by 4.7% m/m to an annual rate of 0.634 million units and existing home sales dipped 1.9% to 4.14 million units in April.
- Initial jobless claims decreased by 8,000 to 215,000 in the week ended May 18.

Europe

- Euro zone preliminary composite purchasing managers' index (PMI) rose to 52.3 in May from 51.7 in April as manufacturing PMI jumped to 47.4 from 45.7 while service PMI remained at 53.3.
- Euro zone exports fell 9.2% y/y in March due to shrinkage in shipments of machinery & transportation equipment, manufacture goods and raw materials. Imports tumbled 12.0% led by lower purchases of fuel and raw materials. The trade account posted a surplus of EUR24.1 billion.

Asia

- The PBOC kept the 1-year loan prime rate (LPR) at 3.45% and 5-year LPR at 3.95% as expected.
- Japan exports advanced by 8.3% y/y in April, accelerating from a 7.3% growth in March. Imports increased by 8.3% y/y, reversing from a 5.1% decline in the prior month. As a result, Japan posted a trade deficit of JPY462.5 billion. Core machinery orders rose by 2.9% m/m in March, thanks to a sharp increase in the manufacturing sector. The flash composite PMI inched up to 52.4 in May from 52.3 in April as manufacturing PMI climbed to 50.5 from 49.6 while service PMI dipped to 53.6 from 54.3. Japan core inflation, which excludes fresh food but includes energy costs, grew 2.2% y/y in April, following a 2.6% gain in March. Core-core inflation, which excludes both fresh food and energy costs, rose 2.4% y/y, compared with a 2.9% increase in a month earlier.

Thai

- The Thai economy in 1Q24 expanded by 1.1% q/q and grew 1.5% y/y, beating market consensus of 0.6% q/q and 0.8% y/y. Growth in the first quarter was driven by private consumption and tourism sector, while government spending and manufacturing sector contracted further. The NESDC revised its 2024 GDP growth forecasts to 2.0% - 3.0% from its previous estimates of 2.2% - 3.2%.
- The MOC reported that Thailand exports grew by 6.8% y/y in April, after a 10.9% decline in a month earlier and exceeding market projections of a 0.35% gain. Imports increased by 8.3% and resulting in a trade deficit of USD1.64 billion.

Should you have any queries, please contact Krungsri Asset Management Company Limited

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

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