

Market Outlook

21 – 27 March 2016

Highlight

Last Week:

The USD was under pressure again after FOMC committee have decided to keep their policy rate unchanged at 0.25-0.50%, and diminish the possibility to raise their rate by 2 times from 4 times within this year. Also, the economic data came out mixed and created a concern over the market. In addition, the THB was continually strong from weaker USD and capital inflow. For other currencies, they were almost appreciated against USD especially the JPY since Bank of Japan (BoJ) maintain their policy rate as expected, and said that they need more time to consider the affect from discount interest announced by January 2016. The BoE also kept their rate unchanged from previous meeting as well.

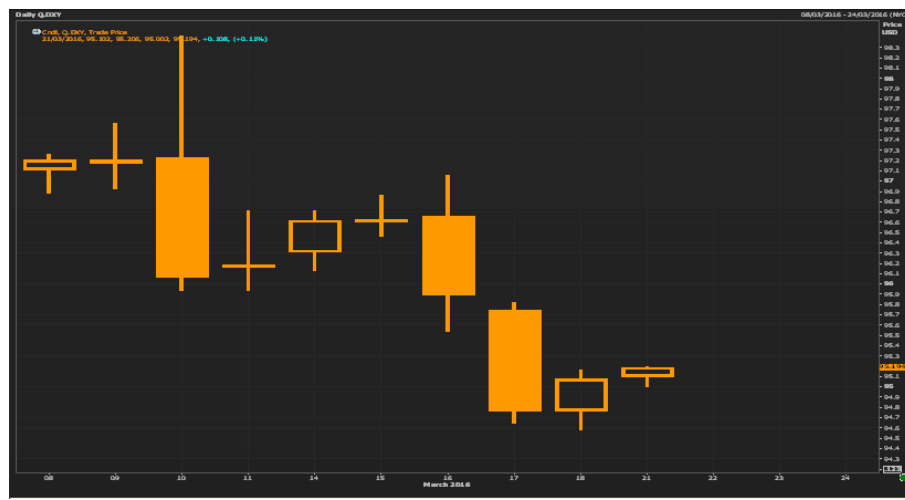
This Week:

This week, The USD could confront another fluctuation as effect from previous rate announcement. Markets will monitor the US Economic data to evaluate the movement. On Wednesday (23/3) the Bank of Thailand will schedule the second monetary policy meeting which could create short term fluctuation to the market.

USD

In the early of last week, the dollar was steadied as investors await for fresh direction from U.S. Central bank policy meetings during 15th-16th March. No policy action is expected from Fed, but the market will be sensitive to guidance on its next change in interest rates. The dollar falls broadly on Thursday (17/3) after FED hold the policy rate unchanged at 0.25-0.50% and left markets convinced U.S. interest rate would not rise soon with its outlook for interest rate hikes to two from four by the end of 2016. Fed policymakers noted that the U.S. economy faces risks from an uncertain global economy, even though moderate growth and strong job gains. However, overall economic data at the end of the week beat the expectation.

Graph: Dollar Index (DXY)



Source: Reuters

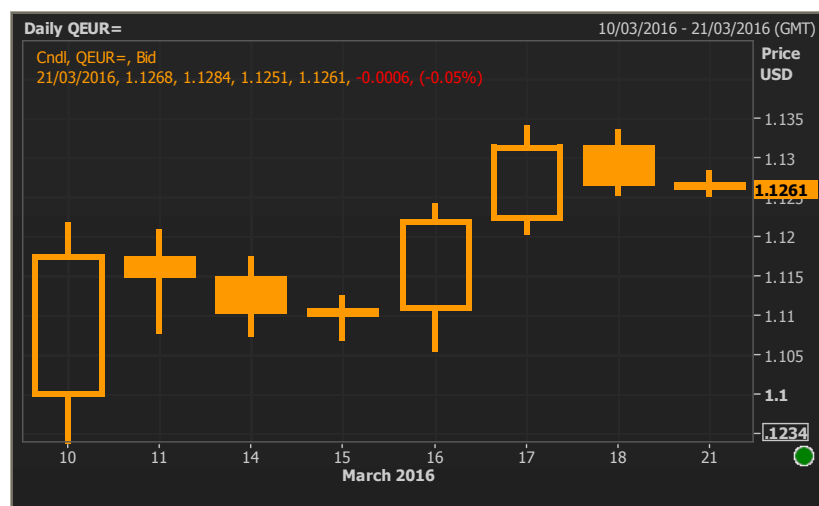
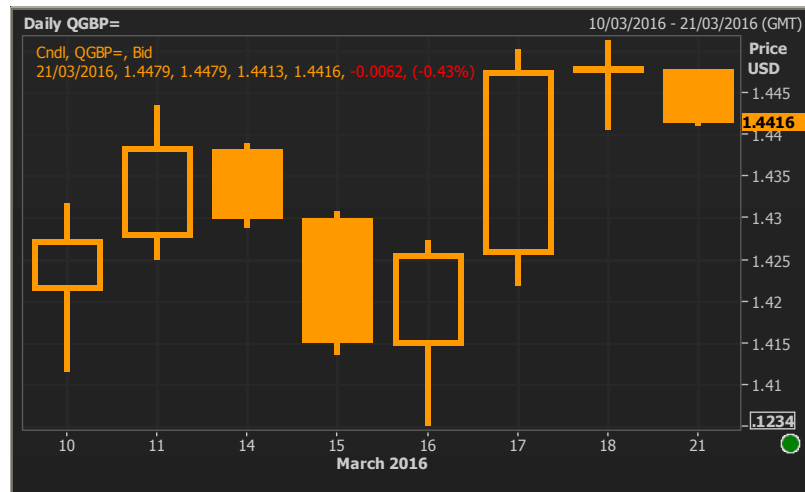
Comments: The driven factor for dollar will be an economic indicator. U.S. Final GDP will be released on Friday (25/3) with expectation of 1.0% expansion.

EUR & GBP

The euro started the week on Monday (14/03) at 1.1155/59 USD/EUR, slightly gained from previous closed level at 1.1111/14 USD/EUR. Initially, the euro moved in a narrow range until the US Central Bank meeting end. The Federal Reserve left rates unchanged and released a more dovish than expected rate statement. The week began with the Eurozone Industrial Production, which increased +2.1% m/m compared to an expectation of +1.7%. The rate then consolidated at a slightly higher level on Tuesday (15/03) after U.S. Core Retail Sales declined -0.1% m/m compared to -0.2% expected, with the previous number downwardly revised from +0.1% to -0.4%. The rate continued its rally on Thursday (17/03), making it weekly high of 1.1341 USD/EUR after Eurozone Final CPI declined -0.2% y/y as was widely anticipated. Friday (18/03) saw the pair sell off as traders squared positions and despite U.S. Preliminary UoM Consumer Sentiment, which printed at 90.0 compared to an expectation of 92.1. The euro was closed on Friday (18/03) at 1.1273/77 USD/EUR and move in a range 1.1055-1.1342 USD/EUR.

The pound was opened on Monday (14/03) at 1.4375/82 USD/GBP, gained from previous closed level at 1.4282/86 USD/GBP. The pound extended its gains last week as the BOE left rates unchanged and the UK reported better than expected employment data. The pound began the week declining on Monday (14/03) in the absence of any significant data out of either country. The rate extended its losses on Tuesday (15/03) after better than expected U.S. Retail Sales and PPI numbers. On Wednesday (16/03), the pound rallied sharply after making its weekly low of 1.4051 USD/GBP as UK Claimant Count Change showed a decline of -18.0 K compared to an expected -8.8K with the previous number significantly revised down from -14.8K to -28.4K. Also, UK Average Earnings Index increased +2.1% 3m/y versus +2.0% expected while the UK Unemployment Rate held steady at 5.1% as widely expected. Thursday (17/03) saw the rate continue rallying after the BOE left its benchmark Official Bank Rate at 0.50%. Set against that, there appears to be increased uncertainty surrounding the forthcoming referendum on UK membership of the European Union. The pound was closed on Friday (18/03) at 1.4441/45 USD/GBP and varied between 1.4051-1.4514 USD/GBP.

Graph : EUR and GBP



Source: Reuters

Comment : After both currencies had gained dramatically in the past week, we expect to see a drop in value from investors' short position. The expected range is 1.0950 – 1.1300 USD/EUR and 1.4150 – 1.4400 USD/GBP.

AUD & NZD

The Australian and New Zealand dollar were traded in range between 0.7413 – 0.7680 AUD/USD and 0.6574 – 0.6874 NZD/USD respectively during last week. Both currencies edged up on Thursday (17/3) as the demand for risky assets is on after FOMC maintained the target range on its benchmark Federal Funds Rate at 0.25-0.50%. The Aussie hit its 8-months high against the US dollar on Friday (18/3) at 0.7680 AUD/USD, while the Kiwi hit its 3-months high against the US dollar at 0.6874 NZD/USD on the same day after was pressured along the week after the Reserve Bank of New Zealand (RBNZ) announced the rate cut on Thursday (10/3) from 2.50% to 2.25%.

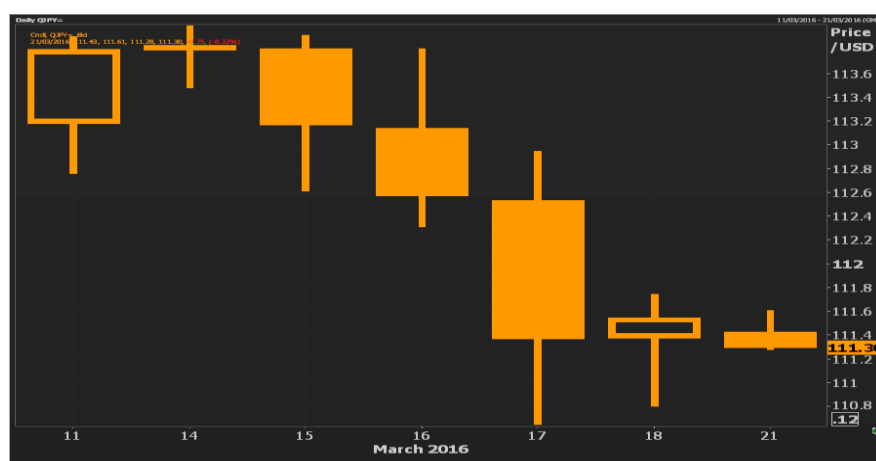
Graph: AUD and NZD



JPY

Last week, the Yen opened on Monday (14/3) at 113.95/98 JPY/USD, slightly appreciated from Friday's closing (11/3) at 113.80/82 JPY/USD as the markets still waited for the Bank of Japan (BOJ) meeting result during March 14-15. As widely expected, the central bank maintained its pledge to increase base money at an annual pace of 80 trillion yen (\$700 billion). BOJ also left an unchanged of a 0.1 percent negative interest rate for some reserves financial institutions and also decided to exempt money reserve funds (MRFs) from the minus 0.1 percent rate and instead apply a rate of zero starting in May. The BOJ said in a statement about the policy decision that Japan's economy continues to recover moderately, although exports and production have been sluggish due mainly to the effects of slowing emerging markets growth. Moreover, BOJ's chairman, Haruhiko Kuroda, held a press conference after BOJ meeting, cutting inflation expectations by said that, although inflation expectations appear to be rising on the whole from a somewhat longer-term perspective, they have recently weakened. The chairman also indicated that the BOJ would take more actions if necessary. On Thursday (17/3), data showed Japan's exports fell 4.0 percent in February from a year earlier, more than the expectation of a 3.1 percent, while imports fell 14.2 percent in the year to February, compared to the expectation of a 15.2 percent decrease. The trade balance came to a surplus of 242.8 billion yen, less than the estimate of a 388.6 billion yen surplus. However, the Yen moved close to most appreciated level against dollar in 17 months at 110.77 JPY/USD after Fed's meeting result on Wednesday (16/3) indicated that they won't tight their policy as fast as expected. During last week, the Yen moved between 110.65 – 114.00 JPY/USD, before closing on Friday (18/3)

Graph: JPY



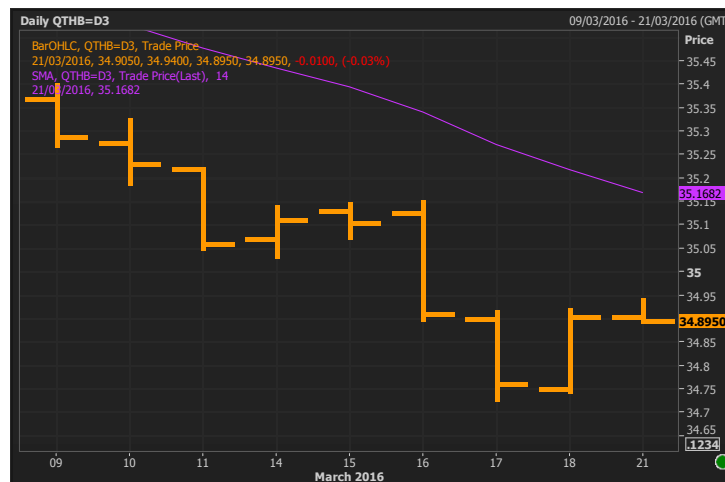
Source: Reuters

Comments: This week, we expect the Yen to continue to move in an appreciated trend, but we still have significant economic data from Japan to keep an eye on. Reuters Tankan Index, and Tokyo CPI in March will be released on 23/3 and 25/3 respectively. We forecast the Yen to move between 110.50-113.00 JPY/USD.

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The THB on Monday (14/3) opened at 35.05/07 THB/USD, strengthened from Friday's close (11/3) at 35.15/16 THB/USD. The baht has been appreciated recently as the emerging markets especially Thailand, Indonesia and Philippines have attracted more inflows from foreigners. Moreover, on Wednesday night (16/3), the baht strengthened to the level below 35.00 THB/USD as the USD drops after the Fed's less hawkish stance which cut the projected rate hikes for the rest of the year by half to only two. And the doubtful comment from Fed chair suggested the central bank is in no hurry to tighten policy. The baht touched the lowest in a week on Thursday (17/3) at 34.73 THB/USD. However, Thailand's finance Minister Apirak Tantivorawong said last week (11/3) that he was not worried about strength in the baht as it was still moving in line with other regional currencies. He also commented that the current benchmark rate in Thailand is considerably low and liquidity is ample, while fiscal and monetary policies are consistent in order to drive growth, but any decision will depend on the central bank. The central bank next reviews monetary policy is on March 23. The baht on Friday (18/3) edged lower as other Asian currencies after many of them set multi-month highs last week, the baht close on Friday at 34.85/87 THB/USD.

Graph: THB



FX Forecast

Currency	Support	Resistance
USD/THB	34.75	35.00
USD/JPY	110.50	113.00
EUR/USD	1.1100	1.1320
GBP/USD	1.4220	1.4630
AUD/USD	0.7500	0.7650
NZD/USD	0.6680	0.6840

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Economic Calendar

Last Week

Date Time		Event		Survey	Actual	Prior
03/14/2016	JN	Machine Orders MoM	Jan	1.90%	15.00%	4.20%
03/14/2016	JN	Machine Orders YoY	Jan	-3.80%	8.40%	-3.60%
03/14/2016	EC	Industrial Production SA MoM	Jan	1.70%	2.10%	-1.00%
03/14/2016	EC	Industrial Production WDA YoY	Jan	1.60%	2.80%	-1.30%
03/15/2016	JN	BOJ Annual Rise in Monetary Base	Mar-15	¥80t	¥80t	¥80t
03/15/2016	JN	BOJ Policy Rate	Mar-15	-0.10%	-0.10%	-0.10%
03/15/2016	FR	CPI MoM	Feb F	0.20%	0.30%	0.20%
03/15/2016	FR	CPI YoY	Feb F	-0.20%	-0.20%	-0.20%
03/15/2016	US	Retail Sales Advance MoM	Feb	-0.20%	-0.10%	0.20%
03/15/2016	US	Retail Sales Ex Auto MoM	Feb	-0.20%	-0.10%	0.10%
03/15/2016	US	Retail Sales Ex Auto and Gas	Feb	0.20%	0.30%	0.40%
03/15/2016	US	Retail Sales Control Group	Feb	0.20%	0.00%	0.60%
03/16/2016	US	Housing Starts	Feb	1150k	1178k	1099k
03/16/2016	US	Housing Starts MoM	Feb	4.60%	5.20%	-3.80%
03/16/2016	US	Building Permits	Feb	1200k	1167k	1202k
03/16/2016	US	Building Permits MoM	Feb	-0.20%	-3.10%	-0.20%
03/16/2016	US	CPI MoM	Feb	-0.20%	-0.20%	0.00%
03/16/2016	US	CPI Ex Food and Energy MoM	Feb	0.20%	0.30%	0.30%
03/16/2016	US	CPI YoY	Feb	0.90%	1.00%	1.40%
03/16/2016	US	CPI Ex Food and Energy YoY	Feb	2.20%	2.30%	2.20%
03/16/2016	US	CPI Index NSA	Feb	236.873	237.111	236.916
03/16/2016	US	CPI Core Index SA	Feb	245.595	245.925	245.232
03/16/2016	US	Industrial Production MoM	Feb	-0.30%	-0.50%	0.90%
03/17/2016	US	FOMC Rate Decision (Lower Bound)	Mar-16	0.25%	0.25%	0.25%
03/17/2016	US	FOMC Rate Decision (Upper Bound)	Mar-16	0.50%	0.50%	0.50%
03/17/2016	JN	Trade Balance	Feb	¥400.2b	¥242.8b	-¥645.9b
03/17/2016	JN	Trade Balance Adjusted	Feb	¥235.0b	¥166.1b	¥119.4b
03/17/2016	JN	Exports YoY	Feb	-3	-4	-12.9
03/17/2016	JN	Imports YoY	Feb	-15.8	-14.2	-18
03/17/2016	EC	Trade Balance SA	Jan	19.5b	21.2b	21.0b
03/17/2016	EC	Trade Balance NSA	Jan	10.0b	6.2b	24.3b
03/17/2016	EC	CPI MoM	Feb	0.10%	0.20%	-1.40%
03/17/2016	EC	CPI YoY	Feb F	-0.20%	-0.20%	-0.20%
03/17/2016	EC	CPI Core YoY	Feb F	0.70%	0.80%	0.70%
03/17/2016	UK	Bank of England Bank Rate	Mar-17	0.50%	0.50%	0.50%
03/17/2016	UK	BOE Asset Purchase Target	Mar	375b	375b	375b
03/17/2016	US	Current Account Balance	4Q	-\$118.0b	-\$125.3b	-\$124.1b
03/17/2016	US	Initial Jobless Claims	Mar-12	268k	265k	259k
03/17/2016	US	Continuing Claims	Mar-05	2235k	2235k	2225k
03/18/2016	GE	PPI MoM	Feb	-0.10%	-0.50%	-0.70%
03/18/2016	GE	PPI YoY	Feb	-2.60%	-3.00%	-2.40%

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This Week

Date Time		Event		Survey	Actual	Prior
03/21/2016	EC	ECB Current Account SA	Jan	--	--	25.5b
03/21/2016	EC	Current Account NSA	Jan	--	--	41.4b
03/21/2016	US	Chicago Fed Nat Activity Index	Feb	0.25	--	0.28
03/21/2016	US	Existing Home Sales	Feb	5.31m	--	5.47m
03/21/2016	US	Existing Home Sales MoM	Feb	-2.90%	--	0.40%
03/22/2016	GE	IFO Business Climate	Mar	106	--	105.7
03/22/2016	GE	IFO Current Assessment	Mar	112.7	--	112.9
03/22/2016	GE	IFO Expectations	Mar	99.5	--	98.8
03/22/2016	EC	Markit Eurozone Manufacturing PMI	Mar P	51.4	--	51.2
03/22/2016	EC	Markit Eurozone Services PMI	Mar P	53.3	--	53.3
03/22/2016	EC	Markit Eurozone Composite PMI	Mar P	53	--	53
03/22/2016	UK	CPI MoM	Feb	0.40%	--	-0.80%
03/22/2016	UK	CPI YoY	Feb	0.40%	--	0.30%
03/22/2016	UK	CPI Core YoY	Feb	1.20%	--	1.20%
03/22/2016	UK	Retail Price Index	Feb	260.2	--	258.8
03/22/2016	UK	PPI Input NSA MoM	Feb	0.50%	--	-0.70%
03/22/2016	UK	PPI Input NSA YoY	Feb	-7.40%	--	-7.60%
03/22/2016	UK	PPI Output NSA MoM	Feb	0.00%	--	-0.10%
03/22/2016	UK	PPI Output NSA YoY	Feb	-1.20%	--	-1.00%
03/22/2016	UK	PPI Output Core NSA MoM	Feb	0.10%	--	0.10%
03/22/2016	UK	PPI Output Core NSA YoY	Feb	0.10%	--	0.00%
03/22/2016	GE	ZEW Survey Current Situation	Mar	53	--	52.3
03/22/2016	GE	ZEW Survey Expectations	Mar	5.4	--	1
03/22/2016	US	Markit US Manufacturing PMI	Mar P	51.9	--	51.3
03/23/2016	US	New Home Sales	Feb	510k	--	494k
03/23/2016	US	New Home Sales MoM	Feb	3.20%	--	-9.20%
03/23/2016	EC	Consumer Confidence	Mar A	-8.3	--	-8.8
03/24/2016	GE	GfK Consumer Confidence	Apr	9.5	--	9.5
03/24/2016	FR	Business Confidence	Mar	101	--	100
03/24/2016	US	Initial Jobless Claims	Mar-19	268k	--	265k
03/24/2016	US	Continuing Claims	Mar-12	2230k	--	2235k
03/24/2016	US	Durable Goods Orders	Feb P	-3.00%	--	4.70%
03/24/2016	US	Markit US Services PMI	Mar P	51.4	--	49.7
03/25/2016	JN	Natl CPI YoY	Feb	0.30%	--	0.00%
03/25/2016	FR	Consumer Confidence	Mar	96	--	95
03/25/2016	FR	GDP QoQ	4Q F	0.30%	--	0.30%
03/25/2016	FR	GDP YoY	4Q F	1.40%	--	1.40%
03/25/2016	US	GDP Annualized QoQ	4Q T	1.00%	--	1.00%
03/25/2016	US	Personal Consumption	4Q T	2.00%	--	2.00%
03/25/2016	US	GDP Price Index	4Q T	0.90%	--	0.90%
03/25/2016	US	Core PCE QoQ	4Q T	1.30%	--	1.30%

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