

# Market Outlook

13 – 19 June 2016

## Highlight

### Last Week:

The US dollar continuously dropped against major currencies last week after the time of next FED rate hike has been shifted out. Moreover, investors reduce the possibility of FED rate hike in July meeting to 30% from 60% previously. However, the USD has gained momentum after better figures of initial jobless claims and also the risk of Brexit, which the referendum will be held on 23<sup>rd</sup> June.

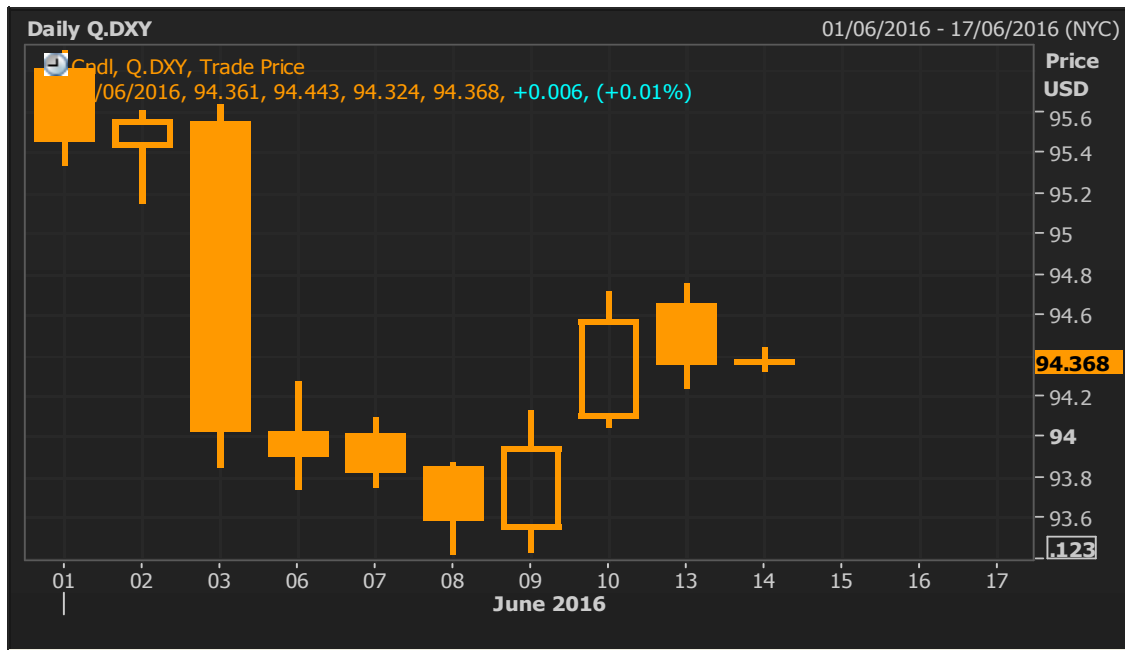
### This Week:

Market is eyeing FOMC meeting, which will be held on June 14-15<sup>th</sup>, Bank of Japan meeting which will be held on 15-16<sup>th</sup> June and Bank of England meeting which will be held on 15<sup>th</sup> June.

## USD

The dollar fell more than three week low against the basket of major currencies after a strongly disappointing May employment report, 38,000 jobs increased from 160,000 jobs expectation, which reduced the chance of a rate hiking on Fed Reserve's June 14-15 meeting, and reduced the likelihood of a July rate hike to around 30% from round 60%. The dollar continued to move down as Federal Reserve Chair Janet Yellen's speech failed to offers any hints about rate hiking timing. However, the dollar rebounded at the end of the week as jobless claims data was below expected and the risk of 'Brexit' push the demand for dollar.

## Graph: Dollar Index (DXY)



Source: Reuter

**Comments:** The market await for Fed Reserve chair rate hiking hint from FOMC meeting on 14 – 15 June. The important economic reports which will release are retail sales data (14/6) and Consumer Price Index (16/6).

## EUR & GBP

The EUR opened on Monday (06/06) at 1.1350/53 USD/EUR, appreciated from Friday (03/06) closing level at 1.1143/45 USD/EUR. The euro remained under pressure after the unclear the British referendum. However, the Euro has had moving data on the calendar, which means the performance of euro will be determined by the market's appetite for U.S. dollars. Eurozone data was better than expected with German's trade surplus dropping to 25.6B instead of 21.3B otherwise expected. Exports were flat instead of falling and import declined. The current account surplus also narrowed less than expected. The ECB President Draghi didn't emphasize on anything in particular– he simply expressed his desire to see fiscal policies be aligned with monetary policies. Other ECB officials, including Villeroy, have been stressing the central bank's easy policy and warning that 'as long as inflation is too low we must take action.' During lastweek, The ECB kicked off its corporate bond-buying program on June 8th and investors hope their aggressive start plus the TLTRO program will begin on June 22nd together. Last week, the EUR moved between 1.1243- 1.1415 USD/EUR before it closed at 1.1249/53 USD/EUR.

The GBP opened on Monday (06/06) at 1.4397/99 USD/GBP, depreciated from Friday (03/06) closing level at 1.4407/10 USD/GBP. Another week another rollercoaster ride for the sterling oust climbed as high as 1.4643 and ended the week near 1.4200

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level. Meanwhile, the U.K. data was strong with industrial production rising 2% in April and the NIESR GDP estimated to rise to 0.5% for the month of May. The manufacturing production grew at its fastest pace since 2012 and the improvement is consistent with the pickup reported in the PMI manufacturing index. With exactly 10 days to go before the E.U. referendum the polls still concern over the great risk if the U.K. votes to leave the European Union. According to the U.K. Finance Minister Osborne, Turkey will not be joining the European Union, which should encourage voters to Remain because Turkish migration is viewed as a threat. However, the investors still focus on the June 23rd vote. During the week, GBP moved between 1.4177-1.4643 USD/GBP before it closed at 1.4256/59 USD/GBP.

### **Graph: EUR and GBP**



Source: Reuters

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**Comments:** In this week, both of the EUR and the GBP moved like a rollercoaster against the greenback due to the investors' concern over Brexit and unknown-performance economic data of EU. The euro is expected to move in range of 1.1150 – 1.1450 USD/EUR and the pound is expected to move in range of 1.4050 – 1.4550 USD/GBP this week.

## AUD & NZD

The Australian and the New Zealand dollars were traded in a range between 0.7312–0.7504 AUD/USD and 0.6891 – 0.7146 NZD/USD, respectively. The two currencies rose at the beginning of last week after the RBA's decision on Tuesday (2/6) to hold the cash rate unchanged at 1.75%, the same as RBNZ's action on Thursday (9/6) that held its rate constant at 2.25%, while the Fed signaled a reluctance to lift rates again, at least until July's meeting. However, the Aussie and the Kiwi dropped at the end of the week as investors sold off risky asset after the US jobless claim came out better than market expectation.

### Graph: AUD and NZD



Source: Reuter

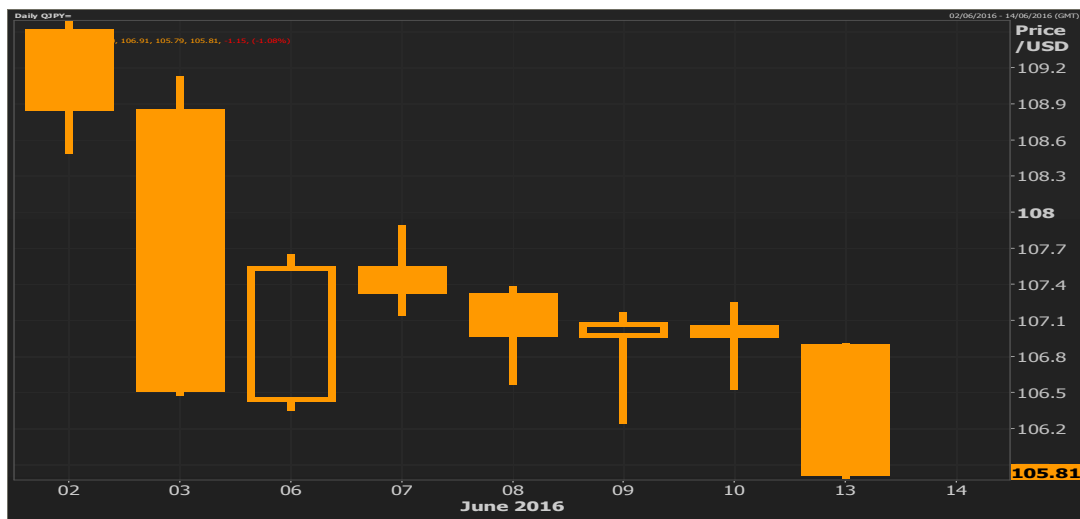
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**Comments:** If the policy stances of the US, the Australian and the New Zealand central banks began to converge again, we expect that the Australian and the New Zealand dollars will be strengthened further and the range for this week should be 0.7320 – 0.7500 AUD/USD and 0.7000 – 0.7120 NZD/USD.

## JPY

The Yen opened on Monday (6/6) at 106.79/81 JPY/USD, strengthened from last Friday (3/6) closing level at 108.92/96 JPY/USD, supported by a sharp fall in U.S. dollar after the U.S. economic data released on the previous Friday (3/6) disappointed the market. During the week, the yen continued to gain as the report on Wednesday (8/6) indicated that Japan's economy grew faster than initially estimated in the first quarter. Japan's economy expanded at an annualized 1.9 percent rate in the first quarter of this year, revised up from a preliminary reading of 1.7 percent growth, the Cabinet Office data showed. However, Bank of Japan (BOJ)'s Vice Chairman had warned that world economy was on the risk side, and the private consumption was still weak. Accordingly, BOJ said that they are willing to ease the monetary policy if needed. The yen, however; still moved in an appreciated trend as the investors preferred the currency as the safe haven asset since there is less possibility that the Federal Reserve's will hike the rate. Last week, the yen moved between 106.24-107.89 JPY/USD, before closed on Friday (10/6) at 106.96/99 JPY/USD.

### Graph: JPY



Source: Reuters

**Comments:** The Yen is likely to appreciate as the markets expect that the Bank of Japan will remain the monetary policy on hold at its meeting on June 16. This week, we forecast that the yen will move between 104.50-108.00 JPY/USD.

## THB

The Baht opened on last Monday (6/6) at 35.35/37 THB/USD, significantly appreciated from previous Friday's closing level at 35.61/63 THB/USD. Similar to other currencies, the Baht instantly appreciated against the greenback after the release of weak U.S. data. The Labor Department said the U.S. economy added 38,000 jobs in May, far below an expectations of 164,000 increase. It marked the slowest monthly job growth since September, 2010 which dampened optimism over the strength of the economy and result in lowered expectations for a summer rate hike by the Federal Reserve. Many economist revised down the possibility of Fed hiking the rate; for example, CME Group FedWatch decreased a chance in June and July meeting down to just 4% and 38% from 20% and 58% respectively. During the week, the baht gradually made further appreciation from Monday's Level and hit the most appreciated point at 35.10 THB/USD on Thursday(9/6). However, the Baht was slightly pressured as a survey by the University of the Thai Chamber of Commerce (UTCC) released on Thursday(9/6) showed that the consumer confidence index dropped to 72.6 points last month after the economy was recovering quite slowly and the income had stagnated because of low crop prices and the impact of the drought. Poor export prospects also weighed heavily. The baht was closed on Friday(10/6) at 35.19/21 THB/USD.

### **Graph: THB**



Source: Reuters

**Comment:** This week, the Baht will move depend on the movement of other major currencies. Federal reserve (FED) will have the meeting on 14-15 June which there are almost 100% that they will keep the rate at the same level. However, their announcement and statement will have some clues on the future direction of U.S. interest rates. Moreover, on Thursday (16/6), BOJ and BOE will also have their monetary policy meeting. We expect the Baht will move between 35.00-35.40 THB/USD.

## FX Forecast

Currency	Support	Resistance
USD/THB	35.00	35.40
USD/JPY	104.5	108.0
EUR/USD	1.1150	1.1450
GBP/USD	1.4050	1.4550
AUD/USD	0.7320	0.7500
NZD/USD	0.7000	0.7120

## Economic Calendar

### Last Week

Date Time		Event		Survey	Actual	Prior
06/06/2016	GE	Factory Orders MoM	Apr	-0.50%	-2.00%	1.90%
	GE	Factory Orders WDA YoY	Apr	0.60%	-0.50%	1.70%
	GE	Markit Germany Construction PMI	May	--	52.7	53.4
	EC	Markit Eurozone Retail PMI	May	--	50.6	47.9
	FR	Markit France Retail PMI	May	--	50.6	48.2
	IT	Markit Italy Retail PMI	May	--	45.2	42.6
	EC	Sentix Investor Confidence	Jun	7	9.9	6.2
07/06/2016	JN	Leading Index CI	Apr P	100.7	100.5	99.3
	JN	Coincident Index	Apr P	112.7	112.2	111.1
	GE	Industrial Production SA MoM	Apr	0.70%	0.80%	-1.30%
	GE	Industrial Production WDA YoY	Apr	1.00%	1.20%	0.30%
	FR	Trade Balance	Apr	-4450m	-5219m	-4368m
	FR	Current Account Balance	Apr	--	-2.8b	-1.8b
	UK	Halifax House Prices MoM	May	0.30%	0.60%	-0.80%
	EC	GDP SA QoQ	1Q F	0.50%	0.60%	0.50%
	EC	GDP SA YoY	1Q F	1.50%	1.70%	1.50%
	EC	Gross Fix Cap QoQ	1Q	1.10%	0.80%	1.30%
	EC	Govt Expend QoQ	1Q	0.40%	0.40%	0.60%
	EC	Household Cons QoQ	1Q	0.50%	0.60%	0.20%
	US	Nonfarm Productivity	1Q F	-0.60%	-0.60%	-1.00%
	US	Unit Labor Costs	1Q F	4.00%	4.50%	4.10%
08/06/2016	JN	GDP SA QoQ	1Q F	0.50%	0.50%	0.40%

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	JN	GDP Annualized SA QoQ	1Q F	1.90%	1.90%	1.70%
	JN	GDP Nominal SA QoQ	1Q F	0.60%	0.60%	0.50%
	JN	GDP Deflator YoY	1Q F	0.90%	0.90%	0.90%
	JN	GDP Private Consumption QoQ	1Q F	0.50%	0.60%	0.50%
	JN	GDP Business Spending QoQ	1Q F	-0.40%	-0.70%	-1.40%
	FR	Bank of France Bus. Sentiment	May	100	97	99
	UK	Industrial Production MoM	Apr	0.00%	2.00%	0.30%
	UK	Industrial Production YoY	Apr	-0.40%	1.60%	-0.20%
	UK	Manufacturing Production MoM	Apr	-0.10%	2.30%	0.10%
	UK	Manufacturing Production YoY	Apr	-1.50%	0.80%	-1.90%
	US	MBA Mortgage Applications	Jun-03	--	9.30%	-4.10%
	UK	NIESR GDP Estimate	May	--	0.50%	0.30%
	US	JOLTS Job Openings	Apr	5675	5788	5757
09/06/2016	JN	Machine Orders YoY	Apr	-1.80%	-8.20%	3.20%
	JN	Money Stock M2 YoY	May	3.30%	3.40%	3.30%
	JN	Money Stock M3 YoY	May	2.70%	2.80%	2.70%
	GE	Exports SA MoM	Apr	-0.80%	0.00%	1.90%
	GE	Imports SA MoM	Apr	1.30%	-0.20%	-2.30%
	UK	Trade Balance Non EU GBP/Mn	Apr	-£3200	-£2602	-£3114
	UK	Trade Balance	Apr	-£3700	-£3294	-£3830
	US	Initial Jobless Claims	Jun-04	270k	264k	267k
	US	Wholesale Inventories MoM	Apr	0.10%	0.60%	0.10%
	US	Household Change in Net Worth	1Q	--	\$837b	\$1637b
10/06/2016	JN	PPI MoM	May	0.10%	0.20%	-0.30%
	JN	PPI YoY	May	-4.20%	-4.20%	-4.20%
	JN	Tertiary Industry Index MoM	Apr	0.60%	1.40%	-0.70%
	GE	Wholesale Price Index MoM	May	--	0.90%	0.30%
	GE	Wholesale Price Index YoY	May	--	-2.30%	-2.70%
	GE	CPI MoM	May F	0.30%	0.30%	0.30%
	GE	CPI YoY	May F	0.10%	0.10%	0.10%
	IT	Industrial Production MoM	Apr	0.30%	0.50%	0.00%
	UK	Construction Output SA YoY	Apr	-4.80%	-3.70%	-4.50%
	UK	BoE/TNS Inflation Next 12 Mths	May	--	2.00%	1.80%
	US	U. of Mich. Sentiment	Jun P	94	94.3	94.7
	US	U. of Mich. Expectations	Jun P	--	83.2	84.9
	US	U. of Mich. 1 Yr Inflation	Jun P	--	2.40%	2.40%

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Date Time		Event		Survey	Actual	Prior
13/06/2016	JN	BSI Large All Industry QoQ	2Q	--	-7.9	-3.2
14/06/2016	JN	Industrial Production MoM	Apr F	--	--	0.30%
	JN	Industrial Production YoY	Apr F	--	--	-3.50%
	JN	Capacity Utilization MoM	Apr	--	--	3.20%
	IT	CPI EU Harmonized YoY	May F	-0.30%	--	-0.30%
	UK	CPI MoM	May	0.30%	--	0.10%
	UK	CPI YoY	May	0.40%	--	0.30%
	UK	CPI Core YoY	May	1.30%	--	1.20%
	UK	Retail Price Index	May	262.2	--	261.4
	EC	Industrial Production SA MoM	Apr	0.80%	--	-0.80%
	EC	Industrial Production WDA YoY	Apr	1.40%	--	0.20%
	EC	Employment QoQ	1Q	--	--	0.30%
	EC	Employment YoY	1Q	--	--	1.20%
	US	NFIB Small Business Optimism	May	93.6	--	93.6
	US	Import Price Index MoM	May	0.70%	--	0.30%
	US	Import Price Index YoY	May	-5.90%	--	-5.70%
	US	Retail Sales Advance MoM	May	0.30%	--	1.30%
	US	Retail Sales Ex Auto MoM	May	0.40%	--	0.80%
	US	Retail Sales Ex Auto and Gas	May	0.30%	--	0.60%
	CA	Teranet/National Bank HPI YoY	May	--	--	8.10%
	US	Retail Sales Control Group	May	0.30%	--	0.90%
	US	Business Inventories	Apr	0.20%	--	0.40%
15/06/2016	JN	Tokyo Condominium Sales YoY	May	--	--	-13.50%
	JN	Machine Tool Orders YoY	May F	--	--	-25.00%
	FR	CPI EU Harmonized MoM	May F	0.30%	--	0.30%
	FR	CPI EU Harmonized YoY	May F	0.00%	--	0.00%
	FR	CPI MoM	May F	0.40%	--	0.40%
	FR	CPI YoY	May F	-0.10%	--	-0.10%
	UK	Claimant Count Rate	May	2.10%	--	2.10%
	UK	Jobless Claims Change	May	0.0k	--	-2.4k
	EC	Trade Balance SA	Apr	21.5b	--	22.3b
	EC	Trade Balance NSA	Apr	26.0b	--	28.6b
	US	MBA Mortgage Applications	Jun-10	--	--	9.30%
	CA	Manufacturing Sales MoM	Apr	0.60%	--	-0.90%
	US	PPI Final Demand MoM	May	0.30%	--	0.20%
	US	PPI Ex Food and Energy MoM	May	0.10%	--	0.10%
	US	PPI Ex Food, Energy, Trade MoM	May	0.10%	--	0.30%

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	US	PPI Final Demand YoY	May	-0.10%	--	0.00%
	US	PPI Ex Food and Energy YoY	May	1.00%	--	0.90%
	US	PPI Ex Food, Energy, Trade YoY	May	--	--	0.90%
	CA	Existing Home Sales MoM	May	--	--	3.10%
	US	Industrial Production MoM	May	-0.20%	--	0.70%
	US	Capacity Utilization	May	75.20%	--	75.40%
16/06/2016	US	FOMC Rate Decision (Upper Bound)	Jun-15	0.50%	--	0.50%
	US	FOMC Rate Decision (Lower Bound)	Jun-15	0.25%	--	0.25%
	JN	Foreign Buying Japan Bonds	Jun-10	--	--	¥611.0b
	JN	Foreign Buying Japan Stocks	Jun-10	--	--	-¥97.8b
	EC	EU27 New Car Registrations	May	--	--	9.10%
	EC	CPI MoM	May	0.30%	--	0.00%
	EC	CPI YoY	May F	-0.10%	--	-0.10%
	EC	CPI Core YoY	May F	0.80%	--	0.80%
	UK	Bank of England Bank Rate	Jun-16	0.50%	--	0.50%
	UK	BOE Asset Purchase Target	Jun	375b	--	375b
	US	CPI MoM	May	0.30%	--	0.40%
	US	CPI Ex Food and Energy MoM	May	0.20%	--	0.20%
	US	CPI YoY	May	1.10%	--	1.10%
	US	CPI Ex Food and Energy YoY	May	2.20%	--	2.10%
	US	CPI Index NSA	May	240.357	--	239.261
	US	CPI Core Index SA	May	247.047	--	246.574
	US	Real Avg Weekly Earnings YoY	May	--	--	1.30%
	JN	BOJ Annual Rise in Monetary Base	Jun-16	¥80t	--	¥80t
	JN	BOJ Monetary Policy Statement				
	JN	BOJ Basic Balance Rate	Jun-16	--	--	0.10%
	JN	BOJ Macro Add-On Balance Rate	Jun-16	--	--	0.00%
	JN	BOJ Policy Rate	Jun-16	-0.10%	--	-0.10%
17/06/2016	US	Housing Starts	May	1149k	--	1172k
	US	Housing Starts MoM	May	-2.00%	--	6.60%
	US	Building Permits	May	1145k	--	1116k
	CA	CPI NSA MoM	May	0.50%	--	0.30%
	US	Building Permits MoM	May	1.30%	--	3.60%
	CA	CPI YoY	May	1.60%	--	1.70%

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