

Market Outlook

2 -8 February 2015

Highlight

Last Week:

The major event of the week did not make any surprises to the investors since ECB announced their loosen policy as expected, while Greece election result could create some pressure to the EUR. Most emerging market currencies were strong from including the THB since the market yields still attractive. The USD was surprisingly calm after the FED announced a strong aspect to their economic growth and believed to raise their rate within this year.

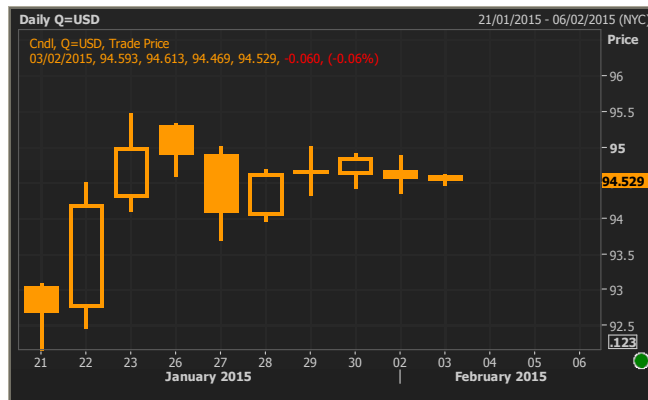
This Week:

The dollar is expected to be well supported this week as it is still expected that the Job data could boost some USD demand. The EUR and AUD could confront some further downside since their central bank still operate some loosen policy to boost their sluggish economies. Markets will eye on US non-farm payrolls numbers and unemployment rate which will be released on Friday (6/2).

USD

At the beginning of last week, the dollar moved in the appreciated trend following the European Central Bank's announcement on Thursday (22/1) that it would pump a trillion euros into the euro-zone economy to revive sagging growth and ward off deflation. However, on Tuesday (27/1), the dollar stepped back from an 11-year peak against a basket of currencies after soft spending data and some disappointing earnings cast doubts about the underlying optimism on the U.S. economic outlook. Investors took profits from recent gains in the U.S. currency ahead of the Federal Reserve's policy announcement on Wednesday (28/1). After a two-day meeting of the Federal Open Market Committee (FOMC), the Federal Reserve said the U.S. economy was expanding at a solid pace with strong job gains in a signal that the central bank remains on track with its plans to raise interest rates this year. The Fed repeated it would be patient in deciding when to raise benchmark borrowing costs from zero, though it also acknowledged a decline in certain inflation measures. After that, the U.S. Labor Department said on Thursday (29/1), in the week ending Jan. 24, the advance figure of seasonally adjusted initial claims for jobless benefits decreased to 265,000, 43,000 less than the revised level of the previous week. At the end of last week, the dollar traded mixed on Friday (30/1) after weaker-than-expected headline U.S. fourth-quarter gross domestic product data, which included the fastest pace of consumer spending since 2006 and left intact market expectations of long-term greenback gains. U.S. economic activity in the fourth quarter rose 2.6 percent, below economists' consensus forecast of 3 percent and nearly half of the third quarter's 5 percent rate.

Graph: Dollar Index (DXY)



Source: Reuters

Comment:

The dollar's expected appreciation after market expectations the Fed would stay the course toward increasing rates underpins the dollar's rally versus its European and Asian counterparts where policy is being loosened in a bid to spur economic growth.

EUR & GBP

Euro opened at 1.1184/88 USD/EUR, depreciated from closing level of last week at 1.1207/09 USD/EUR. The currency was pressured from the result of Greece's election on Sunday (25/1) that the Leftwing anti-austerity parties, Syriza won the election. Greece's new government, led by Alexis Tsipras, insisted it will honor pre-election promises to cut the country's rescue loans and scrap painful budget measures that were demanded by the troika - the European Commission, ECB, IMF in exchange for the bailout. In addition, Eurozone inflation was reported at a significantly low in January, staying at -0.6 percent under -0.5 percent forecast, and dropped from -0.2 percent in December.

GBP opened at 1.4987/90 USD/GBP, remained unchanged from last week's closing level at 1.4987/90 USD/GBP. On Tuesday, the data showed some loss of momentum after the Britain released data that Britain's economic growth slower than expected in the last quarter of 2014. Growth in the fourth quarter fell to 0.5 percent from 0.7 percent in the third quarter, slower than the 0.6 percent growth forecast. However, for the year as a whole, the economy grew by 2.6 percent, still at its fastest since 2007, while IMF forecasts growth in Britain of 2.7 percent in 2015. In addition, the GBP still moved in a fluctuated trend on the expectation that the Bank of England is unlikely to raise interest rates this year while wage growth stays weak.

Graph: EUR & GBP



Comments:

Eurozone will release important data such as producer price data (3/2), EUR Markit Composite PMI, EUR retail sales (4/2). For the Sterling, there will be service PMI (4/2), and BOE decision (5/2). We expected the Euro will move between 1.1200 – 1.1390 USD/EUR and the Sterling could move between 1.4950 – 1.5100 USD/GBP.

AUD & NZD

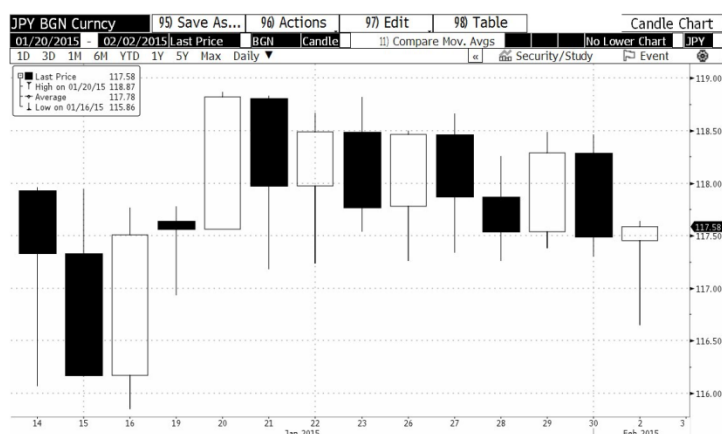
The Australian and New Zealand dollars opened at 0.7891 USD/AUD and 0.7448 USD/NZD respectively, continue to fall along the week. The main reason is the fear of easing by its central bank. Investors are worried that the Reserve Bank of New Zealand will surprise with a rate cut or at minimum. While the Reserve Bank of Australia will most likely lower interest rates. However, RBNZ may not feel much pressure as Manufacturing PMI in December was at 57.7, better than prior. On Wednesday (28/1), RBNZ held the policy rate at 3.50% as expected but a surprisingly dovish monetary policy statement sent the NZD sharply lower against the major currencies. In other words, the RBNZ has shifted from a tightening to neutral monetary policy. Moreover, the NZD still fall by an unexpected trade deficit. The Australian dollar fell against dollar to its lowest level in 5 years. The recent move by the RNZ hardened the markets confidence a rate cut by a rate cut by the RBA next week. Although the Q4 consumer price report beat the expectations.

Graph: AUD and NZD



Last week, the yen was opened on Monday (26/1) at 117.60/62 JPY/USD appreciated from the last week closing level at 118.20/22 JPY/USD. The yen appreciated at the beginning of the week amid the worried on global economic slowdown, which made investors to buy back safe-haven assets, including the Yen. Moreover, the yen was supported by strong trade data. Japan's exports in December rose 12.9% from a year earlier, which was a 4th consecutive month rose. The recovery in exports pick up from a weaker yen, which should support a current economic slowdown. On Thursday (29/1), trade ministry announced the retail sales rose 0.2% in December, indicating that the private consumption has picked up. On Friday (30/1), Japan's jobless rate in December fell to 3.4% from 3.5% a month earlier. While an industrial production accelerated to 1.0%, reversing a 0.5% decline in November. During the week the Yen moved within the range of 117.27 – 118.66 JPY/USD and closed on Friday (30/1) at 117.49/50 JPY/USD.

Graph: JPY



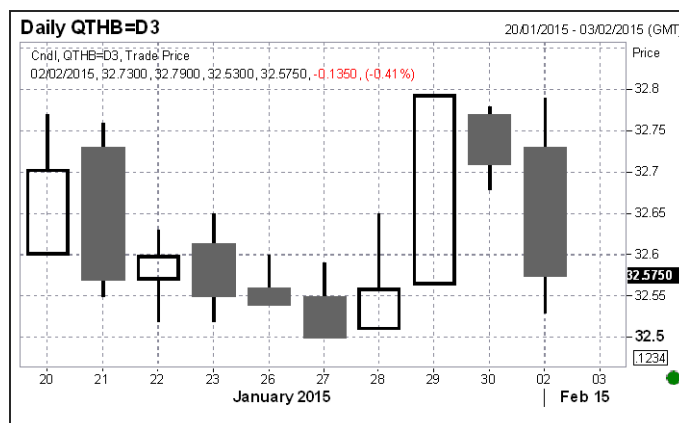
Source: Bloomberg

Comment:

We expect the yen will move within a narrow range this week. The market will monitor on Markit services PMI. This week the yen expect to move between 116.40 – 118.00 JPY/USD.

The Thai Baht opened on Monday (26/1) at 32.55/57 THB/USD, appreciated from Friday (23/1) closing level at 32.60/62 THB/USD as concerns over an uncertainty in money market increased demand for safe-haven currencies and assets which may support the emerging market's currencies. At the beginning of the week, the THB was trading in a narrow range but remained higher against the dollar as markets were waiting for the outcome of BOT policy meeting. On Wednesday (28/1), the Thai Baht was supported and hit a three month high against the dollar at 32.49 THB/USD after BOT maintained interest rate at 2.0% as expected. Meanwhile, the report showed that the customs trade balance increased to US\$ 1,589 million in December. The customs exports and imports decrease 1.9%yoy and 8.74%yoy in December, respectively. At the end of the week, the THB lose its gained against the dollar on the dollar's strength after Fed statement signaled to raise interest rates later this year. On Friday (30/1) the baht closed at 32.73/75 THB/USD.

Graph: THB



Source: Reuters

Comment:

The baht depreciated against the USD by almost 1.0% during last week after Fed signaled to raise interest rates this year. Meanwhile, this week, the investor will focus on Thai consumer confidence (5/2). We believe that the baht will gained against the dollar and will move in a range of 32.50 – 32.80 THB/USD.

FX Forecast

Currency	Support	Resistance
THB/USD	32.50	32.80
JPY/USD	116.40	118.00
USD/EUR	1.1200	1.1390
USD/GBP	1.4950	1.5100
USD/AUD	0.7580	0.7830
USD/NZD	0.7150	0.7350

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Economic Calendar

Last Week

Date Time		Event		Survey	Actual	Prior
26-Jan	JN	Exports YoY	Dec	11.2	12.9	4.9
26-Jan	JN	Imports YoY	Dec	2	1.9	-1.7
26-Jan	GE	IFO Business Climate	Jan	106.5	106.7	105.5
26-Jan	RU	Industrial Production YoY	Dec	0.80%	3.90%	-0.40%
27-Jan	UK	GDP QoQ	4Q A	0.60%	0.50%	0.70%
27-Jan	UK	GDP YoY	4Q A	2.80%	2.70%	2.60%
27-Jan	US	Durable Goods Orders	Dec	0.30%	-3.40%	-0.70%
27-Jan	US	Markit US Composite PMI	Jan P	--	54.2	53.5
27-Jan	US	Markit US Services PMI	Jan P	53.8	54	53.3
27-Jan	US	New Home Sales	Dec	450K	481K	438K
27-Jan	US	New Home Sales MoM	Dec	2.70%	11.60%	-1.60%
27-Jan	US	Consumer Confidence Index	Jan	95.5	102.9	92.6
28-Jan	GE	GfK Consumer Confidence	Feb	9.1	9.3	9
28-Jan	FR	Consumer Confidence	Jan	91	90	90
29-Jan	US	FOMC Rate Decision (Upper Bound)	Jan-28	0.25%	0.25%	0.25%
29-Jan	US	FOMC Rate Decision (Lower Bound)	Jan-28	--	0.00%	0.00%
29-Jan	GE	Unemployment Change (000's)	Jan	-10K	-9K	-27K
29-Jan	GE	Unemployment Rate	Jan	6.50%	6.50%	6.50%
29-Jan	IT	Consumer Confidence Index	Jan	100	104	99.7
29-Jan	IT	Business Confidence	Jan	98	97.1	97.5
29-Jan	EC	Consumer Confidence	Jan F	-8.5	-8.5	-8.5
29-Jan	GE	CPI MoM	Jan P	-0.80%	-1.00%	0.00%
29-Jan	GE	CPI YoY	Jan P	-0.10%	-0.30%	0.20%
29-Jan	US	Initial Jobless Claims	Jan-24	300K	265K	307K
29-Jan	US	Continuing Claims	Jan-17	2405K	2385K	2443K
29-Jan	US	Pending Home Sales MoM	Dec	0.50%	-3.70%	0.80%
29-Jan	US	Pending Home Sales NSA YoY	Dec	10.50%	8.50%	1.70%
30-Jan	GE	Retail Sales MoM	Dec	0.30%	0.20%	1.00%
30-Jan	GE	Retail Sales YoY	Dec	3.60%	4.00%	-0.80%
30-Jan	IT	Unemployment Rate	Dec P	13.50%	12.90%	13.40%
30-Jan	EC	Unemployment Rate	Dec	11.50%	11.40%	11.50%
30-Jan	IT	PPI MoM	Dec	--	-0.80%	-0.20%
30-Jan	IT	PPI YoY	Dec	--	-2.10%	-1.60%
30-Jan	EC	CPI Core YoY	Jan A	0.70%	0.60%	0.70%
30-Jan	RU	Key Rate	Jan-30	17.00%	15.00%	17.00%
30-Jan	US	Employment Cost Index	4Q	0.60%	0.60%	0.70%
30-Jan	CA	GDP MoM	Nov	0.00%	-0.20%	0.30%
30-Jan	CA	GDP YoY	Nov	2.10%	1.90%	2.30%
30-Jan	US	GDP Annualized QoQ	4Q A	3.00%	2.60%	5.00%
30-Jan	US	GDP Price Index	4Q A	0.90%	0.00%	1.40%
30-Jan	US	Core PCE QoQ	4Q A	1.10%	1.10%	1.40%

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This Week

Date Time		Event		Survey	Actual	Prior
2-Feb	US	Markit US Manufacturing PMI	Jan F	53.7	53.9	53.7
2-Feb	CA	Bloomberg Nanos Confidence	Jan-30	--	55.6	56.5
2-Feb	US	Construction Spending MoM	Dec	0.70%	0.40%	-0.30%
2-Feb	US	ISM Manufacturing	Jan	54.5	53.5	55.5
2-Feb	US	ISM Prices Paid	Jan	39.5	35	38.5
3-Feb	EC	PPI MoM	Dec	-0.70%	--	-0.30%
3-Feb	EC	PPI YoY	Dec	-2.50%	--	-1.60%
3-Feb	US	Factory Orders	Dec	-2.40%	--	-0.70%
4-Feb	JN	Markit Japan Services PMI	Jan	--	--	51.7
4-Feb	JN	Markit/JMMA Japan Composite PMI	Jan	--	--	51.9
4-Feb	RU	HSBC Russia Services PMI	Jan	--	--	45.8
4-Feb	RU	HSBC Russia Composite PMI	Jan	--	--	47.2
4-Feb	EC	Retail Sales MoM	Dec	0.00%	--	0.60%
4-Feb	EC	Retail Sales YoY	Dec	2.00%	--	1.50%
4-Feb	RU	CPI WoW	Feb-02	--	--	0.60%
4-Feb	RU	CPI Weekly YTD	Feb-02	--	--	2.10%
4-Feb	US	ADP Employment Change	Jan	220K	--	241K
4-Feb	US	Markit US Composite PMI	Jan F	--	--	54.2
4-Feb	US	Markit US Services PMI	Jan F	54.1	--	54
4-Feb	US	ISM Non-Manf. Composite	Jan	56.4	--	56.2
5-Feb	GE	Factory Orders MoM	Dec	1.50%	--	-2.40%
5-Feb	GE	Factory Orders WDA YoY	Dec	0.70%	--	-0.40%
5-Feb	UK	Bank of England Bank Rate	Feb-05	0.50%	--	0.50%
5-Feb	US	Nonfarm Productivity	4Q P	0.20%	--	2.30%
5-Feb	US	Unit Labor Costs	4Q P	1.20%	--	-1.00%
5-Feb	CA	Int'l Merchandise Trade	Dec	-1.10B	--	-0.64B
5-Feb	US	Initial Jobless Claims	Jan-31	290K	--	265K
5-Feb	US	Continuing Claims	Jan-24	2400K	--	2385K
5-Feb	US	Trade Balance	Dec	-\$38.0B	--	-\$39.0B
5-Feb	RU	CPI Core MoM	Jan	--	--	2.60%
5-Feb	RU	CPI Core YoY	Jan	13.30%	--	11.20%
5-Feb	RU	CPI MoM	Jan	2.40%	--	2.60%
5-Feb	RU	CPI YoY	Jan	13.40%	--	11.40%
5-Feb	RU	CPI YTD	Jan	2.40%	--	11.40%
6-Feb	FR	Trade Balance	Dec	-3300M	--	-3236M
6-Feb	UK	Trade Balance	Dec	-£1700	--	-£1406
6-Feb	US	Change in Nonfarm Payrolls	Jan	230K	--	252K
6-Feb	US	Unemployment Rate	Jan	5.60%	--	5.60%
6-Feb	US	Average Hourly Earnings MoM	Jan	0.30%	--	-0.20%
6-Feb	US	Average Hourly Earnings YoY	Jan	1.90%	--	1.70%
6-Feb	US	Average Weekly Hours All Employees	Jan	34.6	--	34.6
6-Feb	US	Underemployment Rate	Jan	--	--	11.20%

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