

Market Outlook

16-23 May 2016

Highlight

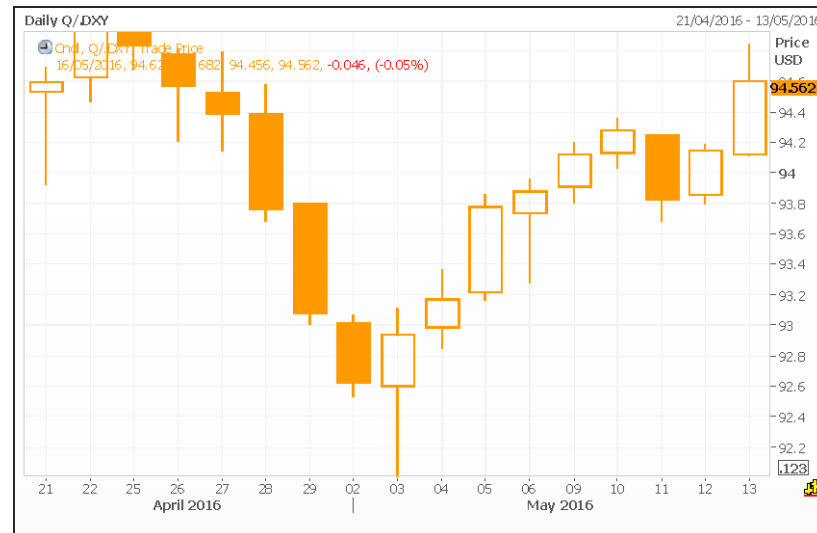
Last Week: Last week, the THB depreciated the most in 2 months by moving in narrow range at the beginning and continually depreciated against the USD. For the Yen, the JPY weakened after there was comment from BOJ that it might intervene the market if the movement of its currency fluctuates. The movement of Euro and Pound also weakened against the USD as the possibility of Brexit still pressure the currency recently.

This Week: In a week ahead, market will focus on Q1/16 GDP from Thailand. For the U.S. data to be released this week is New York and Philadelphia Fed Manufacturing in May, CPI, Housing Starts, Existing Home Sales, Industrial Output in April and FOMC minutes.

USD

The dollar rose at the beginning of the week after New York Federal Reserve President, William Dudley, said on previous Friday (6/5) that it was reasonable to expect two rate hikes this year, despite data showing that U.S. jobs growth increased at the slowest rate in seven months in April. Moreover, the dollar was also supported after the yen was dropped more than 1% on Monday (9/5) as Japan's finance minister warned that Tokyo was prepared to intervene in the foreign exchange market if excessive moves in the yen are enough to affect Japan's trade, economic and fiscal policies. On Tuesday (10/5), the dollar edged up further after the Federal Reserve Bank of Atlanta said on Tuesday (10/5) that its GDP Now forecast model sees an increase of 2.2% in second quarter GDP, up from estimates of 1.7% on May 4. The dollar eased against a basket of currencies after six straight days of gains on Wednesday (11/5), a flat performance for equities and commodities markets prompting profit-taking by some of those who have backed the U.S. currency in the past week. However, on Friday (13/5), the dollar extended gains and hit 2-week high at the level of 94.84 as the release of upbeat retail sales and consumer sentiment added to optimism over the strength of the economy. The University of Michigan said its consumer sentiment index rose to 95.8 in May from April's reading of 89.0. Analysts had forecast a rise to 90.0 this month. While the U.S. Commerce Department said retail sales increased by 1.3% last month, compared to expectations for a rise of 0.8%. The dollar index closed the week at 94.58.

Graph: Dollar Index (DXY)



Source: Bloomberg

Comments: We believed this week the dollar would move more fluctuated depend on data seen. Investor will closely watch to Tuesday's (17/5) data on U.S. inflation and Wednesday's (18/5) minutes of the Fed's April meeting for more clear indication on the path of future interest rate increases.

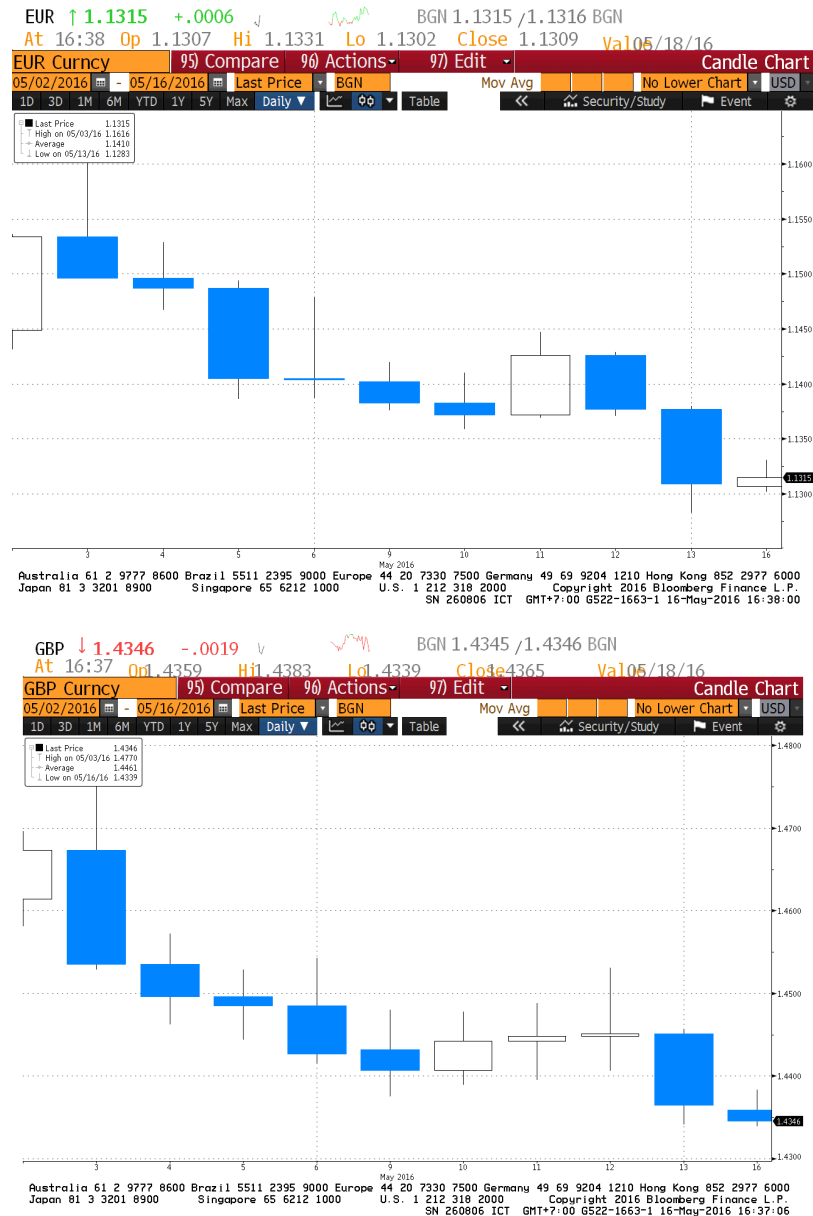
EUR & GBP

Having depreciated from Wednesday (4/5) closing level at 1.1479/83 USD/EUR, the EUR opened at 1.1386/90 USD/EUR on Monday (9/5). The main factors suppressing the EUR were poor Eurozone economic data and the concern over the United Kingdom whether it would leave European Union (EU) also known as Brexit. During last week, the German Industrial Production was released at -2.3% in March which was lower than 0.1% in February, and EU Industrial Production remained weak at -0.8% stable at the February level. Moreover, the officer from European Central Bank (ECB) gave a comment about the Brexit that there were some probabilities that the UK might leave the EU, and this could suppress both of the GBP and the EUR. Furthermore, the ECB also lowered the economic growth forecast. However, the EUR also gained after the German central bank governor raised the concern of massive monetary easing implemented by ECB and stressed that using too much easing could spur the risk of global financial crisis. Last week, the GBP moved between 1.1327 and 1.1446 USD/EUR before it closed at 1.1351/53 USD/EUR.

The GBP opened at 1.4419/20 USD/GBP, depreciating from Wednesday (4/5) closing level at 1.4482/84 USD/GBP. The major issue for the GBP was the expectation of UK referendum whether the UK would leave the EU. Nowadays, the polls showed almost equal vote which lead to uncertainties in the market. Besides, The Bank of England (BOE) announced its policy meeting on Thursday (12/5) which kept interest rate at 0.5% and the level of asset purchase at GBP 375 billion. Additionally, the BOE also revised the economic growth down from 2.2% to 2.0% because of the inflation rate and Brexit. During the week, GBP moved between 1.4342 and 1.4451 USD/GBP before it closed at 1.4365/66 USD/GBP.

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Graph: EUR and GBP



Source: Bloomberg

Comments: In this week, both of the EUR and the GBP tend to depreciate against the USD due to the investors' concern over Brexit and fragile economic data of EU. The Euro is expected to move in range of 1.1150 – 1.1450 USD/EUR and Pound is expected to move in range of 1.1350 – 1.1480 USD/GBP this week.

AUD & NZD

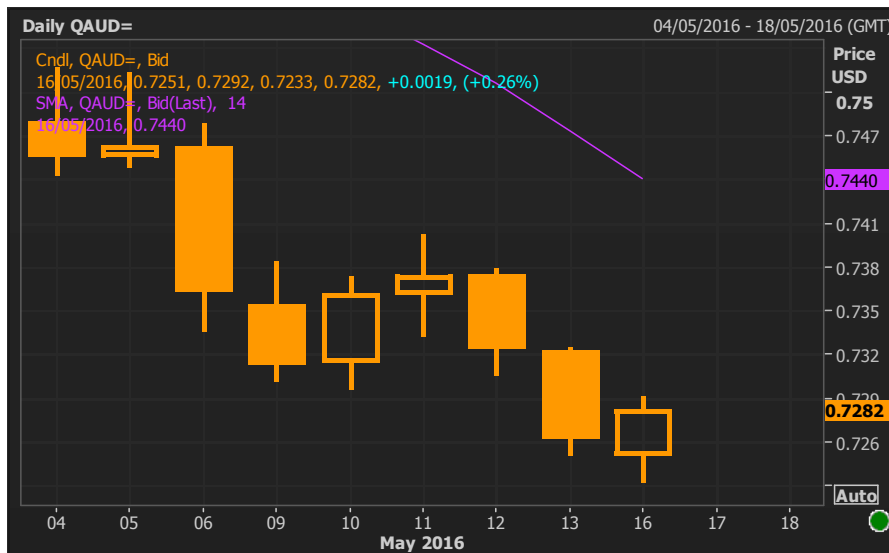
Last week, the Australian dollar opened at 0.7354/56 USD/AUD on Monday (9/5), appreciated from the previous week closing level (6/5) at 0.7364/66 USD/AUD. While disappointing trade figures out of China barely dented an already defensive Australian dollar, China's exports and imports fell more than expected in April, underlining weak demand at home and abroad and cooling hopes of a recovery in the world's second-largest

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economy. Exports fell 1.8 percent from a year earlier, the General Administration of Customs said on Sunday (8/5), reversing the previous month's brief recovery and supporting the government's concerns that the foreign trade environment will be challenging in 2016. On Wednesday (11/5), the survey of 1,200 people by the Melbourne Institute and Westpac Bank showed its index of consumer sentiment climbed 8.5 percent in May, from April. That left the index 0.8 percent higher versus May last year at 103.2, meaning optimists outnumbered pessimists. The index was at its highest since January 2014. Last week, the Aussie traded between 0.7251-0.7402 USD/AUD, and closed on Friday (13/5) at 0.7263/65 USD/AUD.

The New Zealand dollar opened at 0.6813/15 USD/NZD on Monday (9/5), appreciated from the previous week closing level at 0.6836/38 USD/NZD. The Kiwi had a muted reaction to the weaker-than-expected U.S. jobs data in particular after the New York Fed President William Dudley said that he expected two rate hikes this year. Last week, the Kiwi traded between 0.6713 - 0.6848 USD/NZD and closed on Friday (13/5) at 0.6763/65 USD/NZD.

Graph: AUD and NZD



Source: Reuters

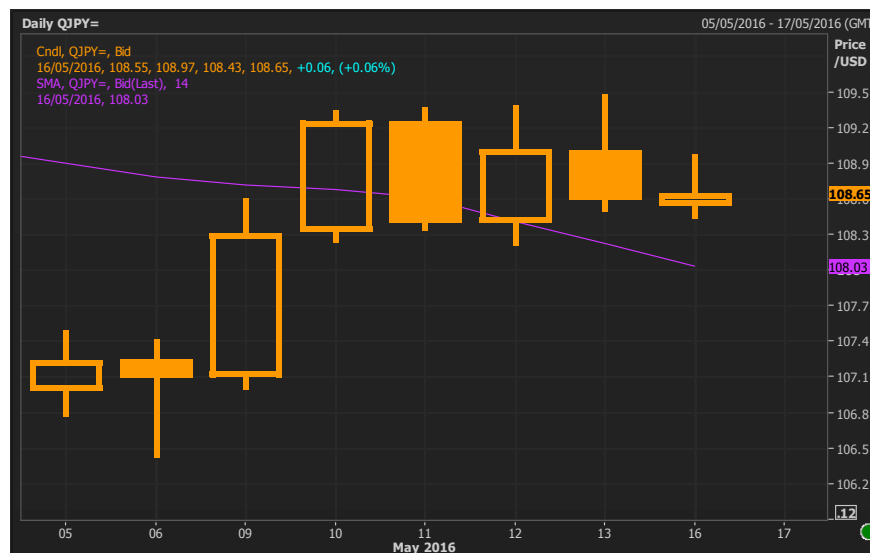
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Comments: This week, the Australian dollar and the New Zealand dollar are expected to depreciate against the dollar as the disappointing Chinese investment, factory output and retail sales, adding to doubts about whether the Chinese economy is stabilizing. The Australian dollar is expected to move within the range of 0.7200 -0.7500 USD/AUD while the New Zealand dollar is expected to move within the range of 0.6700-0.6900 USD/NZD.

JPY

After a dramatically appreciating against the USD in recent weeks, the JPY lost its momentum for the first time last week. The JPY started the week at 107.10/13 JPY/USD, an aggressively depreciated after Japanese finance minister warned that the government could intervene further in the foreign exchange market if the fluctuation in the JPY continues. Concreting the verbal warning to intervention, Koichi Hamada, a key economic advisor to Prime Minister Shinzo Abe said on Tuesday (10/5) that Japan would intervene in foreign exchange markets if the JPY strengthened to 90-95 per dollar. In addition, the BOJ's meeting minutes showed the BOJ board was divided over the path of future interest rate setting as tension remained high after the surprised interest rate cut into the negative territory. Also, the BOJ governor, Haruhiko Kuroda, rational for the rate cut as risks associated with China and emerging markets slowdown and volatility in the global financial markets. The Yen stayed flat until the end of the week and closed on Friday (13/5) at 108.60/64 JPY/USD, it varied in a range between 107.00 – 109.48 JPY/USD.

Graph: JPY



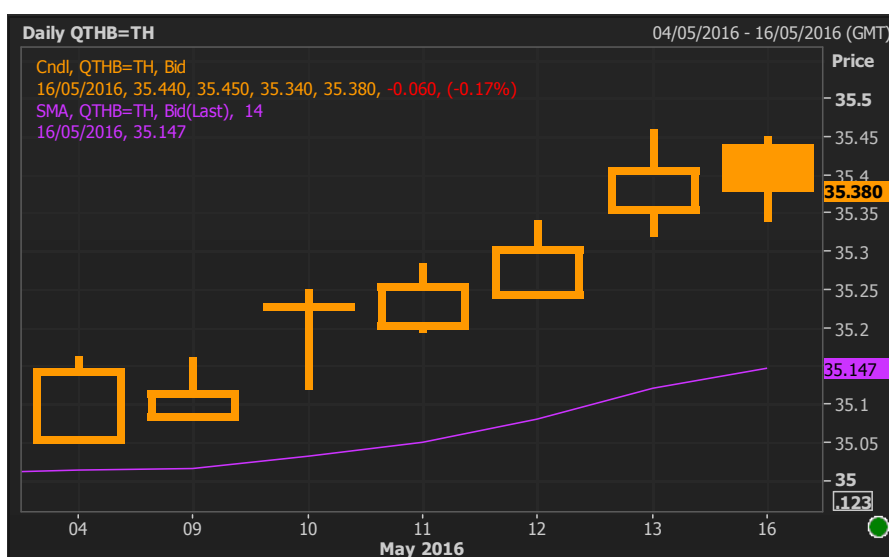
Source: Reuters

Comments: Q1 preliminary real GDP will be announced on Wednesday (18/5). The contraction could be considered modest and brief, considering the volatility of Japan's GDP data. Furthermore, even a mild contraction could provoke expectations for greater fiscal stimulus and potentially an earlier BoJ easing. We expected a slight depreciation in JPY and the currency could move between 108.30 – 109.80 JPY/USD.

THB

Thai baht opened last Monday (9/5) at 35.14/16 THB/USD, a slightly strengthened compared to its closing level on Wednesday (4/5) at 35.16/18 THB/USD. However, it had been weakened steadily against the US dollar during the week as the strong signal on the chance that Fed will increase its policy rate at the next meeting in June. For the highlight in the Thai market on Wednesday (11/5), all 7 committee members of Bank of Thailand voted promptly to leave the policy interest rate unchanged at 1.50% due to concerns about internal risk factors which could be a stumbling block on economic recovery. The BoT also forecasted the economy to grow at 3.1%. For last week, Thai baht was traded in range of 35.10 – 35.46 THB/USD, and closed on Friday (13/5) at 35.44/46 THB/USD.

Graph: THB



Source: Reuters

Comment: Markets expectation on FOMC rate hike in the upcoming meeting will continue to boost demand for the dollar and pressure baht. We expect that the Thai baht will be traded in range of 35.30 – 35.50 THB/USD during this week.

FX Forecast

Currency	Support	Resistance
USD/THB	35.30	35.50
USD/JPY	108.30	109.80
EUR/USD	1.1150	1.1450
GBP/USD	1.3500	1.4800
AUD/USD	0.7200	0.7500
NZD/USD	0.6700	0.6900

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Economic Calendar

Last Week

Date Time		Event		Actual	Prior	Revised
05/09/2016	JN	Consumer Confidence Index	Apr	40.8	41.7	--
05/09/2016	GE	Factory Orders MoM	Mar	0.019	-0.012	-0.008
05/10/2016	CH	CPI YoY	Apr	0.023	0.023	--
05/10/2016	CH	PPI YoY	Apr	-0.034	-0.043	--
05/10/2016	GE	Industrial Production SA MoM	Mar	-0.013	-0.005	-0.007
05/10/2016	GE	Industrial Production WDA YoY	Mar	0.003	0.013	0.02
05/10/2016	GE	Trade Balance	Mar	26.0b	20.3b	20.2b
05/10/2016	FR	Industrial Production MoM	Mar	-0.003	-0.01	-0.013
05/10/2016	FR	Industrial Production YoY	Mar	-0.008	0.006	0.004
05/10/2016	FR	Manufacturing Production MoM	Mar	-0.009	-0.009	-0.014
05/10/2016	FR	Manufacturing Production YoY	Mar	-0.011	0.016	0.014
05/10/2016	IT	Industrial Production MoM	Mar	0	-0.006	-0.007
05/10/2016	IT	Industrial Production WDA YoY	Mar	0.005	0.012	0.011
05/10/2016	IT	Industrial Production NSA YoY	Mar	-0.004	0.052	0.051
05/10/2016	UK	Trade Balance	Mar	-£3830	-£4840	-£4301
05/11/2016	TH	BoT Benchmark Interest Rate	40664	0.015	0.015	--
05/11/2016	UK	Industrial Production MoM	Mar	0.003	-0.003	-0.002
05/11/2016	UK	Industrial Production YoY	Mar	-0.002	-0.005	0.001
05/11/2016	UK	Manufacturing Production MoM	Mar	0.001	-0.011	-0.009
05/11/2016	UK	Manufacturing Production YoY	Mar	-0.019	-0.018	-0.016
05/12/2016	JN	Trade Balance BoP Basis	Mar	¥927.2b	¥425.2b	--
05/12/2016	FR	CPI MoM	Apr F	0.001	0.001	--
05/12/2016	FR	CPI YoY	Apr F	-0.002	-0.002	--
05/12/2016	EC	Industrial Production SA MoM	Mar	-0.008	-0.008	-0.012
05/12/2016	EC	Industrial Production WDA YoY	Mar	0.002	0.008	0.01
05/12/2016	UK	Bank of England Bank Rate	41030	0.005	0.005	--
05/12/2016	UK	BOE Asset Purchase Target	May	375b	375b	--
05/12/2016	US	Initial Jobless Claims	39203	294k	274k	--
05/12/2016	US	Bloomberg Consumer Comfort	39569	41.7	42	--
05/13/2016	GE	CPI MoM	Apr F	-0.004	-0.004	--
05/13/2016	GE	CPI YoY	Apr F	-0.001	-0.001	--
05/13/2016	GE	GDP SA QoQ	1Q P	0.007	0.003	--
05/13/2016	EC	GDP SA QoQ	1Q P	0.005	0.006	--
05/13/2016	EC	GDP SA YoY	1Q P	0.015	0.016	--
05/13/2016	US	U. of Mich. Sentiment	May P	95.8	89	--

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Date Time		Event		Actual	Prior	Revised
05/14/2016	CH	Industrial Production YoY	Apr	0.06	0.068	--
05/14/2016	CH	Retail Sales YoY	Apr	0.101	0.105	--
05/16/2016	JN	PPI MoM	Apr	-0.003	-0.001	--
05/16/2016	JN	PPI YoY	Apr	-0.042	-0.038	--
05/16/2016	TH	GDP YoY	1Q	0.032	0.028	--
05/16/2016	JN	Machine Tool Orders YoY	Apr P	-0.264	-0.212	--
05/16/2016	US	NAHB Housing Market Index	May	--	58	--
05/17/2016	JN	Industrial Production YoY	Mar F	--	0.001	--
05/17/2016	JN	Industrial Production MoM	Mar F	--	0.036	--
05/17/2016	IT	Trade Balance Total	Mar	--	3856m	--
05/17/2016	IT	Trade Balance EU	Mar	--	1249m	--
05/17/2016	UK	CPI MoM	Apr	--	0.004	--
05/17/2016	UK	CPI YoY	Apr	--	0.005	--
05/17/2016	UK	Retail Price Index	Apr	--	261.1	--
05/17/2016	EC	Trade Balance SA	Mar	--	20.2b	--
05/17/2016	EC	Trade Balance NSA	Mar	--	19.0b	--
05/17/2016	US	Housing Starts	Apr	--	1089k	--
05/17/2016	US	Housing Starts MoM	Apr	--	-0.088	--
05/17/2016	US	Building Permits	Apr	--	1086k	1076k
05/17/2016	US	Building Permits MoM	Apr	--	-0.077	-0.086
05/17/2016	US	CPI MoM	Apr	--	0.001	--
05/17/2016	US	CPI YoY	Apr	--	0.009	--
05/17/2016	US	Industrial Production MoM	Apr	--	-0.006	--
05/18/2016	JN	GDP SA QoQ	1Q P	--	-0.003	--
05/18/2016	JN	GDP Annualized SA QoQ	1Q P	--	-0.011	--
05/18/2016	AU	Wage Price Index QoQ	1Q	--	0.005	--
05/18/2016	AU	Wage Price Index YoY	1Q	--	0.022	--
05/18/2016	UK	Jobless Claims Change	Apr	--	6.7k	--
05/18/2016	EC	CPI MoM	Apr	--	0.012	--
05/18/2016	EC	CPI YoY	Apr F	--	-0.002	--
05/18/2016	EC	CPI Core YoY	Apr F	--	0.007	--
05/18/2016	US	MBA Mortgage Applications	41395	--	0.004	--
05/19/2016	US	FOMC Meeting Minutes	46478	--	--	--
05/19/2016	JN	Machine Orders MoM	Mar	--	-0.092	--
05/19/2016	JN	Machine Orders YoY	Mar	--	-0.007	--
05/19/2016	AU	Employment Change	Apr	--	26.1k	--
05/19/2016	AU	Unemployment Rate	Apr	--	0.057	--
05/19/2016	TH	Foreign Reserves	41395	--	\$177.8b	--
05/19/2016	US	Chicago Fed Nat Activity Index	Apr	--	-0.44	--
05/19/2016	US	Initial Jobless Claims	41760	--	294k	--
05/19/2016	US	Continuing Claims	39203	--	2161k	--
05/19/2016	US	Philadelphia Fed Business Outlook	May	--	-1.6	--

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05/20/2016	GE	PPI MoM	Apr	--	0	--
05/20/2016	GE	PPI YoY	Apr	--	-0.031	--
05/20/2016	US	Existing Home Sales	Apr	--	5.33m	--
05/20/2016	US	Existing Home Sales MoM	Apr	--	0.051	--

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