Macro Strategy in Focus

US inflation is stubbornly elevated

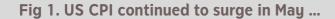
- US inflation reached 8.6% yoy or 1% mom in May, stronger than market expectations. The main drivers were accelerating prices for energy (+34.6%) and food (+10.4%). In addition, trimmed mean inflation also rose sharply to 6.5%, which means the high inflation remains broad-based.
- Despite expectations of 50bp rate hikes in June and July, stubbornly high inflation has raised the odds of another 50bp hike in September.
- This has prompted stronger selling in US treasury bills and UST10Y yield has surged to 3.16%. This will place heavier downward pressure on growth as financial stress increases. Risk assets will be under pressure until there are signs inflation has peaked.

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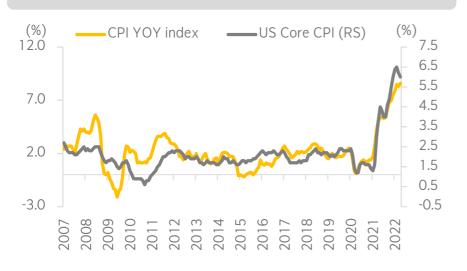
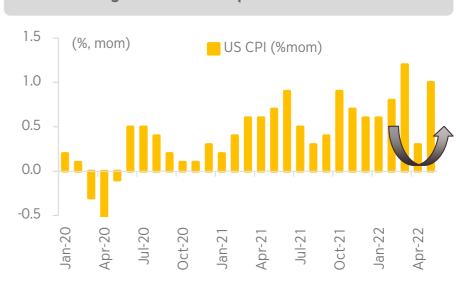


Fig 2. ... with a sharp rebound m-o-m

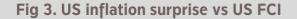


Source: Bloomberg, Krungsri Securities



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Expect heavier headwinds to growth



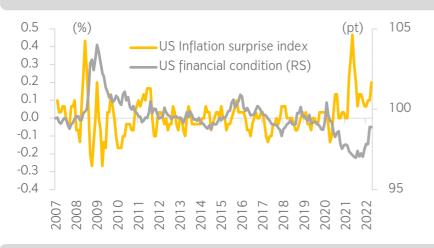


Fig 5. Change in US FCI vs US ISM

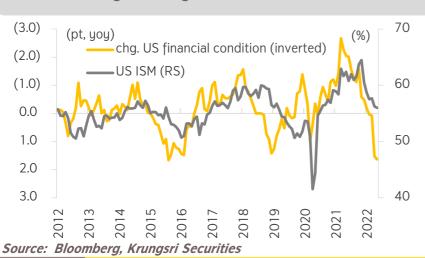


Fig 4. US inflation surprise vs change in US10Y yield

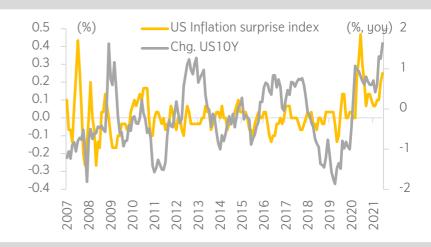
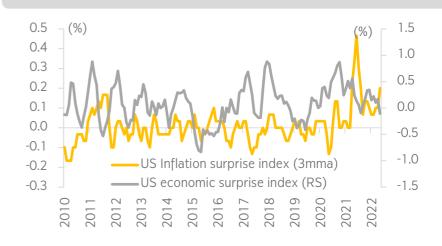


Fig 6. US economic and inflation surprise indices



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