

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.

Isara ORDEEDOLCHEST

Fundamental investment analyst on securities
+662 659 7000 ext. 5001
isara.ordeedolchest@krungsrisecurities.com

Nalinee PRAMAN

Assistant analyst
+662 659 7000 ext. 5011
nalinee.praman@krungsrisecurities.com

Fig 1. US CPI continued to surge in May ...

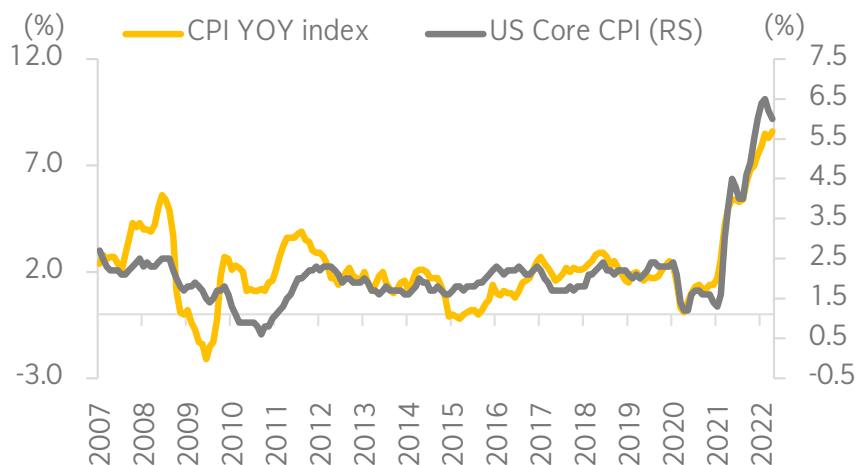
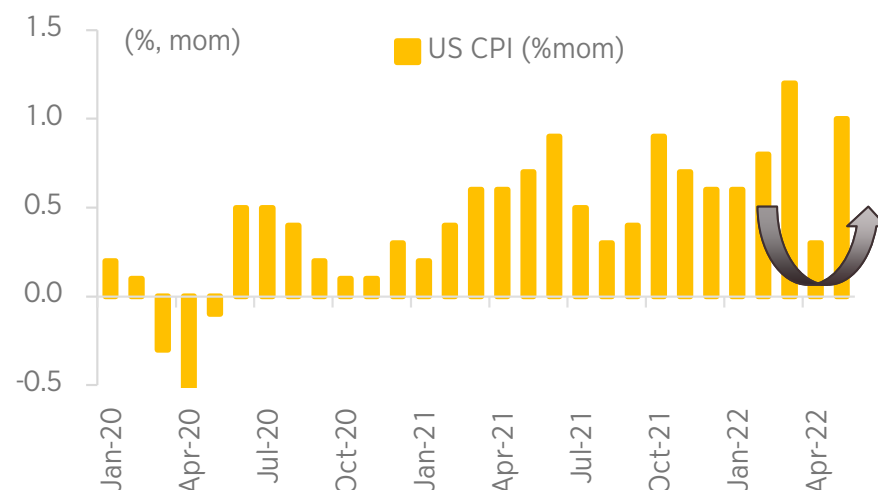


Fig 2. ... with a sharp rebound m-o-m



Source: Bloomberg, Krungsri Securities

Macro Strategy in Focus

Expect heavier headwinds to growth

Fig 3. US inflation surprise vs US FCI

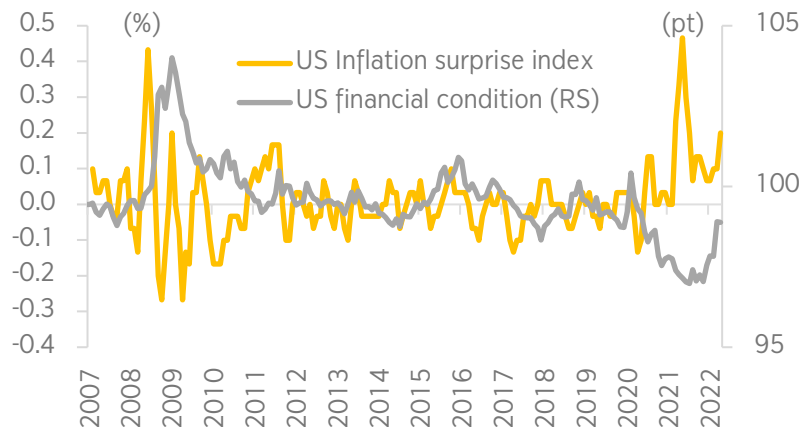


Fig 4. US inflation surprise vs change in US10Y yield

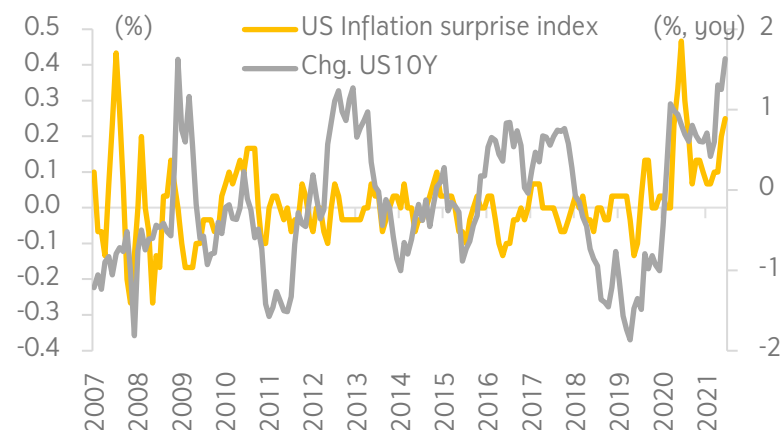


Fig 5. Change in US FCI vs US ISM

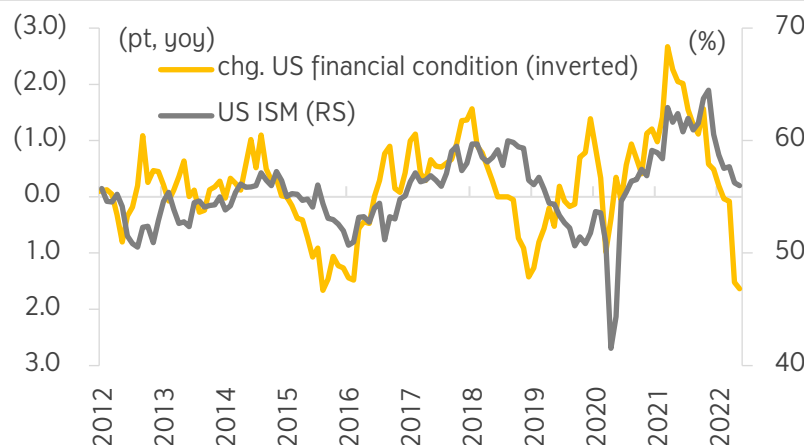
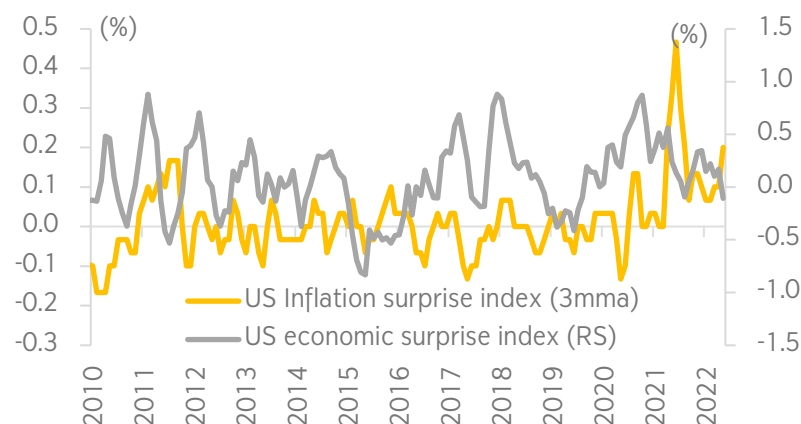


Fig 6. US economic and inflation surprise indices



Source: Bloomberg, Krungsri Securities

Disclaimer: This publication constitutes information disclosed to the public and believed to be reliable but its accuracy and completeness are not guaranteed. All opinions, suggestions, or projections are for informational purposes only and shall not be construed as an inducement for the sale or purchase of securities. Amendments to this publication may be made without prior notice. Investors are urged to exercise caution in making a decision to invest in any securities.