

Market Outlook

13 July – 19 July 2015

Highlight

Last Week:

The euro rose against the U.S. dollar at the end of the week amid optimism that Greece would reach a deal on a new bailout with its creditors on Sunday (12/7). The yen strengthened broadly as concern over Greece's situation and the China's tumbling stock markets bolstered safe haven inflows. The U.S. dollar depreciated against major currencies after the Fed release the latest minutes on Wednesday (8/7) without any clues for rate hike.

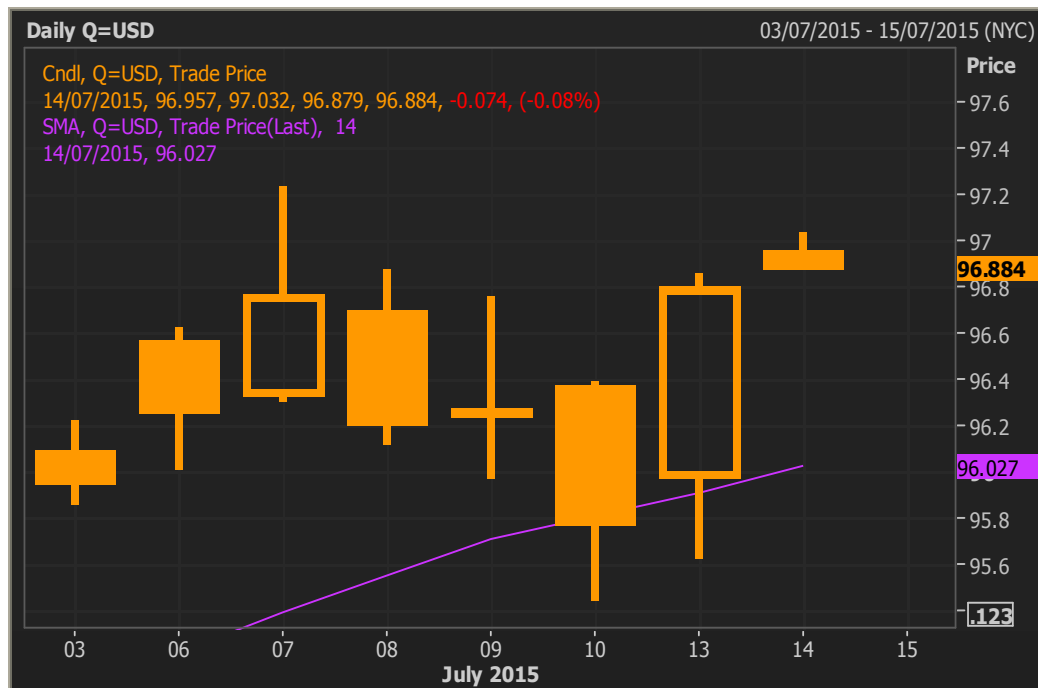
This Week:

The U.S. dollar appreciated against the major currencies at the beginning of the week after Fed chair Janet Yellen commented that it still appreciated to raise rate this year while the Europeans leaders reached an agreement on a new bailout for Greece on Monday (13/7). Moreover, the market will focus on U.S. retail sales (14/7), China second quarter growth (15/7), the Bank of Japan (BOJ) (15/7) and the European Central Bank (ECB) (16/7) monetary policy statement. Furthermore, Fed Chair Janet Yellen is to testify on the semiannual monetary policy report to Congress on Thursday (16/7)

USD

Considering as one of the better safe-haven assets recently, the USD was strengthen against major currencies at the beginning of the week after 60% of voters in Greece rejected terms of rescue package from creditors which placed the question that whether Greece will continue to be a member of the euro zone. The dollar index initially rose due to the instability Greece crisis. However, the dollar was gradually lost its gaining momentum since FOMC minutes revealed that the FOMC members still do not indicate the time frame to hike their interest rate. Federal Reserve officials in June saw the economy moving toward conditions that would support an interest rate increase, while also expressing concern about weak consumer spending and risks from China and Greece that have since intensified. At the end of the week, the dollar was weaken on optimism that Greece was making some progress in its efforts to secure more funding. In addition, Initial jobless claims increased by 15,000 to 297,000. Analysts had expected initial jobless claims to fall by 7,000 to 275,000 last week.

Graph: Dollar Index (DXY)



Source: Reuters

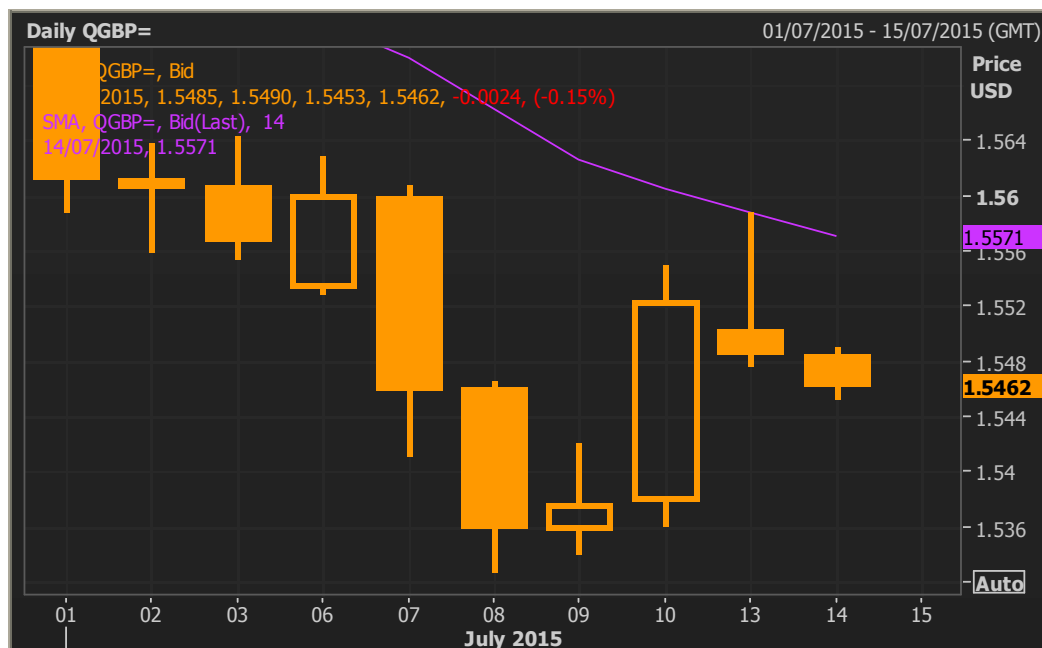
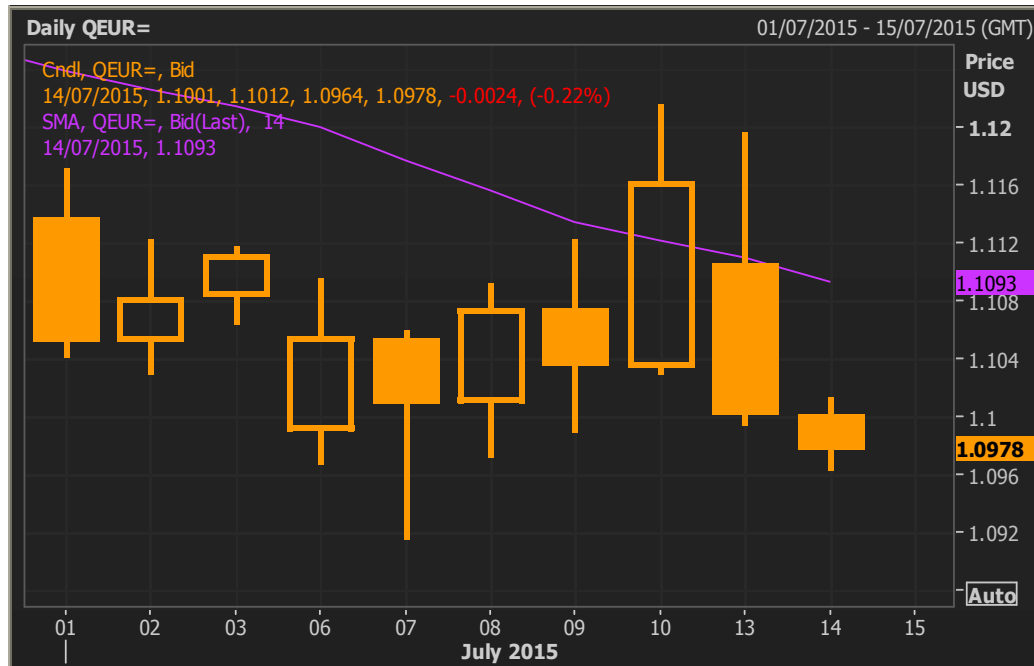
Comment:

The dollar could be more favorable for investors if the Greek debt could not be solved. Any resolution to Greece situation might give the Fed added confidence to start lifting rates this year which support the positive momentum to the USD in long term.

Last week, the euro opened at 1.0990/92 USD/EUR depreciated from the closing level at 1.1112/14 USD/EUR. The euro had sunk in initial trade in Asia after Greeks voted 'No' to further austerity at weekend referendum put a pressure on 'Grexit issues.' After the vote, the Greek Finance Minister Yanis Varoufakis resigned. Beside, France and Germany urged Greece to send further proposals and restart talks with the creditors. European Commission President Jean-Claude Juncker also told the European Parliament that "Greece's government must come forward with proposals to resolve its debt crisis". However, the euro had been boosted on late Tuesday (7/7) after creditors gave Greece until the end of the week to come up with a proposal for reforming in return for loans. At the end of the week, the euro rose on optimism that Greece was making some progress in its efforts to secure more funding and stay in the currency union. On Monday (13/7), the summit of the Eurozone has reached agreement on the third aid programme for Greece which mean that Greece will stay in the Eurozone. Nevertheless, the condition is that the Greek parliament is to adopt by Wednesday (15/7) all the legal acts on the reform programme, including raising the VAT, the pension reform, state property privatization, the new legislation on enterprises' bankruptcy and guarantees for independence of the national statistics agency.

Last week, the sterling opened at 1.5533/35 USD/GBP, lower than the closing level at 1.5568/70 USD/GBP. The sterling fell along with the euro from Greece debt concerned. However, mixed data on UK industrial and manufacturing output gave markets no clear steer on when Bank of England would start raising interest rates. The sterling continually fell after Britain's finance minister lowered growth forecasts. Growth for 2015 was forecast to be 2.4%, down from 2.5% made in March. However, Sterling inched up from a British budget bill that was not as fiscally tight as many investors had expected, as well as strong numbers from the housing market. Bank of England (BOE) kept its benchmark interest rate at the record low of 0.5%, Finance Minister George Osborne announced it would now take four years, not three, to achieve his aim to turning Britain's budget deficit into surplus. Also, the Royal Institution of Chartered Surveyors said its monthly house price jumped to +40 in June from +34 in May, highest since July 2014.

Graph: EUR & GBP



Source: Reuters

Comments:

The market still waiting for the reformation of Greece before this Wednesday(15/7) to reach the bailout. Other important factor is ZEW Economic condition (14/7), ECB monetary meeting and CPI data (16/7). For the Sterling, the important data is CPI (14/4) and unemployment rate (15/7). We expected the euro will move in a range of 1.0900 – 1.1200 USD/EUR and the sterling is between 1.5400 – 1.5600 USD/GBP.

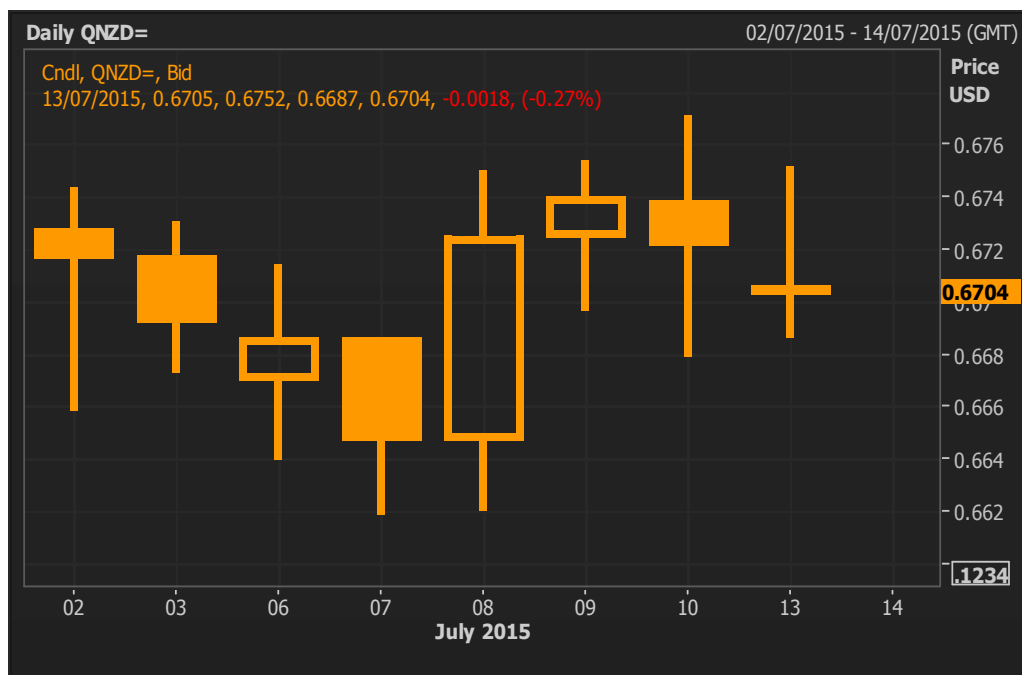
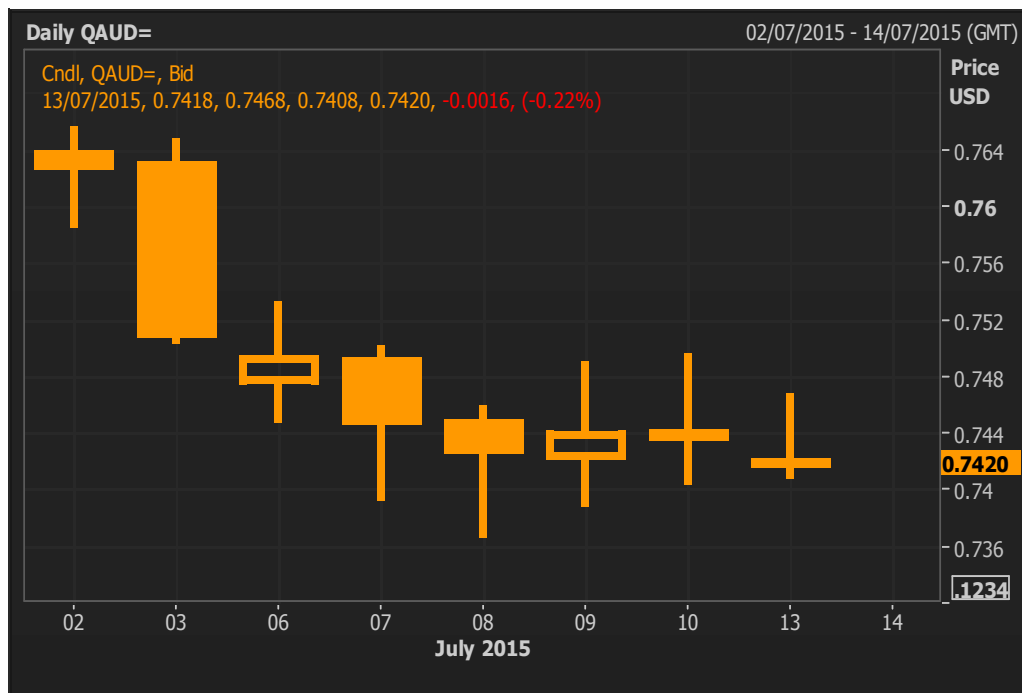
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AUD & NZD

AUD opened on Monday (6/7) at 0.7480/82 USD/AUD, fell from Friday (3/7) closing level at 0.7506/08 USD/AUD following other major currencies after Greek voters rejected conditions of a rescue package from creditors on Sunday (5/7). At the beginning of the week, the Australian dollar dropped and hit a fresh six-year lows against its U.S. counterpart at 0.7368 USD/AUD after the central bank held the cash rate steady at a record low 2% as expected, while noting that the currency needs to fall further. However, on Thursday (9/7), the Aussie rebounded against the dollar as the report showed better-than-expected Australian's labor data. Australian unemployment rate rose to 6.0% in June from 5.9% in the preceding month, better than expected at 6.1%. Moreover, Australian employment rose to 7.3K in June, compared to expectations for a decline of 5.0K last month. Meanwhile, Chinese CPI rose to an annual rate of 1.4% last month from 1.2% in the preceding month, more than forecasted at 1.3%. On Friday (10/7), the AUD closed at 0.7469/71 USD/AUD.

NZD started the week at 0.6687/89 USD/NZD, depreciated from Friday (3/7) closing level at 0.6694/96 USD/NZD as risk sentiment was hit after Greek voters rejected conditions of a rescue package from creditors. At the beginning of the week, the New Zealand dollar slid to fresh five-year lows against the dollar at 0.6619 USD/NZD as the report showed that NZIER business confidence fell to 5 in the second quarter from a reading of 23 in the three months to March. However, at the end of the week, the New Zealand dollar edged up against the dollar on the dollar's weakness as the minutes of the Federal Reserve's June policy meeting showed that policy makers need to see more signs of a strengthening U.S. economy before raising interest rates. On Friday (10/7), the NZD closed at 0.6753/55 USD/NZD.

Graph: AUD and NZD



Source: Reuters

Comment:

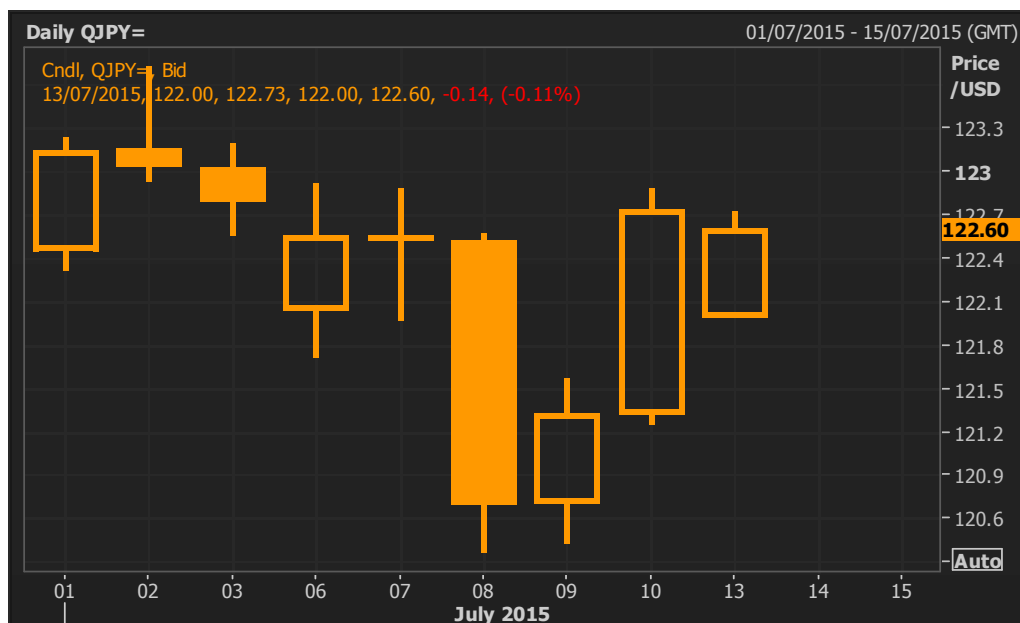
The bounce back last week may only be a temporary correction. This week, both the Aussie and the kiwi would be hit by its weak economic data and the resumption of the fall in Chinese stocks. Meanwhile, markets will eye on Australia's business confidence and inflation expectations, New Zealand's consumer price index and China's trade balance, GDP and industrial production. We expect the AUD range would be 0.7350 – 0.7550 USD/AUD and the NZD would move between 0.6600 – 0.6850 USD/NZD.

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JPY

The JPY opened on Monday (6/7) at 122.44/45 JPY/USD, appreciated from Friday's closed at 122.93/95 JPY/USD. In the beginning of last week, the yen strengthened against major currency as a stock rout in china and the risk of a Greek exit from euro-area spurred demand for heaven assets such as yen. The yen hit the lowest level in 7 weeks at 120.40 JPY/USD on Wednesday (8/7). However, the yen rebounded on Thursday (9/7) as market relieved about china stock market and Greek situation. Moreover, the government and Bank of Japan (BOJ) have played down the treat of turmoil spilling over to Japan, noting that direct economic links with Greece are limited. But even if that happens, the BOJ will use any tools to prevent the economy. Moreover, the Japan Economic data released On Thursday (9/7) was impressive, Japan released a machine order, increased 0.6% in May, better than expected at 4.9% decreasing. Last week, the yen moved in range between 120.40-122.92 JPY/USD and then closed at 122.14/15 JPY/USD.

Graph: JPY



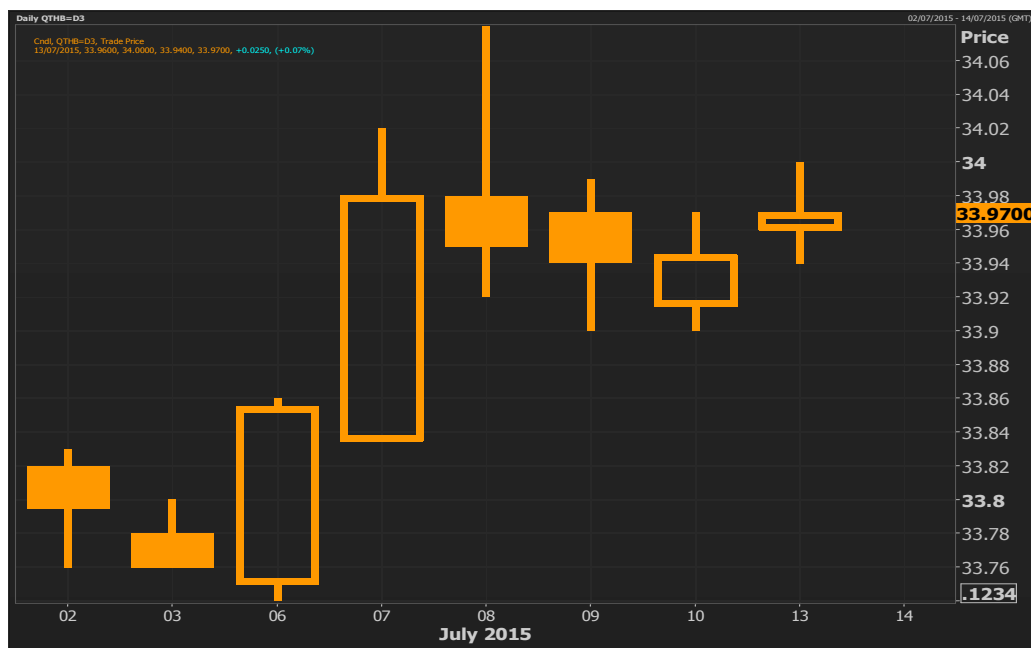
Source: Reuters

Comment:

This week, Bank of Japan (BOJ) will have a monetary policy meeting on Wednesday (15/7), which markets expect that they will hold policy unchanged. We expected the yen will move in the range between 121.50 - 124.00 JPY/USD.

Thai Baht opened on Monday (6/7) at 33.83/85 THB/USD, depreciated from Friday's close (3/7) at 33.78/80 THB/USD from the concern over Greece's vote "NO" result in referendum on Sunday 5 July. In addition, The Baht was affected from a China stock market which had continuously dropped by over 30% within 3 weeks, causing the investors to avoid risky asset and hold US dollar. In Thailand, The Office of the National Economic and Social Development Board (NESDB) was taking a bleaker perspective, now predicting Thai economic growth in 2015 could come in less than last forecasted at 3% since the sentiment outside the country has changed which may affect Thai export to decrease by 1-2% this year. Furthermore, NESDB commented that there is a room for another easing if Thai economy tends to slow down. However, the policy makers will focus more on the Thai economic data before deciding on the policy rate adjustment. Thai Baht dropped again on late Friday (10/7) after a speech from FED President, Janet Yellen commented that she believed the interest rate hike could be implemented this year since she forecasted that US economy could expand in the rest of the year which will support Fed to raise the policy rate for the first time in almost 10 years. Last week Thai Baht moved within the range of 33.75-34.04 THB/USD before closed on Friday (10/7) at 33.94/96 THB/USD.

Graph: THB



Source: Reuters

Comment:

This week, we still mainly focus on Greece's reformation to reach the bailout before this Wednesday's deadline (15/7). The situation may cause a fluctuation for Thai Baht that we expected the currency to move within a range between 33.85-34.10 THB/USD.

FX Forecast

Currency	Support	Resistance
THB/USD	33.85	34.10
JPY/USD	121.50	124.00
USD/EUR	1.0900	1.1200
USD/GBP	1.5400	1.5600
USD/AUD	0.7350	0.7550
USD/NZD	0.6600	0.6850

Economic Calendar

Last Week

Date		Event		Survey	Actual	Prior
6/7/2015	JN	Leading Index CI	May P	106.2	106.2	106.4
6/7/2015	GE	Factory Orders MoM	May	-0.40%	-0.20%	1.40%
6/7/2015	GE	Markit Germany Construction PMI	Jun	--	50.7	50.8
6/7/2015	GE	Markit Germany Retail PMI	Jun	--	54	55.8
6/7/2015	EC	Markit Eurozone Retail PMI	Jun	--	50.4	51.4
6/7/2015	FR	Markit France Retail PMI	Jun	--	48.9	48.7
6/7/2015	IT	Markit Italy Retail PMI	Jun	--	46.7	48.3
6/7/2015	EC	Sentix Investor Confidence	Jul	15	18.5	17.1
6/7/2015	US	Markit US Composite PMI	Jun F	--	54.6	54.6
6/7/2015	US	Markit US Services PMI	Jun F	54.9	54.8	54.8
6/7/2015	US	ISM Non-Manf. Composite	Jun	56.4	56	55.7
7/7/2015	JN	Official Reserve Assets	Jun	--	\$1242.9B	\$1245.8B
7/7/2015	GE	Industrial Production SA MoM	May	0.10%	0.00%	0.90%
7/7/2015	GE	Industrial Production WDA YoY	May	2.60%	2.10%	1.40%
7/7/2015	FR	Budget Balance YTD	May	--	-63.9B	-59.8B
7/7/2015	FR	Trade Balance	May	-3600M	-4020M	-3008M
7/7/2015	UK	Industrial Production MoM	May	-0.20%	0.40%	0.40%
7/7/2015	UK	Industrial Production YoY	May	1.60%	2.10%	1.20%
7/7/2015	UK	Manufacturing Production MoM	May	0.10%	-0.60%	-0.40%
7/7/2015	UK	Manufacturing Production YoY	May	1.80%	1.00%	0.20%
7/7/2015	US	Trade Balance	May	-\$42.70B	-\$41.87B	-\$40.90B
08/07/2015	JN	BoP Current Account Balance	May	¥1570.2B	¥1880.9B	¥1326.4B
08/07/2015	JN	BoP Current Account Adjusted	May	¥1375.2B	¥1636.3B	¥1274.2B
08/07/2015	JN	Trade Balance BoP Basis	May	-¥283.8B	-¥47.3B	-¥146.2B
08/07/2015	JN	Bank Lending Incl Trusts YoY	Jun	--	2.50%	2.60%
08/07/2015	JN	Bank Lending Ex-Trusts YoY	Jun	2.50%	2.60%	2.60%
08/07/2015	JN	Bankruptcies YoY	Jun	--	-4.73%	-13.18%
08/07/2015	JN	Eco Watchers Survey Current	Jun	53	51	53.3
08/07/2015	JN	Eco Watchers Survey Outlook	Jun	54	53.5	54.5

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08/07/2015	FR	Bank of France Bus. Sentiment	Jun	99	98	99
08/07/2015	US	MBA Mortgage Applications	Jul-03	--	4.60%	-4.70%
09/07/2015	US	U.S. Fed Releases Minutes from June 16-17 FOMC Meeting				
09/07/2015	US	Consumer Credit	May	\$18.500B	\$16.086B	\$20.541B
09/07/2015	UK	RICS House Price Balance	Jun	36%	40%	34%
09/07/2015	JN	Machine Orders MoM	May	-4.90%	0.60%	3.80%
09/07/2015	JN	Machine Orders YoY	May	16.70%	19.30%	3.00%
09/07/2015	JN	Japan Buying Foreign Bonds	Jul-03	--	¥205.2B	-¥45.2B
09/07/2015	JN	Japan Buying Foreign Stocks	Jul-03	--	¥483.8B	¥234.0B
09/07/2015	JN	Foreign Buying Japan Bonds	Jul-03	--	¥476.5B	-¥1386.4B
09/07/2015	JN	Foreign Buying Japan Stocks	Jul-03	--	-¥185.4B	¥298.2B
09/07/2015	GE	Trade Balance	May	20.5B	19.5B	22.1B
09/07/2015	GE	Current Account Balance	May	16.0B	11.1B	19.6B
09/07/2015	GE	Exports SA MoM	May	-0.80%	1.70%	1.90%
09/07/2015	GE	Imports SA MoM	May	0.10%	0.40%	-1.30%
09/07/2015	JN	Machine Tool Orders YoY	Jun P	--	6.60%	15.00%
09/07/2015	UK	BOE Asset Purchase Target	Jul	375B	375B	375B
09/07/2015	UK	Bank of England Bank Rate	Jul-09	0.50%	0.50%	0.50%
09/07/2015	US	Initial Jobless Claims	Jul-04	275K	297K	281K
09/07/2015	US	Continuing Claims	Jun-27	2250K	2334K	2264K
10/07/2015	JN	PPI MoM	Jun	0.10%	-0.20%	0.30%
10/07/2015	JN	PPI YoY	Jun	-2.20%	-2.40%	-2.10%
10/07/2015	JN	Consumer Confidence Index	Jun	41.7	41.7	41.4
10/07/2015	FR	Current Account Balance	May	--	0.3B	0.4B
10/07/2015	FR	Industrial Production MoM	May	0.40%	0.40%	-0.90%
10/07/2015	FR	Industrial Production YoY	May	2.40%	2.80%	-0.10%
10/07/2015	FR	Manufacturing Production MoM	May	0.40%	0.60%	-1.00%
10/07/2015	FR	Manufacturing Production YoY	May	2.20%	3.30%	-0.40%
10/07/2015	IT	Industrial Production MoM	May	0.30%	0.90%	-0.30%
10/07/2015	IT	Industrial Production WDA YoY	May	1.20%	3.00%	0.10%
10/07/2015	IT	Industrial Production NSA YoY	May	--	-0.20%	3.80%
10/07/2015	UK	Trade Balance Non EU GBP/Mn	May	-£2800	-£1570	-£2094
10/07/2015	UK	Trade Balance	May	-£2150	-£393	-£1202

This Week

Date		Event		Survey	Actual	Prior
13/07/2015	JN	Industrial Production MoM	May F	--	-2.10%	-2.20%
13/07/2015	JN	Industrial Production YoY	May F	--	-3.90%	-4.00%
13/07/2015	JN	Capacity Utilization MoM	May	--	-3.00%	-0.40%
14/07/2015	US	Monthly Budget Statement	Jun	\$50.0B	--	\$70.5B
14/07/2015	GE	CPI MoM	Jun F	-0.10%	--	-0.10%
14/07/2015	GE	CPI YoY	Jun F	0.30%	--	0.30%
14/07/2015	GE	CPI EU Harmonized MoM	Jun F	-0.20%	--	-0.20%

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14/07/2015	GE	CPI EU Harmonized YoY	Jun F	0.10%	--	0.10%
14/07/2015	UK	CPI MoM	Jun	0.10%	--	0.20%
14/07/2015	UK	CPI YoY	Jun	0.00%	--	0.10%
14/07/2015	UK	CPI Core YoY	Jun	0.90%	--	0.90%
14/07/2015	UK	Retail Price Index	Jun	258.8	--	258.5
14/07/2015	UK	PPI Input NSA MoM	Jun	-0.80%	--	-0.90%
14/07/2015	UK	PPI Input NSA YoY	Jun	-11.80%	--	-12.00%
14/07/2015	UK	PPI Output NSA MoM	Jun	0.10%	--	0.10%
14/07/2015	UK	PPI Output NSA YoY	Jun	-1.50%	--	-1.60%
14/07/2015	UK	PPI Output Core NSA MoM	Jun	0.00%	--	0.00%
14/07/2015	UK	PPI Output Core NSA YoY	Jun	0.10%	--	0.10%
14/07/2015	EC	Industrial Production SA MoM	May	0.20%	--	0.10%
14/07/2015	EC	Industrial Production WDA YoY	May	2.00%	--	0.80%
14/07/2015	GE	ZEW Survey Current Situation	Jul	60	--	62.9
14/07/2015	GE	ZEW Survey Expectations	Jul	29	--	31.5
14/07/2015	EC	ZEW Survey Expectations	Jul	--	--	53.7
14/07/2015	US	Retail Sales Advance MoM	Jun	0.30%	--	1.20%
14/07/2015	US	Retail Sales Ex Auto MoM	Jun	0.50%	--	1.00%
14/07/2015	US	Retail Sales Ex Auto and Gas	Jun	0.50%	--	0.70%
14/07/2015	US	Retail Sales Control Group	Jun	0.40%	--	0.70%
14/07/2015	US	Import Price Index MoM	Jun	0.10%	--	1.30%
14/07/2015	US	Import Price Index YoY	Jun	-9.80%	--	-9.60%
15/07/2015	FR	CPI EU Harmonized MoM	Jun	0.00%	--	0.20%
15/07/2015	FR	CPI EU Harmonized YoY	Jun	0.40%	--	0.30%
15/07/2015	FR	CPI MoM	Jun	0.00%	--	0.20%
15/07/2015	FR	CPI YoY	Jun	0.30%	--	0.30%
15/07/2015	UK	Jobless Claims Change	Jun	-9.0K	--	-6.5K
15/07/2015	UK	Average Weekly Earnings 3M/YoY	May	3.30%	--	2.70%
15/07/2015	UK	Weekly Earnings ex Bonus 3M/YoY	May	3.00%	--	2.70%
15/07/2015	UK	ILO Unemployment Rate 3Mths	May	5.50%	--	5.50%
15/07/2015	UK	Employment Change 3M/3M	May	35K	--	114K
15/07/2015	US	PPI Final Demand MoM	Jun	0.20%	--	0.50%
15/07/2015	US	PPI Ex Food and Energy MoM	Jun	0.10%	--	0.10%
15/07/2015	US	PPI Ex Food, Energy, Trade MoM	Jun	0.10%	--	-0.10%
15/07/2015	US	PPI Final Demand YoY	Jun	-0.90%	--	-1.10%
15/07/2015	US	PPI Ex Food and Energy YoY	Jun	0.70%	--	0.60%
15/07/2015	US	PPI Ex Food, Energy, Trade YoY	Jun	0.60%	--	0.60%
15/07/2015	US	Empire Manufacturing	Jul	3.25	--	-1.98
15/07/2015	US	Industrial Production MoM	Jun	0.20%	--	-0.20%
15/07/2015	JN	BOJ Annual Rise in Monetary Base	Jul-15	¥80T	--	¥80T
15/07/2015	JN	Bank of Japan Monetary Policy Statement				
16/07/2015	US	U.S. Federal Reserve Releases Beige Book				
16/07/2015	JN	Japan Buying Foreign Bonds	Jul-10	--	--	¥205.2B

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16/07/2015	JN	Japan Buying Foreign Stocks	Jul-10	--	--	¥483.8B
16/07/2015	JN	Foreign Buying Japan Bonds	Jul-10	--	--	¥476.5B
16/07/2015	JN	Foreign Buying Japan Stocks	Jul-10	--	--	-¥185.4B
16/07/2015	JN	Bank of Japan's Monthly Economic Report for July				
16/07/2015	IT	Trade Balance Total	May	--	--	3736M
16/07/2015	IT	Trade Balance EU	May	--	--	1133M
16/07/2015	EC	Trade Balance SA	May	22.0B	--	24.3B
16/07/2015	EC	Trade Balance NSA	May	21.8B	--	24.9B
16/07/2015	EC	CPI MoM	Jun	0.00%	--	0.20%
16/07/2015	EC	CPI YoY	Jun F	0.20%	--	0.20%
16/07/2015	EC	CPI Core YoY	Jun F	0.80%	--	0.80%
16/07/2015	US	Initial Jobless Claims	Jul-11	285K	--	297K
16/07/2015	US	Continuing Claims	Jul-04	2300K	--	2334K
16/07/2015	US	Philadelphia Fed Business Outlook	Jul	12	--	15.2
16/07/2015	US	NAHB Housing Market Index	Jul	59	--	59
17/07/2015	EC	Construction Output MoM	May	--	--	0.30%
17/07/2015	EC	Construction Output YoY	May	--	--	0.00%
17/07/2015	US	Housing Starts	Jun	1109K	--	1036K
17/07/2015	US	Housing Starts MoM	Jun	7.00%	--	-11.10%
17/07/2015	US	Building Permits	Jun	1150K	--	1275K
17/07/2015	US	Building Permits MoM	Jun	-8.00%	--	11.80%
17/07/2015	US	CPI MoM	Jun	0.30%	--	0.40%
17/07/2015	US	CPI Ex Food and Energy MoM	Jun	0.20%	--	0.10%
17/07/2015	US	CPI YoY	Jun	0.10%	--	0.00%
17/07/2015	US	CPI Ex Food and Energy YoY	Jun	1.80%	--	1.70%
17/07/2015	US	CPI Index NSA	Jun	238.632	--	237.805
17/07/2015	US	CPI Core Index SA	Jun	242.098	--	241.76
17/07/2015	US	Real Avg Weekly Earnings YoY	Jun	--	--	2.30%
17/07/2015	US	U. of Mich. Sentiment	Jul P	96	--	96.1
17/07/2015	US	U. of Mich. Current Conditions	Jul P	--	--	108.9
17/07/2015	US	U. of Mich. Expectations	Jul P	--	--	87.8
17/07/2015	US	U. of Mich. 1 Yr Inflation	Jul P	--	--	2.70%
17/07/2015	US	U. of Mich. 5-10 Yr Inflation	Jul P	--	--	2.60%

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