

Market Outlook

12 – 18 January 2015

Highlight

Last Week:

The dollar had a mixed performance in the first full week of 2015. The U.S. economy added 252,000 jobs in December, better than expected. Moreover, the unemployment rate ticked down to a six-and-a-half year low 5.6% from 5.8% in November. However, average hourly earnings dipped 0.2% last month. The euro zone was officially in deflation. Meanwhile, the pound dropped continuously against the dollar as the U.K. consumer prices index plunged to a twelve year low of 1% in November, reaching half the BoE's inflation target. The yen had an excellent week on the dollar's weakness.

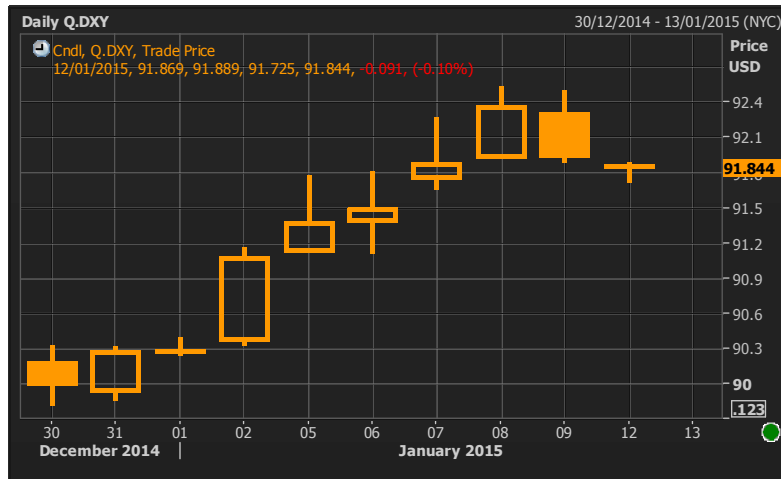
This Week:

Markets will be looking ahead to Wednesday's report on U.S. retail sales, as well as Friday's reports on consumer sentiment and factory output. The euro zone is to release revised data on consumer inflation. China is to release what will be closely watched trade data. Meanwhile, the variation on commodity prices, especially on gold and crude oil, could be special aspects to monitor as well.

USD

The dollar index rose along last week as investors worried about Greece political turmoil and the possibility of more monetary policy easing by ECB. In contrast for ECB, the U.S. Federal Reserve is still expected to hike interest rates in the near future, although the timing remains unclear. Latest minutes of the Fed meeting offered no new clues on when the Fed will move, though most economists expect it will be around mid-2015. During the last week, Wednesday's ADP national employment data showed 241,000 jobs hired in December, beating expectations as the ISM non-manufacturing PMI was at 56.2 in December, missing expectations, which had not affected to the dollar index that much. Lastly, the dollar index eased at the end of last week after U.S. jobs report showed an unexpected 0.2% fall in average hourly earnings in December, the biggest decline in at least 8-years, even though non-farm payrolls increased by 252,000 and unemployment rate fell to 5.6%. Concerns over lower wages in U.S. labor market pushed back expectation for hiking interest rates from mid-2015 to late-2015.

Graph: Dollar Index (DXY)



Source: Reuters

Comment:

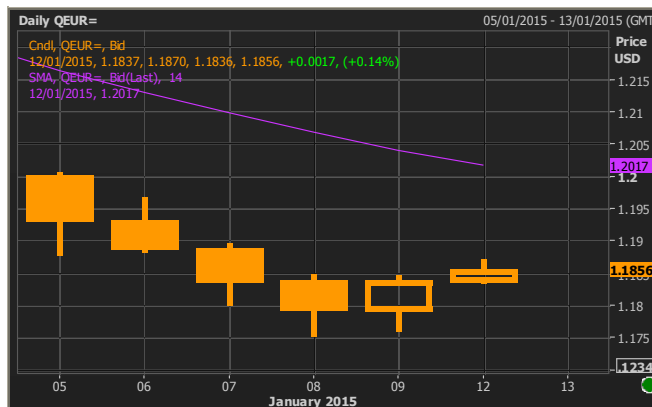
The dollar index is expected to move within a narrow range in this week. The key economic data are Wednesday's retail sales, Thursday's PPI and Friday's CPI and Manufacturing output.

EUR & GBP

It was another sorrowed week for the EUR after confronted mix concerned over the week. The EUR was opened on Monday (5/1) at 1.1960/62 USD/EUR marginally slid from previous closed level on Tuesday (30/12) at 1.2149/52 USD/EUR. The huge depreciation has occurred after ECB's president signaled that he could ease their policy by operate the QE anytime soon. Mr. Draghi believed that Euro-zone would not refuse a risk from deflation, and that will be a major factor that make ECB to decide to loosen their policy if necessary. In addition, the economic data was slightly improved. The Euro-zone PMI data came out at 50.6 in December, compare to 50.1 in November, while the Germany CPI was dropped to 0.2% compare to 0.6% in November, the lowest level since October 2009. Moreover, the political concern in Greece election on 25 Jan that the vote for leftwing Syriza party would lead Greece into Chaos still pressured the EUR in short. Any Splintering of the political centre could play into the hands of the Syriza which has threatened to roll back the austerity measures implement by IMF and EU. At the end of the week, the EUR was slightly appreciated even the Euro zone CPI fall to -0.2% in December, the lowest since August 2552, while the data on November was 0.3%. The EUR was closed at 1.1803/06 USD/EUR and varied in a range of 1.1761-1.1846 USD/EUR.

For the GBP, it was opened on Monday (5/1) at 1.5087/90 USD/GBP slightly depreciated from previous closed level after investor believe that the uncertainty in England economic could assure the BOE will not raise their policy rate until 2016. The slip in GBP was occurred by the poor PMI data on December which dragged the GBP to the lowest level since July 2013. In addition, BOE offers no surprises by keeping bank rate at 0.5% as expected. However, the GBP was gained at the end of the week but it is under pressure still since political concerns and sloppy economic outlook were major concerns for the GBP in short. The GBP was closed at 1.5158/61 USD/GBP and varied in a range of 1.5074-1.5174 USD/GBP.

Graph: EUR & GBP



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Source: Reuters

Comments:

Both EUR and GBP are still in a caution zone after the tone on both currencies have been nervy since the start of the year, with investors worried about growth prospects in both Britain and the euro zone. The Greece election could be a turning key for the EUR in short term while the election in England will also be a main focus for the movement of the GBP. We expect the EUR to move in a range of 1.1730-1.1880 USD/EUR and the GBP could be between 1.5020-1.5300 USD/GBP.

AUD & NZD

The Australian dollar opened on Monday (5/1) at 0.8076/78 USD/AUD, slightly depreciated from Friday (2/1) closing level at 0.8087/89 USD/AUD. At the beginning of the week, the Aussie was under pressure, as growing speculation of drastic monetary easing in Europe gave a boost to the U.S. dollar. However, the Australian dollar rebound on Thursday (8/1) as Australia building approvals was better than expected, increasing 7.5% better than forecast at -3.5%. During the week, the Australian dollar moved within the range 0.8031-0.8203 USD/AUD and closed on Friday (9/1) at 0.8200/02 USD/AUD.

The New Zealand dollar began the week at 0.7689/91 USD/NZD, slightly depreciated from Friday (2/1) closing level at 0.7702/04 USD/NZD. During last week, the New Zealand dollar appreciated against dollar as prices of dairy product rose for the second time in a row. The New Zealand dollar was also boost up by a disappointed of U.S. average wages. During the week, the New Zealand dollar moved within the range 0.7616 - 0.7849 USD/NZD and closed on Friday (9/1) at 0.7835/37 USD/AUD.

Graph: AUD and NZD



Source: Reuters

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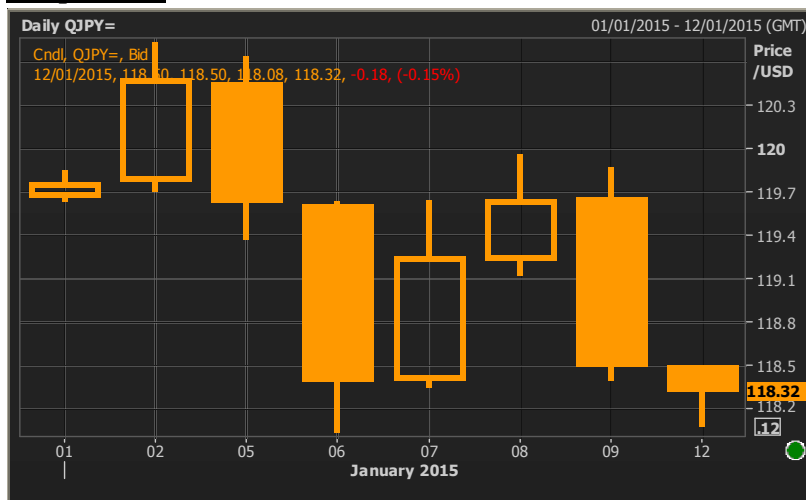
Comment:

This week, market will focus on Australia employment change that will release on Thursday (15/1). Unemployment rate is expected to remain unchanged at 6.3%. Meanwhile, china will publish a report on the trade balance on Tuesday (13/1). This week, we expect that the Australian dollar and New Zealand dollar will move in the range 0.8100 - 0.8255 USD/AUD and 0.7700 - 0.7865 USD/NZD.

JPY

In the past week, the yen opened at 120.26/30 JPY/USD on Monday (5/1), depreciated from the closing level of the week before (30/12) at 119.65/68 JPY/USD. The yen was pressured after Japan released its PMI data which came out weaker than the previous month at 52.0. However, the yen later appreciated and hit its highest level of the week at 118.04 JPY/USD on Wednesday (7/1). The yen was well supported as investors flocked back to safe haven assets after oil prices continue its slide and Brent oil dropped under 50 \$/barrels for the first time in 9 years on Tuesday. The yen was also supported by investors' worry of the situation in Greece, which will hold its general election on January 25. If the opposition party wins, the possibility of Greece defaulting on its debt will become higher as the party is likely to discontinue the austerity program. On Friday (9/1), the US released its December employment data, which also supports the yen. The US added 252k Jobs in December which is higher than expectations, but the average wage in the US dropped 0.2%. The dropping wage results in lower inflation expectations in the US, which in turn put pressure on the USD and helped support the yen. The yen closed at 119.35/37 JPY/USD in Friday (9/1).

Graph: JPY



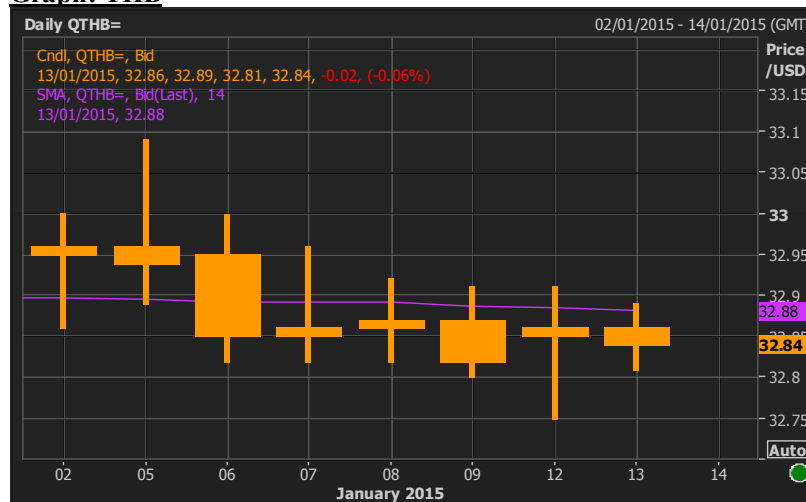
Source: Reuters

Comment:

We expect the yen to be well supported this week. Since the Japanese market is closed on Monday, Japanese investors should receive the news of the US employment numbers later on Tuesday and their reactions should support the yen. Moreover, the yen should also be well bid because investors are still likely to hold onto the safe haven assets as the situation in Greece is still uncertain and the oil prices are still dropping. The yen should move in the range between 118.00-120.00 JPY/USD.

THB

The Baht opened on Monday (5/1) at 32.98/33.00 THB/USD depreciated from previous week closing level. In beginning of the week Thai Baht was appreciate against the dollar on money inflows and profit-taking after the Baht hovered above 33.00 THB/USD on Monday (5/1). Moreover the baht moved by strengthen dollar as better-than-expected U.S. economic data.

Graph: THB

Source: Reuters

Comment:

This week, we expected THB will move in a range of 32.75 – 33.00 THB/USD.

FX Forecast

Currency	Support	Resistance
THB/USD	32.75	33.00
JPY/USD	118.00	120.00
USD/EUR	1.1730	1.1880
USD/GBP	1.5020	1.5300
USD/AUD	0.8100	0.8255
USD/NZD	0.7700	0.7865

Economic Calendar

Last Week

Date		Event		Survey	Actual	Prior
5-Jan-15	EC	Sentix Investor Confidence	Jan	-1	0.9	-2.5
5-Jan-15	UK	Markit/CIPS UK Construction PMI	Dec	59	57.6	59.4
5-Jan-15	GE	CPI MoM	Dec P	0.10%	0.00%	0.00%
5-Jan-15	GE	CPI YoY	Dec P	0.30%	0.20%	0.60%
5-Jan-15	GE	CPI EU Harmonized MoM	Dec P	0.20%	0.10%	0.00%
5-Jan-15	GE	CPI EU Harmonized YoY	Dec P	0.20%	0.10%	0.50%
5-Jan-15	US	ISM New York	Dec	--	70.8	62.4
6-Jan-15	FR	Consumer Confidence	Dec	88	90	87
6-Jan-15	FR	Markit France Services PMI	Dec F	49.8	50.6	49.8
6-Jan-15	FR	Markit France Composite PMI	Dec F	49.1	49.7	49.1
6-Jan-15	GE	Markit Germany Services PMI	Dec F	51.4	52.1	51.4
6-Jan-15	GE	Markit/BME Germany Composite PMI	Dec F	51.4	52	51.4
6-Jan-15	EC	Markit Eurozone Services PMI	Dec F	51.9	51.6	51.9
6-Jan-15	EC	Markit Eurozone Composite PMI	Dec F	51.7	51.4	51.7
6-Jan-15	US	Markit US Services PMI	Dec F	53.7	53.3	53.6
6-Jan-15	US	Factory Orders	Nov	-0.50%	-0.70%	-0.70%
6-Jan-15	US	ISM Non-Manf. Composite	Dec	58	56.2	59.3
7-Jan-15	GE	Retail Sales MoM	Nov	0.20%	1.00%	1.90%
7-Jan-15	GE	Retail Sales YoY	Nov	0.60%	-0.80%	1.70%
7-Jan-15	GE	Markit Germany Construction PMI	Dec	--	50.5	53.5
7-Jan-15	GE	Unemployment Change (000's)	Dec	-5K	-27K	-14K
7-Jan-15	GE	Unemployment Rate	Dec	6.60%	6.50%	6.60%
7-Jan-15	IT	Unemployment Rate	Nov P	13.30%	13.40%	13.20%
7-Jan-15	EC	Unemployment Rate	Nov	11.50%	11.50%	11.50%
7-Jan-15	EC	CPI Estimate YoY	Dec	-0.10%	-0.20%	0.30%
7-Jan-15	EC	CPI Core YoY	Dec A	0.70%	0.80%	0.70%
7-Jan-15	IT	CPI EU Harmonized MoM	Dec P	0.00%	0.00%	-0.30%
7-Jan-15	IT	CPI EU Harmonized YoY	Dec P	-0.10%	-0.10%	0.30%
7-Jan-15	US	ADP Employment Change	Dec	225K	241K	208K
7-Jan-15	US	Trade Balance	Nov	\$42.0B	\$39.0B	-\$43.4B

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8-Jan-15	GE	Factory Orders MoM	Nov	-0.80%	-2.40%	2.50%
8-Jan-15	GE	Factory Orders WDA YoY	Nov	1.00%	-0.40%	2.40%
8-Jan-15	UK	Halifax House Prices MoM	Dec	0.30%	0.90%	0.40%
8-Jan-15	UK	Halifax House Price 3Mths/Year	Dec	7.60%	7.80%	8.20%
8-Jan-15	EC	PPI MoM	Nov	-0.10%	-0.30%	-0.40%
8-Jan-15	EC	PPI YoY	Nov	-1.40%	-1.60%	-1.30%
8-Jan-15	EC	Retail Sales MoM	Nov	0.20%	0.60%	0.40%
8-Jan-15	EC	Retail Sales YoY	Nov	0.20%	1.50%	1.40%
8-Jan-15	EC	Business Climate Indicator	Dec	0.17	0.04	0.18
8-Jan-15	EC	Services Confidence	Dec	4.6	5.6	4.4
8-Jan-15	EC	Industrial Confidence	Dec	-4	-5.2	-4.3
8-Jan-15	EC	Economic Confidence	Dec	101.2	100.7	100.8
8-Jan-15	EC	Consumer Confidence	Dec F	-10.9	-10.9	-10.9
8-Jan-15	UK	BOE Asset Purchase Target	Jan	375B	375B	375B
8-Jan-15	UK	Bank of England Bank Rate	Jan-08	0.50%	0.50%	0.50%
8-Jan-15	US	Initial Jobless Claims	Jan-03	290K	294K	298K
8-Jan-15	US	Continuing Claims	Dec-27	2360K	2452K	2353K
9-Jan-15	GE	Industrial Production SA MoM	Nov	0.30%	-0.10%	0.20%
9-Jan-15	GE	Industrial Production WDA YoY	Nov	-0.60%	-0.50%	0.80%
9-Jan-15	GE	Trade Balance	Nov	20.4B	17.9B	21.9B
9-Jan-15	GE	Current Account Balance	Nov	23.0B	18.6B	23.1B
9-Jan-15	GE	Exports SA MoM	Nov	-1.00%	-2.10%	-0.50%
9-Jan-15	GE	Imports SA MoM	Nov	0.50%	1.50%	-3.10%
9-Jan-15	FR	Industrial Production MoM	Nov	0.30%	-0.30%	-0.80%
9-Jan-15	FR	Industrial Production YoY	Nov	-1.90%	-2.60%	-1.00%
9-Jan-15	FR	Manufacturing Production MoM	Nov	0.40%	-0.60%	-0.20%
9-Jan-15	FR	Manufacturing Production YoY	Nov	-0.30%	-1.30%	-0.60%
9-Jan-15	FR	Trade Balance	Nov	-	-	-
9-Jan-15	FR	Trade Balance	Nov	4500M	3236M	-4608M
9-Jan-15	UK	Trade Balance	Nov	-£2000	-£1406	-£2024
9-Jan-15	UK	Industrial Production MoM	Nov	0.20%	-0.10%	-0.10%
9-Jan-15	UK	Industrial Production YoY	Nov	1.60%	1.10%	1.10%
9-Jan-15	UK	Manufacturing Production MoM	Nov	0.30%	0.70%	-0.70%
9-Jan-15	UK	Manufacturing Production YoY	Nov	2.30%	2.70%	1.70%
9-Jan-15	UK	Construction Output SA MoM	Nov	1.20%	-2.00%	-2.20%
9-Jan-15	UK	Construction Output SA YoY	Nov	6.70%	3.60%	0.70%
9-Jan-15	US	Change in Nonfarm Payrolls	Dec	240K	252K	321K
9-Jan-15	US	Change in Private Payrolls	Dec	228K	240K	314K
9-Jan-15	US	Change in Manufact. Payrolls	Dec	15K	17K	28K
9-Jan-15	US	Unemployment Rate	Dec	5.70%	5.60%	5.80%
9-Jan-15	US	Average Hourly Earnings MoM	Dec	0.20%	-0.20%	0.40%
9-Jan-15	US	Average Hourly Earnings YoY	Dec	2.20%	1.70%	2.10%
9-Jan-15	US	Average Weekly Hours All Employees	Dec	34.6	34.6	34.6
9-Jan-15	US	Wholesale Inventories MoM	Nov	0.30%	0.80%	0.40%
9-Jan-15	US	Wholesale Trade Sales MoM	Nov	0.00%	-0.30%	0.20%

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This Week

Date Time		Event		Survey	Actual	Prior
13-Jan-15	JN	BoP Current Account Balance	Nov	¥139.5B	--	¥833.4B
13-Jan-15	JN	BoP Current Account Adjusted	Nov	¥692.5B	--	¥947.0B
13-Jan-15	IT	Industrial Production MoM	Nov	0.10%	--	-0.10%
13-Jan-15	IT	Industrial Production WDA YoY	Nov	-2.70%	--	-3.00%
13-Jan-15	UK	CPI MoM	Dec	0.10%	--	-0.30%
13-Jan-15	UK	CPI YoY	Dec	0.70%	--	1.00%
13-Jan-15	UK	CPI Core YoY	Dec	1.30%	--	1.20%
13-Jan-15	UK	Retail Price Index	Dec	257.4	--	257.1
13-Jan-15	UK	PPI Input NSA MoM	Dec	-2.60%	--	-1.00%
13-Jan-15	UK	PPI Input NSA YoY	Dec	-11.50%	--	-8.80%
13-Jan-15	UK	PPI Output NSA MoM	Dec	-0.30%	--	0.20%
13-Jan-15	UK	PPI Output NSA YoY	Dec	-0.40%	--	-0.10%
13-Jan-15	UK	PPI Output Core NSA MoM	Dec	-0.10%	--	0.50%
13-Jan-15	UK	PPI Output Core NSA YoY	Dec	1.20%	--	1.40%
13-Jan-15	US	NFIB Small Business Optimism	Dec	98.5	--	98.1
14-Jan-15	JN	Machine Tool Orders YoY	Dec P	--	--	36.60%
14-Jan-15	FR	Current Account Balance	Nov	--	--	-0.9B
14-Jan-15	FR	CPI EU Harmonized MoM	Dec	0.00%	--	-0.20%
14-Jan-15	FR	CPI EU Harmonized YoY	Dec	0.00%	--	0.40%
14-Jan-15	FR	CPI MoM	Dec	0.00%	--	-0.20%
14-Jan-15	FR	CPI YoY	Dec	0.00%	--	0.30%
14-Jan-15	EC	Industrial Production SA MoM	Nov	0.00%	--	0.10%
14-Jan-15	EC	Industrial Production WDA YoY	Nov	-0.70%	--	0.70%
14-Jan-15	US	Retail Sales Advance MoM	Dec	-0.10%	--	0.70%
14-Jan-15	US	Retail Sales Control Group	Dec	0.40%	--	0.60%
14-Jan-15	US	Import Price Index MoM	Dec	-2.90%	--	-1.50%
14-Jan-15	US	Import Price Index YoY	Dec	-4.90%	--	-2.30%
14-Jan-15	US	Business Inventories	Nov	0.20%	--	0.20%
15-Jan-15	JN	PPI MoM	Dec	-0.30%	--	-0.20%
15-Jan-15	JN	PPI YoY	Dec	2.10%	--	2.70%
15-Jan-15	JN	Machine Orders MoM	Nov	4.60%	--	-6.40%
15-Jan-15	JN	Machine Orders YoY	Nov	-6.40%	--	-4.90%
15-Jan-15	GE	GDP NSA YoY	2014	1.50%	--	0.10%
15-Jan-15	EC	Trade Balance SA	Nov	20.0B	--	19.4B
15-Jan-15	US	Empire Manufacturing	Jan	5	--	-3.58
15-Jan-15	US	PPI Ex Food, Energy, Trade MoM	Dec	0.00%	--	0.00%
15-Jan-15	US	PPI Final Demand MoM	Dec	-0.40%	--	-0.20%
15-Jan-15	US	PPI Ex Food and Energy MoM	Dec	0.10%	--	0.00%
15-Jan-15	US	PPI Final Demand YoY	Dec	1.00%	--	1.40%
15-Jan-15	US	PPI Ex Food and Energy YoY	Dec	1.90%	--	1.80%
15-Jan-15	US	Initial Jobless Claims	Jan-10	292K	--	294K
15-Jan-15	US	Continuing Claims	Jan-03	2402K	--	2452K
15-Jan-15	US	Philadelphia Fed Business Outlook	Jan	19.1	--	24.5

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16-Jan-15	JN	Tertiary Industry Index MoM	Nov	0.20%	--	-0.20%
16-Jan-15	GE	CPI MoM	Dec F	0.00%	--	0.00%
16-Jan-15	GE	CPI YoY	Dec F	0.20%	--	0.20%
16-Jan-15	GE	CPI EU Harmonized MoM	Dec F	0.10%	--	0.10%
16-Jan-15	GE	CPI EU Harmonized YoY	Dec F	0.10%	--	0.10%
16-Jan-15	EC	CPI MoM	Dec	-0.10%	--	-0.20%
16-Jan-15	EC	CPI YoY	Dec F	-0.20%	--	-0.20%
16-Jan-15	EC	CPI Core YoY	Dec F	0.80%	--	0.80%
16-Jan-15	US	CPI MoM	Dec	-0.40%	--	-0.30%
16-Jan-15	US	CPI YoY	Dec	0.70%	--	1.30%
16-Jan-15	US	CPI Core Index SA	Dec	239.635	--	239.332
16-Jan-15	US	CPI Index NSA	Dec	234.5	--	236.151
16-Jan-15	US	Industrial Production MoM	Dec	-0.10%	--	1.30%
16-Jan-15	US	Capacity Utilization	Dec	80.00%	--	80.10%
16-Jan-15	US	Manufacturing (SIC) Production	Dec	0.20%	--	1.10%
16-Jan-15	US	U. of Mich. Sentiment	Jan P	94.3	--	93.6

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