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## Weekly Market Report For : 21 – 25 October 2024



# Overview

- The S&P and Dow Jones were dragged down by disappointing quarterly performances. Bond yield jumped to 4.25%. Nasdaq rebounded, boosted by Tesla.
- US economy remains strong, with job data and PMI beat.
- JPMorgan forecasts a Trump win with a Republican sweep would cause a 40bps bump on the 10-year yield.
- Oil and gold prices were up, driven by Middle East tensions.
- Japan shares dropped due to political uncertainty. The yen weakened. Flash composite PMI shows the first contraction in 4 months.
- Despite the PBOC cut and unveiled stimulus measures, China shares fell. Industrial profits plunged 27% YoY.



# Market Brief

- US shares ended mixed - Dow Jones -2.7%, S&P 500 -1.0% and NASDAQ +0.2%.
- Factors affecting US equity markets:
  - Disappoint earnings from industrial giants such as GE Aerospace, 3M, Honeywell, Boeing, and McDonald's.
  - US 10-year yield went up to 4.25%, the highest in 3 months, as data point to a resilient economy and Donald Trump leads in presidential election polls.
- The Nasdaq ended the week 0.1% higher, helped by a 22% rally in Tesla Inc. after earnings topped predictions at 72 cents compared with consensus forecasts of 62 cents, and projecting as much as 30% deliveries growth in 2025.
- US economic data:
  - Initial jobless claims fell by 15,000 to 227,000, well below market estimates of 242,000.
  - Manufacturing PMI up 0.5 points to 47.8, consensus 47.5. Service PMI edged up 0.1 point to 55.3, consensus looked for a 0.2-point drop.
  - Citigroup measure of economic data beats has improved for three months and is back to the highest levels since April.
- WTI +4.5%, Brent +4.1% and gold gained, bolstered by persistent concerns over the Middle East conflict. Israel strikes Iran in high-stakes retaliation. The attacks did not include Iranian oil infrastructure or nuclear facilities.
- Election uncertainty continues to cloud the risk picture and is considered by some to be a factor in the yield increase. Ahead of November 5 US presidential elections, polls showed Donald Trump lead. Trump's promised tariffs and fiscal spending will spur inflation, and that may delay Fed rate cuts.
- JPMorgan Chase projections about impacts of US election results on US Bond Yield.
  - A Harris win with a split legislative branch would have no impact on the 10-year yield.
  - The 10-year yield may rise if
    - a Trump win with a divided Congress would send it up 10 bps,
    - a Harris win with Democratic sweep would lead to a 20 bps rise,
    - a Trump win accompanied by Republican sweep would cause a 40 bps bump, sending the 10-year to about 4.6%.
- Japan
  - Shares fell last week. The yen slid to 153 per dollar as the dollar rose against the Japanese yen amid the political uncertainty. The Liberal Democratic Party has lost its parliamentary majority for the first time in 15 years.
  - Flash Composite PMI fell to 49.4 in October 2024 from a final 52.0 in September. It was also the first contraction in private sector activity since June, as the manufacturing sector deteriorated further and the service economy shrank for the first time in four months.
  - These factors may impact the direction of the BOJ's monetary policy.
- China
  - Indexes traded in a narrow range between +/-1%.
  - Industrial profits dropped by 27% YoY in September. For the first 9 months of this year, profits fell 3.5% YoY, reversing from a 0.5% gain in the first 8 months.
  - Despite recent rollout of stimulus, there is no crucial factors to boost China equity markets. The PBOC cut 1-year and 5-year loan prime rate (LPR) by 25 bps to 3.1% and 3.6%, respectively.

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