

Market Outlook

20 July – 26 July 2015

Highlight

Last Week:

During last week, the dollar remained broadly higher against its major peers after Federal Reserve Chair Janet Yellen said the central bank is on track to raise interest rates "before year end". In contrast, the euro remained under pressure although the European Central Bank (ECB) increased its emergency lending to Greek banks by EUR 900 million and added that it is operating under the assumption that Greece will remain in the euro zone. Meanwhile, the pound sterling was supported after the BoE's Carney told a Parliamentary Committee that the timing for the U.K. first interest rate hike is closer, as the economy improves. The yen's gains were limited although the BoJ voted 8 to 1 as expected to keep monetary policy steady as board member Takahide Kiuchi once again dissented and called for a cut in outright government bond buying by nearly half.

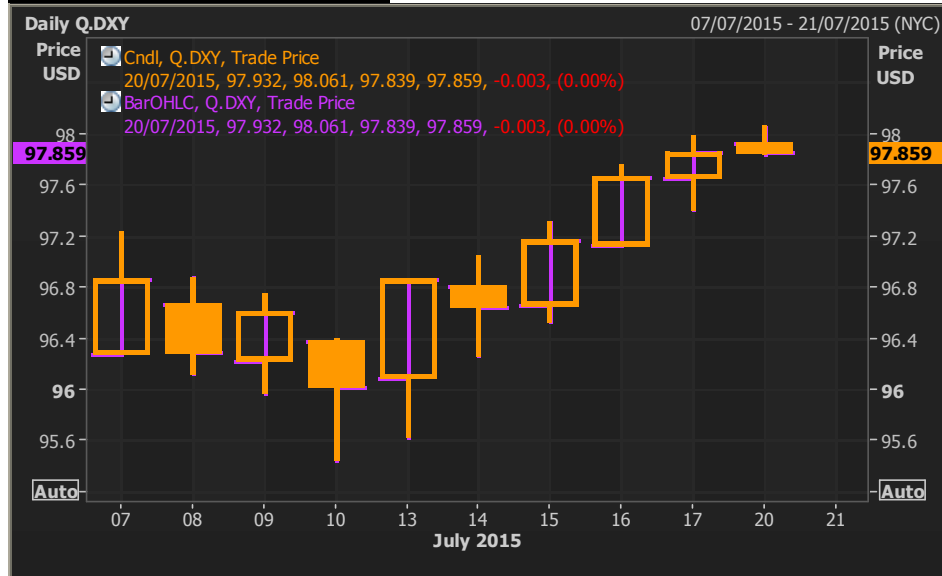
This Week:

In the week ahead, market players will focus on U.S. data on home sales and jobless claims for further indications on the strength of the economy and the timing of an interest rate hike. Moreover, manufacturing data from China, the euro zone and the U.S. will also be in focus.

USD

The dollar index opened on Monday (13/7) at 96.092, appreciated from Friday's closing (10/7) level at 96.025 as Federal Reserve Chair Janet Yellen said that the central bank was on track to raise interest rates at some point of this year. However, the dollar index turned lower on Tuesday (14/7) after data showing that U.S. retail sales unexpectedly fell 0.3% in June, compared to expectations for a 0.2% increase. The dollar index turned broadly higher against its major peers on Wednesday (15/7) after Federal Reserve Chair Janet Yellen said, in testimony before the House Financial Services committee on Wednesday, that the Fed is likely to raise rates "at some point this year." She added that the U.S. labor market healthier but "still some slack." Moreover, the U.S. Department of Labor said that the number of individuals filing for initial jobless benefits in the week ending July 11 fell by 15,000 to 281,000 from the previous week's total of 296,000, better than analysts expected that initial jobless claims fall by 11,000 to 285,000 last week. Furthermore, the data showed on Friday (17/7) that U.S. consumer prices rose 0.3% in June, as expected, adding to signs of firming inflation. Meanwhile, U.S. housing starts raised 9.8% to 1.174 million units in June and U.S. building permits jumped 7.4% to 1.343 million units in June, the most since July 2007, pointing to a rapidly strengthening housing market. Last week, the dollar index moved between the ranges of 95.633-97.977 before closing at 97.862 on last Friday (17/7).

Graph: Dollar Index (DXY)



Source: Reuters

Comment:

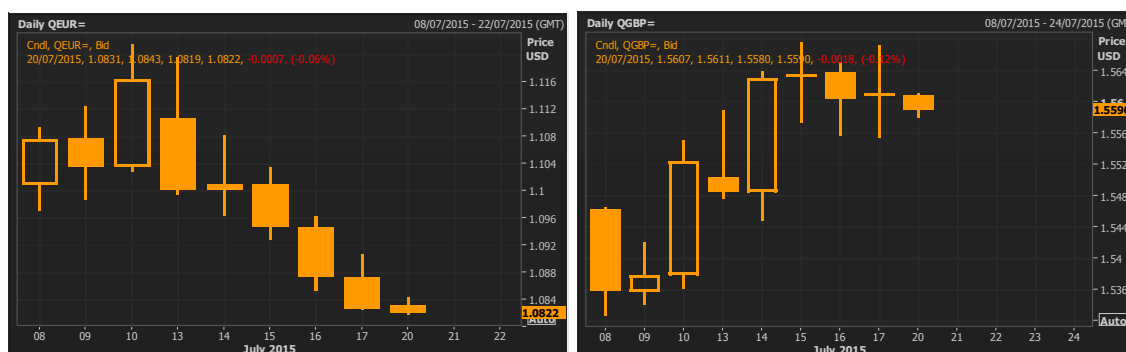
This week, the market will focus on U.S. economic data such as new home sales (22/7) and jobless claims (23/7) for further indications on the strength of the economy and the timing of an interest rate hike. Hence, we expect the dollar index to move within a range between 97.00-99.00.

EUR & GBP

EUR opened on Monday (13/7) at 1.0936/38 USD/EUR, fell from Friday (10/7) closing level at 1.1020/22 USD/EUR. Last week, the euro moved in an depreciated trend as market concern over Greece situation. Although, on Tuesday (14/7) Greece reached agreement with its creditor to get EUR86bn (USD9.6bn). In an agreement, Greece has to vote a package of measures through parliament by Wednesday (15/7), inclusive of VAT and pension reform. Later on Wednesday, Greece parliament has passed the new proposal. Moreover the France and German Parliament approved processes for an initiation of talk around an ESM program. On Thursday (16/7) ECB announced a EUR 0.9 bn increased in ELA to the Greek banks for the bank to get through this week that will be re-open. However, the capital controls will remain in place. Meanwhile euro area Finance Minister have agreed in principle to a EUR7bn (USD7.65bn) bridge loan, allowing Greece to repay a EUR3.5bn to the ECB this Monday (20/7). Furthermore, on Thursday (16/7) in an ECB'S monetary policy meeting, the committee voted to hold the policy unchanged. Moreover, ECB President Mario Draghi mentioned that ECB will continue of their QE program until September'2016 or when the inflation reach the target. He also mentioned that ECB will remain easing monetary policy to support the economy. Last week, the euro moved in the range between 1.0854-1.1196 USD/EUR and close on Friday (17/7) at 1.0890/93 USD/EUR.

Last week, the sterling opened on Monday (13/7) at 1.5503/05 USD/GBP, lower than the closing level at 1.5524/26 USD/GBP. Last week, the sterling moved in an appreciation trend as market expected that Bank of England (BOE) will raise the policy rate sooner. Moreover, BOE Governor, Mark Carney, said on Tuesday (14/7) that the time for a rate hike was "moving closer". England's economy was recovery faster than expected. The investor expected that BOE will raise the rate in mid'2016. Last week, the sterling moved in the range between 1.5449-1.5674 USD/GBP and close on Friday (17/7) at 1.5608/10 USD/GBP.

Graph: EUR & GBP



Source: Reuters

Comments:

This week, market still focus on Greece's negotiation and BOE will release the minute of last meeting on Wednesday (22/7). The Economic datas that will release on this week are Eurozone consumer confidence, Eurozone Markit Manufacturing PMI and UK retail sale. This week, the euro and pound will move in the range between 1.0750-1.0900 USD/EUR and 1.5500-1.5650 USD/GBP.

AUD & NZD

It was not a good week for the AUD after the currency gradually dropped during the week from a strong USD performance and a soft commodity price. The Aussie started the week at 0.7416/20 USD/AUD, depreciated from previous closed level. The currency confronted another downside from a weak commodity price especially gold which slump into its weakest point in more than 5 years as investors shirk the safe haven commodity. Additionally, the strong aspect of the Dollar was pressure the AUD and continued pressure the AUD in short term. The Aussie still soft until the end of the week before closed at 0.7370/74 USD/AUD and varied in a range of 0.7347-0.7488 USD/AUD.

Similar to the Aussie, the Kiwi was pressured by a bull USD trend a soft commodity price and a diverging interest rate outlook compared with the USA. The NZD started the week at 0.6705/08 USD/NZD. The currency has lost 16 percent since May as investors priced in the prospect of an aggressive easing from the Reserve Bank of New Zealand (RBNZ) given tumbling dairy prices and too-low inflation. At the end of the week, the NZD was closed at 0.6511/14USD/NZD and varied between 0.6496-0.6705 USD/NZD.

Graph: AUD and NZD



Source: Reuters

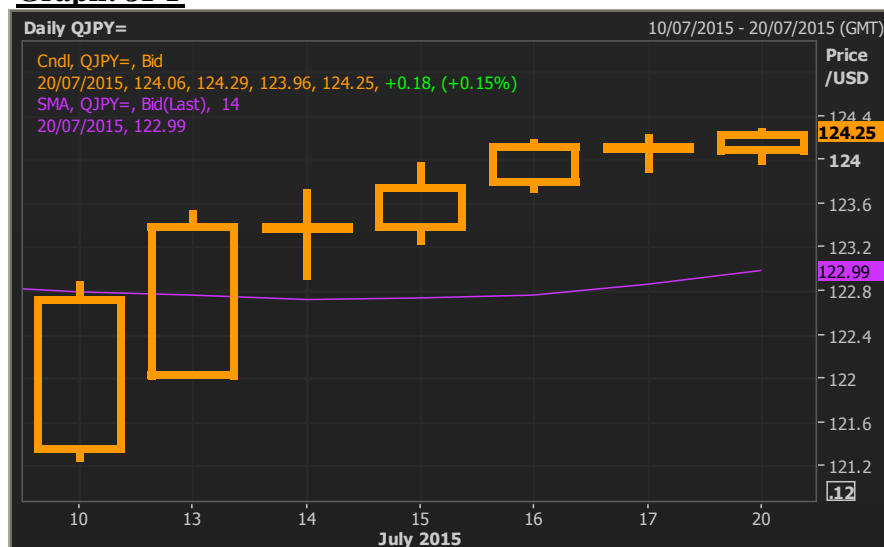
Comment:

Both the AUD and NZD could face another disappointing week since the USD has a bright week from a better than expected data and high possibility that FED could hike the rates within this year. The Kiwi could be pressured by the upcoming week RBNZ monetary policy meeting. The market are pricing in certainly that the RBNZ will cut the rates by 25 basis points to 3.0 percent on Thursday (23/7) meeting. We expected the Aussie and Kiwi could move between 0.7250-0.7450 USD/AUD and 0.6350-0.6615 USD/NZD respectively.

JPY

After a strong run as a safe-haven currency, the JPY dramatically lose its momentum since the Greece worries was slightly faded. The JPY started the week at 122.48/53 JPY/USD, slightly depreciated from previous closed level after Greece finally agreed on a preliminary bailout package with international creditors which signals a positive momentum to the markets and diminish the demand of the safe-haven currencies including Yen. Later, the currency continued to depreciate against the USD after the after Fed Chair Yellen reiterated that the Fed is likely to raise rates “at some point this year”. In addition, the result from 14th-15th July Bank of Japan meeting showed that the BoJ’s board members have voted 8 to 1 as expected to keep monetary policy steady as board member Takahide Kiuchi once again dissented and called for a cut in outright government bond buying by nearly half. Kiuchi has called for trimming asset purchased by the BoJ to JPY 45 trillion annually from JPY 80 trillion set in October last year. At the end of the week, the Yen still in depreciated trend before closing at 124.07/10 JPY/USD, and varied between 122.00-124.23 JPY/USD.

Graph: JPY



Source: Reuters

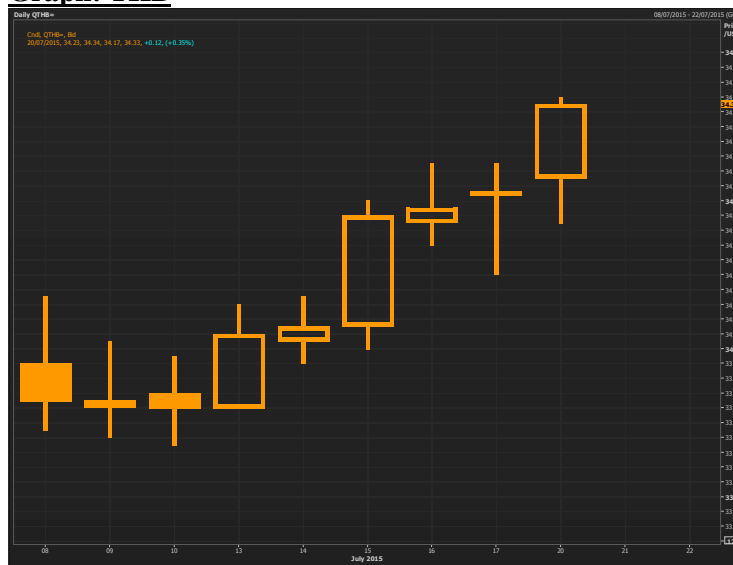
Comment:

The focus on the U.S. marked a shift for investors, who had been stressed by Greece's latest debt troubles. The stress was declined quite substantially in Grexit situation and strong US economic data will support a strong demand to USD which reduces the demand to the safe-haven JPY. We expect the JPY will be in a range of 122.50-124.75 JPY/USD.

THB

Thai Baht opened on Monday (13/7) at 33.92 THB/USD, near the closing level from previous week. Baht depreciated against the USD along the week from the overall better than expected U.S. Economic datas and Fed chair Janet Yellen comment which likely to raise the interest rate within this year. Moreover, Finance Minister Sommai Phasee said on Wednesday (15/7X that “Thailand’s economy is expected to grow at 2.6% in the second half of this year, a slower pace than the first half, while exports are likely to contract for the third straight time this year. However, he sees no further rate cut.” Beside, Country’s Deputy Prime ministers Pridiyathorn Devakula said on Friday (17/7) that a weaker Thai baht will help the country’s exports and provide more a boosting to the struggling economy than a rate cut.

Graph: THB



Source: Reuters

Comment:

Thai baht tends to depreciate against USD as Fed rate hike expectation. This week, we expected the Baht will move in a range of 34.30 – 34.60 THB/USD.

FX Forecast

Currency	Support	Resistance
THB/USD	34.30	34.60
JPY/USD	122.50	124.75
USD/EUR	1.0750	1.0900
USD/GBP	1.5500	1.5650
USD/AUD	0.7250	0.7450
USD/NZD	0.6350	0.6615

Economic Calendar

Last Week

Date		Event		Survey	Actual	Prior
13-Jul-15	JN	Tertiary Industry Index MoM	May	-0.30%	-0.70%	-0.20%
14-Jul-15	GE	CPI MoM	Jun F	-0.10%	-0.10%	-0.10%
14-Jul-15	GE	CPI YoY	Jun F	0.30%	0.30%	0.30%
14-Jul-15	UK	CPI MoM	Jun	0.10%	0.00%	0.20%
14-Jul-15	UK	CPI YoY	Jun	0.00%	0.00%	0.10%
14-Jul-15	UK	CPI Core YoY	Jun	0.90%	0.80%	0.90%
14-Jul-15	UK	Retail Price Index	Jun	258.8	258.9	258.5
14-Jul-15	UK	PPI Input NSA MoM	Jun	-0.80%	-1.30%	-0.90%
14-Jul-15	UK	PPI Input NSA YoY	Jun	-11.80%	-12.60%	-12.00%
14-Jul-15	UK	PPI Output NSA MoM	Jun	0.10%	0.00%	0.10%
14-Jul-15	UK	PPI Output NSA YoY	Jun	-1.50%	-1.50%	-1.60%
14-Jul-15	EC	Industrial Production SA MoM	May	0.20%	-0.40%	0.10%
14-Jul-15	GE	ZEW Survey Current Situation	Jul	60	63.9	62.9
14-Jul-15	GE	ZEW Survey Expectations	Jul	29	29.7	31.5
14-Jul-15	US	NFIB Small Business Optimism	Jun	98.5	94.1	98.3
14-Jul-15	US	Retail Sales Advance MoM	Jun	0.30%	-0.30%	1.20%
14-Jul-15	US	Retail Sales Ex Auto MoM	Jun	0.50%	-0.10%	1.00%
14-Jul-15	US	Import Price Index MoM	Jun	0.10%	-0.10%	1.30%
15-Jul-15	JN	BOJ Annual Rise in Monetary Base	Jul-15	¥80T	¥80T	¥80T
15-Jul-15	FR	CPI MoM	Jun	0.00%	-0.10%	0.20%
15-Jul-15	FR	CPI YoY	Jun	0.30%	0.30%	0.30%
15-Jul-15	UK	Jobless Claims Change	Jun	-9.0K	7.0K	-6.5K
15-Jul-15	UK	Average Weekly Earnings 3M/YoY	May	3.30%	3.20%	2.70%
15-Jul-15	UK	Weekly Earnings ex Bonus 3M/YoY	May	3.00%	2.80%	2.70%
15-Jul-15	US	PPI Final Demand MoM	Jun	0.20%	0.40%	0.50%
15-Jul-15	US	PPI Ex Food and Energy MoM	Jun	0.10%	0.30%	0.10%
15-Jul-15	US	Empire Manufacturing	Jul	3	3.86	-1.98
15-Jul-15	US	Industrial Production MoM	Jun	0.20%	0.30%	-0.20%
15-Jul-15	US	Capacity Utilization	Jun	78.10%	78.40%	78.10%
15-Jul-15	US	Manufacturing (SIC) Production	Jun	0.10%	0.00%	-0.20%

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16-Jul-15	IT	Trade Balance EU	May	--	1310M	1133M
16-Jul-15	EC	Trade Balance SA	May	22.0B	21.2B	24.3B
16-Jul-15	EC	Trade Balance NSA	May	21.8B	18.8B	24.9B
16-Jul-15	EC	CPI MoM	Jun	0.00%	0.00%	0.20%
16-Jul-15	EC	CPI YoY	Jun F	0.20%	0.20%	0.20%
16-Jul-15	EC	CPI Core YoY	Jun F	0.80%	0.80%	0.80%
16-Jul-15	EC	ECB Main Refinancing Rate	Jul-16	0.05%	0.05%	0.05%
16-Jul-15	EC	ECB Deposit Facility Rate	Jul-16	-0.20%	-0.20%	-0.20%
16-Jul-15	EC	ECB Marginal Lending Facility	Jul-16	0.30%	0.30%	0.30%
16-Jul-15	US	Initial Jobless Claims	Jul-11	285K	281K	297K
16-Jul-15	US	Continuing Claims	Jul-04	2300K	2215K	2334K
16-Jul-15	US	Philadelphia Fed Business Outlook	Jul	12	5.7	15.2
16-Jul-15	US	NAHB Housing Market Index	Jul	59	60	59
16-Jul-15	IT	Trade Balance Total	May	--	4184M	3736M
17-Jul-15	US	Housing Starts	Jun	1106K	1174K	1036K
17-Jul-15	US	Housing Starts MoM	Jun	6.70%	9.80%	-11.10%
17-Jul-15	US	Building Permits	Jun	1150K	1343K	1275K
17-Jul-15	US	Building Permits MoM	Jun	-8.00%	7.40%	11.80%
17-Jul-15	US	CPI MoM	Jun	0.30%	0.30%	0.40%
17-Jul-15	US	CPI Ex Food and Energy MoM	Jun	0.20%	0.20%	0.10%
17-Jul-15	US	CPI YoY	Jun	0.10%	0.10%	0.00%
17-Jul-15	US	CPI Ex Food and Energy YoY	Jun	1.80%	1.80%	1.70%
17-Jul-15	US	CPI Index NSA	Jun	238.632	238.638	237.805
17-Jul-15	US	CPI Core Index SA	Jun	242.098	242.193	241.76
17-Jul-15	US	U. of Mich. Sentiment	Jul P	96	93.3	96.1
17-Jul-15	US	U. of Mich. Current Conditions	Jul P	--	106	108.9
17-Jul-15	US	U. of Mich. Expectations	Jul P	--	85.2	87.8

This Week

Date Time	Event			Survey	Actual	Prior
20-Jul-15	GE	PPI MoM	Jun	-0.10%	--	0.00%
20-Jul-15	GE	PPI YoY	Jun	-1.40%	--	-1.30%
20-Jul-15	EC	Current Account NSA	May	--	--	20.4B
20-Jul-15	IT	Current Account Balance	May	--	--	5139M
21-Jul-15	JN	Leading Index CI	May F	--	--	106.2
21-Jul-15	UK	Public Sector Net Borrowing	Jun	8.7B	--	9.4B
22-Jul-15	JN	All Industry Activity Index MoM	May	-0.60%	--	0.10%
22-Jul-15	JN	Machine Tool Orders YoY	Jun F	--	--	6.60%
22-Jul-15	FR	Manufacturing Confidence	Jul	101	--	100
22-Jul-15	IT	Industrial Orders NSA YoY	May	5.50%	--	7.90%
22-Jul-15	IT	Retail Sales MoM	May	0.00%	--	0.70%
22-Jul-15	IT	Retail Sales YoY	May	0.20%	--	0.00%
22-Jul-15	US	Existing Home Sales	Jun	5.40M	--	5.35M
22-Jul-15	US	Existing Home Sales MoM	Jun	0.90%	--	5.10%
23-Jul-15	JN	Trade Balance	Jun	¥45.8B	--	-¥216.0B

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23-Jul-15	JN	Trade Balance Adjusted	Jun	-¥260.0B	--	-¥182.5B
23-Jul-15	JN	Exports YoY	Jun	10	--	2.4
23-Jul-15	JN	Imports YoY	Jun	-4.2	--	-8.7
23-Jul-15	UK	Retail Sales Ex Auto Fuel MoM	Jun	0.40%	--	0.20%
23-Jul-15	UK	Retail Sales Ex Auto Fuel YoY	Jun	5.10%	--	4.40%
23-Jul-15	UK	Retail Sales Inc Auto Fuel MoM	Jun	0.40%	--	0.20%
23-Jul-15	UK	Retail Sales Inc Auto Fuel YoY	Jun	4.80%	--	4.60%
23-Jul-15	US	Initial Jobless Claims	Jul-18	280K	--	281K
23-Jul-15	US	Continuing Claims	Jul-11	2256K	--	2215K
23-Jul-15	US	Bloomberg Consumer Comfort	Jul-19	--	--	43.2
24-Jul-15	FR	Markit France Manufacturing PMI	Jul P	50.8	--	50.7
24-Jul-15	FR	Markit France Services PMI	Jul P	53.8	--	54.1
24-Jul-15	FR	Markit France Composite PMI	Jul P	53.3	--	53.3
24-Jul-15	GE	Markit Germany Services PMI	Jul P	54	--	53.8
24-Jul-15	GE	Markit/BME Germany Composite PMI	Jul P	53.9	--	53.7
24-Jul-15	EC	Markit Eurozone Manufacturing PMI	Jul P	52.5	--	52.5
24-Jul-15	EC	Markit Eurozone Services PMI	Jul P	54.2	--	54.4
24-Jul-15	EC	Markit Eurozone Composite PMI	Jul P	54	--	54.2
24-Jul-15	US	Markit US Manufacturing PMI	Jul P	53.6	--	53.6
24-Jul-15	US	New Home Sales	Jun	546K	--	546K
24-Jul-15	US	New Home Sales MoM	Jun	-0.10%	--	2.20%
24-Jul-15	GE	Import Price Index MoM	Jun	--	--	-0.20%
24-Jul-15	GE	Import Price Index YoY	Jun	--	--	-0.80%

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