

# Market Outlook

19-25 October 2015

## Highlight

### Last Week:

The main factor that effected movement of major currencies is the deprecation in USD. The Dollar was dropped significantly due to under estimated economic data which created a USD sell-off momentum against major currencies including the THB. Underperform economic indicators generated a concern that the Fed could not hike their rate within this year. For other major currencies, they were stronger due to weaken in USD. However, the USD was rebound marginally and the end of the week from a better than expected data in labor market and inflation data, although there were some concerns over the market in short term.

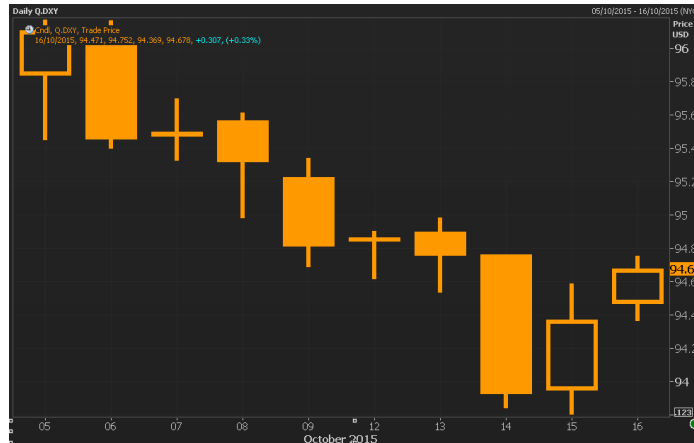
### This Week:

The USD is still in a bearish trend in short term from the uncertainty about the time to raise their borrowing cost. The main event of the week is the ECB monetary policy meeting. There is some expectation that ECB could loosen their monetary policy to inject some more liquidity and assist their sluggish economic. In addition, the data from China and Euro zone will be on focus as well.

## USD

Dollar index opened on Monday (12/10) at 94.863, slightly changed from Friday (9/10) closing level at 94.813. At the beginning of the week, the dollar was traded at three-week lows against basket currencies as doubts over the Federal Reserve's decision to hike interest rates before the years' end. Fed September policy meeting minutes released on the previous week reinforced expectations that U.S. interest rates will remain on hold until 2016 after a weak U.S. jobs report prompted investors to push back expectations on the timing of an initial rate hike. On Wednesday (14/10), the release of U.S. retail sales and producer price inflation data were disappointed moving the dollar index to the 7-week lows at 93.806 on Thursday (15/10). The U.S. Commerce Department reported that U.S. retail sales increased by 0.1% last month, missing expectations for a gain of 0.2% while Producer prices declined by 0.5% in September worse than forecasts for a drop of 0.2% . On Thursday (15/10), however, the dollar trimmed losses against major currencies as the release of upbeat U.S. data eased concerns over the weak of U.S. economy. The U.S. Department of Labor also reported that the number of individuals filing for initial jobless benefits in the week ending October 10th decreased by 7,000 to 255,000 from the previous week's total of 262,000 while the consumer price index were flat YoY in September better than the expectation of 0.1% slip. On Friday (16/10), the dollar held gains against major currencies and closed at the level of 94.54 as the consumer sentiment index released by the University of Michigan was better than expectation.

### **Graph: Dollar Index (DXY)**



*Source: Reuters*

**Comments:** In the week ahead, we expected the dollar index could rebound from the 7-week low and may reach the level of 95 again after strongly pressured in last two weeks however investors will focus on the outcome of Thursday's (22/10) ECB meeting and U.S. housing data released this week. Monday's data on Chinese third quarter economic growth will also be closely watched amid fears that a China-led slowdown in global growth could prompt the Fed to delay hiking rates.

## EUR & GBP

Euro opened on Monday (12/10) at 1.1372/76 USD/EUR, slightly appreciated from the previous Friday (9/10) closing level at 1.1335/36 USD/EUR although one of the European Central Bank (ECB)'s committee said that it was too soon for the ECB to make decision about the extension of the amount and time for the implementation of quantitative easing. He said the Eurozone economy was reviving and thought that the ECB was about to use all instruments to boost the economy if necessary to handle with a-long time low inflation rate. Nevertheless, the economic data released during last week were quite disappointing. On Tuesday (13/10), there were reports that German ZEW economic sentiment fell to 1.9 in October, below market expectation at 6.0 and lower than the previous month at 12.1 due to the recession in emerging economies, while German ZEW current condition fell to 55.2 in October, below market at 64.7 and lower than the previous month at 67.5. Eurozone ZEW economic sentiment dropped from 33.3 in September to 30.1 in October, in line with the forecast. On Friday (16/10), Eurostat reported that consumer prices in the 19 countries sharing the euro fell by 0.1% in the year to September, dipping below zero for the first time since March, and confirming its earlier estimation. On a big picture for the Euro during last week, the currency quite firmed as bourses slid and the US dollar sank on poor data. The Euro moved between 1.1347 – 1.1495 USD/EUR, and closed on Friday (16/10) at 1.1370/72 USD/EUR.

### Graph: EUR & GBP



Source: Reuter

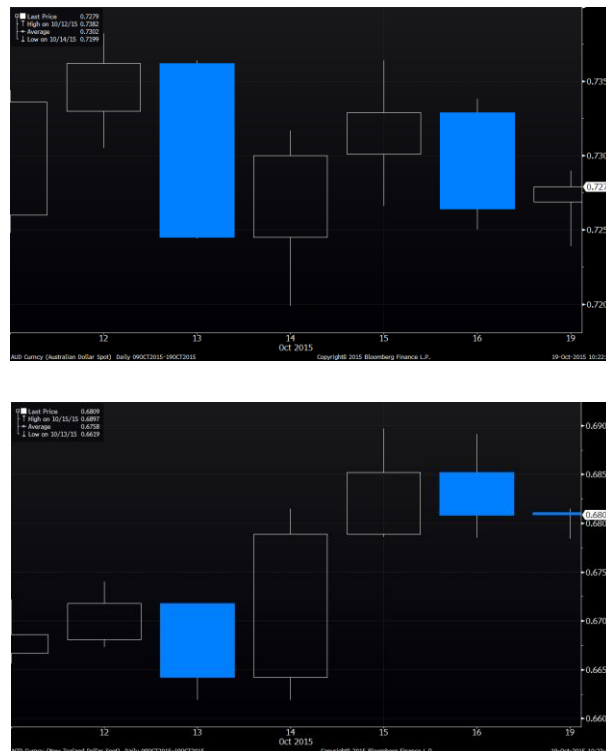
**Comments:** This week, we think the Euro and the Pound may not have much movement since the market is keeping an eye on Federal Reserve's meeting next week (27-28/10). Moreover, the ECB meeting and the ECB press conference will be held on Thursday (22/10). Many economic data are also to be focused; UK house price index (19/10), German PPI, Eurozone current account, BOE Governor Carney Speech (20/10), Eurozone consumer confidence (22/10), and Eurozone manufacturing PMI (23/10). We expect the Euro and the Pound will move between 1.1280-1.1420 USD/EUR and 1.5198 -1.5508 USD/GBP respectively during this week.

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## AUD & NZD

The Aussie started the week on Monday (12/10) at 0.7320/24 USD/AUD stable from previous closed level, while the Kiwi stated the week at 0.6681/87 USD/NZD slightly stronger from previous closed level. At the beginning of the week, the AUD rose after weak U.S. data released and prompted investors to pull back expectations for the timing of the Fed's first rate increase. However, the AUD dropped on mid-week after disappointing Chinese factory-gate deflation and less-than-expected consumer inflation; added to signs of slowdown in the world's second-largest economy follow a slump in September imports. Nonetheless, the currency jumped back on Thursday to level above 0.7300 USD/AUD after the US retail sales report was weak. Earlier in the session, Australia's central bank warned lending standards for home loans has been looser than first thought, adding to the risks of and eventual downturn in the housing market. NZD also rose after slightly higher-than-expected inflation data added to speculation the Reserve Bank of New Zealand (RBNZ) may not cut rates at its October 29 policy review. The Kiwi was also in demand as the expectation that Fed will not hike rates this year was growing. The AUD was moved in a range of 0.7195-0.7382 USD/AUD and closed on Friday (16/10) at 0.7257/60 USD/AUD whereas the Kiwi was varied between 0.6614-0.6897 USD/NZD and closed at 0.6808/13 USD/NZD.

### **Graph: AUD and NZD**



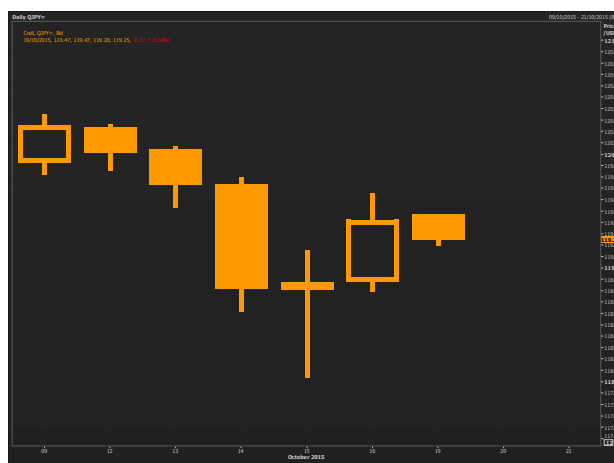
Source: Bloomberg

**Comments:** The AUD and NZD will still remain influenced by global growth sentiment, commodity price movements and USD trends. The Aussie is expected to move in a range of 0.7240 – 0.7320 USD/AUD while Kiwi is expected to move in a range of 0.6770 – 0.6840 USD/NZD.

## JPY

On Monday (12/10), the Yen opened at 120.24/26 JPY/USD and move in a bell shape during the week. The Yen benefited from a flight to safety as the dollar fell near three-week lows against a basket of currencies as expectations faded that Fed will raise interest rates this year. Moreover, Chinese trade data released on Tuesday (13/10) show the sign of Chinese economic contraction as imports sank more than predicted. Besides, Japanese manufacturers' confidence worsened for the second straight month and is expected to fade going forward, keeping policymakers under pressure to deploy fresh stimulus. However at the end of the week, the Yen fell after better-than-expected U.S. inflation data kept alive bets the Fed would raise the rate this year, and expectations grew for more euro zone easing. The Yen was moved between 118.04-120.26 JPY/USD and closed on Friday (16/10) at 119.42/45 JPY/USD.

### **Graph: JPY**



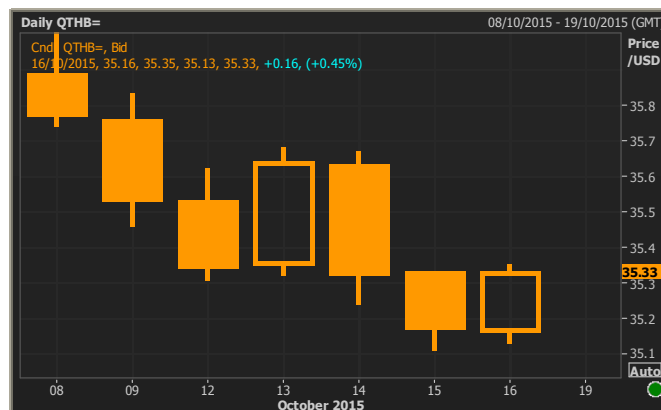
*Source: Reuters*

**Comments:** Not only, The Japanese trade data will be released on Tuesday (20/10), ECB meeting on Thursday (22/10) may create a movement in Japanese currency. We expected the Yen will move in a range of 118.50 – 120.00 JPY/USD.

## THB

Thai Baht opened on Monday (12/10) at 35.59/60 THB/USD, depreciated from Friday's closing (9/10) level at 35.53/55 THB/USD after the dollar recovered from Federal Reserve Bank (Fed) of Atlanta President Dennis Lockhart said the Fed is still to raise interest rate within this year. Moreover, the Thai Baht was pressured from disappointed on China economic data. On Tuesday (13/10), the report showed China's export fell 1.1% in September (YoY) and imports tumbled for the 11<sup>th</sup> straight month, losing 17.7% in September (YoY). However, Thai Baht was returned appreciation in the middle of week, and hit the lowest level in 2 months at 35.11 on the soft U.S. data allay worries over rate hike. On Wednesday (14/10), the data reported the U.S. retail sales rose by only 0.1% in September, below the forecast of 0.2% increased and U.S. producer prices fell by 0.5% in September, the lowest in this year. Moreover the president of the Federation of Thai Industries disclosed that the rise in the industrial sentiment index increased to 82.8 in September from 82.4 in August. Nonetheless, the Thai Baht depreciated again on Friday (16/10), the U.S. core consumer prices which exclude food and energy cost increased by 0.2% in September, above 0.1% forecast and also initial jobless claims in the week ending October 10 decreased by 7,000 to 255,000 jobs, lower than the expectation rose by 8,000 to 269,000 jobs. During the week, Thai Baht moved in the range between 35.11-35.68 THB/USD and close on Friday (16/10) at 35.32/33 THB/USD.

### Graph: THB



Source: Reuters

**Comments:** This week, we wait for Q3-GDP and Industrial Production in September from China that maybe show the slowdown in Chinese economy and affected to all Asian currencies, including Thai Baht while there was very little the data of U.S. economy in this week. There are only U.S. housing data and Makit Economics' Manufacturing PMI reports released this week. So, we expect that Thai Baht will move within the range 35.20-35.45 THB/USD.

## FX Forecast

Currency	Support	Resistance
<b>THB/USD</b>	<b>35.20</b>	<b>35.45</b>
<b>JPY/USD</b>	<b>118.50</b>	<b>120.00</b>
<b>USD/EUR</b>	<b>1.1280</b>	<b>1.1420</b>
<b>USD/GBP</b>	<b>1.5198</b>	<b>1.5508</b>
<b>USD/AUD</b>	<b>0.7240</b>	<b>0.7320</b>
<b>USD/NZD</b>	<b>0.6770</b>	<b>0.6840</b>

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## Economic Calendar

### Last Week

Date Time		Event		Survey	Actual	Prior
10/13/2015	AU	NAB Business Confidence	Sep	--	5	1
10/13/2015	CH	Trade Balance	Sep	\$48.21b	\$60.34b	\$60.24b
10/13/2015	CH	Exports YoY	Sep	-6.00%	-3.70%	-5.50%
10/13/2015	CH	Imports YoY	Sep	-16.00%	-20.40%	-13.80%
10/13/2015	JN	Consumer Confidence Index	Sep	41.5	40.6	41.7
10/13/2015	JN	Machine Tool Orders YoY	Sep P	--	-19.10%	-16.50%
10/13/2015	GE	CPI MoM	Sep F	-0.20%	-0.20%	-0.20%
10/13/2015	GE	CPI YoY	Sep F	0.00%	0.00%	0.00%
10/13/2015	UK	CPI MoM	Sep	0.00%	-0.10%	0.20%
10/13/2015	UK	CPI YoY	Sep	0.00%	-0.10%	0.00%
10/13/2015	UK	CPI Core YoY	Sep	1.10%	1.00%	1.00%
10/13/2015	UK	Retail Price Index	Sep	260	259.6	259.8
10/13/2015	GE	ZEW Survey Expectations	Oct	6.5	1.9	12.1
10/13/2015	EC	ZEW Survey Expectations	Oct	--	30.1	33.3
10/14/2015	JN	PPI MoM	Sep	-0.40%	-0.50%	-0.60%
10/14/2015	JN	PPI YoY	Sep	-3.90%	-3.90%	-3.60%
10/14/2015	CH	CPI YoY	Sep	1.80%	1.60%	2.00%
10/14/2015	CH	PPI YoY	Sep	-5.90%	-5.90%	-5.90%
10/14/2015	FR	CPI MoM	Sep	-0.40%	-0.40%	0.30%
10/14/2015	FR	CPI YoY	Sep	0.10%	0.00%	0.00%
10/14/2015	UK	Claimant Count Rate	Sep	2.30%	2.30%	2.30%
10/14/2015	UK	Jobless Claims Change	Sep	-2.2k	4.6k	1.2k
10/14/2015	EC	Industrial Production SA MoM	Aug	-0.50%	-0.50%	0.60%
10/14/2015	US	PPI Final Demand MoM	Sep	-0.20%	-0.50%	0.00%
10/15/2015	AU	Unemployment Rate	Sep	6.20%	6.20%	6.20%
10/15/2015	JN	Industrial Production MoM	Aug F	--	-1.20%	-0.50%
10/15/2015	JN	Industrial Production YoY	Aug F	--	-0.40%	0.20%
10/15/2015	US	Initial Jobless Claims	Oct-10	270k	255k	263k
10/15/2015	US	Continuing Claims	Oct-03	2200k	2158k	2204k
10/15/2015	US	Empire Manufacturing	Oct	-8	-11.36	-14.67
10/15/2015	US	CPI MoM	Sep	-0.20%	-0.20%	-0.10%
10/15/2015	US	Bloomberg Consumer Comfort	Oct-11	--	45.2	44.8
10/16/2015	IT	Trade Balance Total	Aug	--	1850m	8026m
10/16/2015	EC	CPI MoM	Sep	0.20%	0.20%	0.00%
10/16/2015	EC	CPI YoY	Sep F	-0.10%	-0.10%	-0.10%
10/16/2015	EC	CPI Core YoY	Sep F	0.90%	0.90%	0.90%
10/16/2015	US	Industrial Production MoM	Sep	-0.20%	-0.20%	-0.40%
10/16/2015	US	JOLTS Job Openings	Aug	5580	5370	5753
10/16/2015	US	U. of Mich. Sentiment	Oct P	89	92.1	87.2

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## This Week

Date		Event		Survey	Actual	Prior
10/19/2015	CH	Retail Sales YoY	Sep	10.80%	10.90%	10.80%
10/19/2015	CH	Industrial Production YoY	Sep	6.00%	5.70%	6.10%
10/19/2015	CH	GDP YoY	3Q	6.80%	6.90%	7.00%
10/19/2015	EC	Construction Output MoM	Aug	--	--	1.00%
10/19/2015	EC	Construction Output YoY	Aug	--	--	1.80%
10/19/2015	US	NAHB Housing Market Index	Oct	62	--	62
10/20/2015	AU	RBA Oct. Meeting Minutes				
10/20/2015	GE	PPI MoM	Sep	-0.20%	--	-0.50%
10/20/2015	GE	PPI YoY	Sep	-1.80%	--	-1.70%
10/20/2015	EC	Current Account NSA	Aug	--	--	33.8b
10/20/2015	US	Housing Starts	Sep	1147k	--	1126k
10/20/2015	US	Housing Starts MoM	Sep	1.90%	--	-3.00%
10/20/2015	US	Building Permits	Sep	1165k	--	1170k
10/20/2015	US	Building Permits MoM	Sep	-0.40%	--	3.50%
10/21/2015	JN	Trade Balance	Sep	¥87.0b	--	-¥569.7b
10/21/2015	JN	Exports YoY	Sep	3.8	--	3.1
10/21/2015	JN	Imports YoY	Sep	-11.9	--	-3.1
10/22/2015	AU	NAB Business Confidence	3Q	--	--	4
10/22/2015	UK	Retail Sales Ex Auto Fuel MoM	Sep	0.40%	--	0.10%
10/22/2015	UK	Retail Sales Ex Auto Fuel YoY	Sep	4.70%	--	3.50%
10/22/2015	UK	Retail Sales Inc Auto Fuel MoM	Sep	0.40%	--	0.20%
10/22/2015	UK	Retail Sales Inc Auto Fuel YoY	Sep	4.80%	--	3.70%
10/22/2015	EC	ECB Main Refinancing Rate	Oct-22	0.05%	--	0.05%
10/22/2015	EC	ECB Deposit Facility Rate	Oct-22	-0.20%	--	-0.20%
10/22/2015	US	Initial Jobless Claims	Oct-17	265k	--	255k
10/22/2015	US	Continuing Claims	Oct-10	2195k	--	2158k
10/22/2015	EC	Consumer Confidence	Oct A	-7.4	--	-7.1
10/22/2015	US	Existing Home Sales	Sep	5.37m	--	5.31m
10/22/2015	US	Existing Home Sales MoM	Sep	1.10%	--	-4.80%
10/23/2015	FR	Markit France Manufacturing PMI	Oct P	50.2	--	50.6
10/23/2015	FR	Markit France Services PMI	Oct P	51.7	--	51.9
10/23/2015	FR	Markit France Composite PMI	Oct P	51.9	--	51.9
10/23/2015	GE	Markit Germany Services PMI	Oct P	53.9	--	54.1
10/23/2015	EC	Markit Eurozone Manufacturing PMI	Oct P	51.7	--	52
10/23/2015	EC	Markit Eurozone Services PMI	Oct P	53.5	--	53.7
10/23/2015	EC	Markit Eurozone Composite PMI	Oct P	53.4	--	53.6
10/23/2015	IT	Industrial Orders MoM	Aug	--	--	0.60%
10/23/2015	IT	Industrial Orders NSA YoY	Aug	--	--	10.40%
10/23/2015	IT	Retail Sales MoM	Aug	--	--	0.40%
10/23/2015	IT	Retail Sales YoY	Aug	--	--	1.70%
10/23/2015	US	Markit US Manufacturing PMI	Oct P	52.9	--	53.1

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