

Market Outlook

5 September – 11 September 2016

Highlight

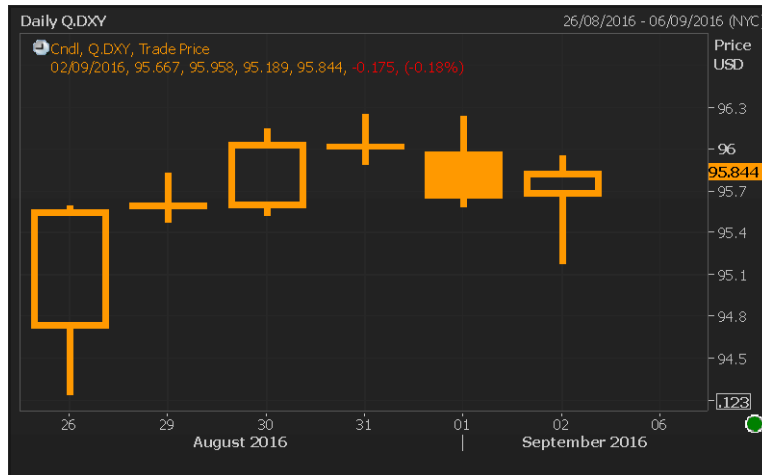
Last Week: The THB was, in short term, driven in appreciated trend after the capital inflow was still in the market factor. Whereas the import and export number of July still need to be improved. At the end of the week, the major currencies were slightly stronger since the US labor data for August was disappointed. The speech from Jennet Yellen, Federal reserve president, has no additional clues to direct the market when to hike their policy rate. In addition, the Bank of Japan still conducted the market that they were ready to loosen their policy to achieve their goal.

This Week: The THB was marginally depreciated due to domestic factor. The investor will monitor the clear signal from Federal reserve on their policy changing. The European Central Bank will schedule the monetary policy meeting on Thursday (8/9). We can see a neutral tone decision from them after the EU' economic started to show signs of improvement.

USD

The U.S. Dollar rose on Monday (29/8) after the U.S. Federal Reserve Chair Janet Yellen's speech. "In light of the continued solid performance of the labor market and our outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months," Yellen addressed central bankers at a conference in Jackson Hole, Wyoming, on Friday. The dollar continually appreciated against its major peers as better than expected economic data; Consumer Confidence rose to at 101.1 in August, and Private Sector Employment increased by 177,000 jobs in August according to the ADP National Employment Report. However, the DXY dropped as manufacturing data disappointed the market as ISM Manufacturing PMI dropped to 49.4 in August. The Dollar continuously drops till the end of the week as August's non-farm payroll rise of 151,000 jobs, below market consensus and unemployment rate remained at 4.9%.

Graph: Dollar Index (DXY)



Source: Reuters

Comments: This week, market will keep an eye on the rate hik signal from the Federal Reserve. The important economic data to be released is the ISM Non-manufacturing PMI (6/9).

EUR & GBP

The EUR opened at 1.1191/95 USD/EUR on Monday morning (29/08), slightly appreciated from Friday evening (26/08)'s closing level at 1.1195/98 USD/EUR. The euro was still struggling with the strength of the US dollar that continued dominating the scene. The Euro-zone inflation came out worse than expected at 0.2% on the headline and 0.8% on the core figure. The Euro Area seasonally adjusted unemployment rate reached 10.0% in July, remaining unchanged from June. In the US, the impact from the Jackson Hole Symposium continued boosting the dollar and sent the euro back to the post-Brexit levels. However, the initial reaction from the weak Non-farm Payroll was a rebound in the euro.

The GBP opened at 1.3132/36 USD/GBP, slightly appreciated from last Friday (26/08) closing level at 1.3128/32 USD/GBP. The pound got the highest weekly close since early July supported by strong numbers in the manufacturing sector. The British Manufacturing PMI improved sharply to 53.3 in August, jumped from 48.2 from July, pointing to expansion.

Graph: EUR and GBP



Source: Reuters

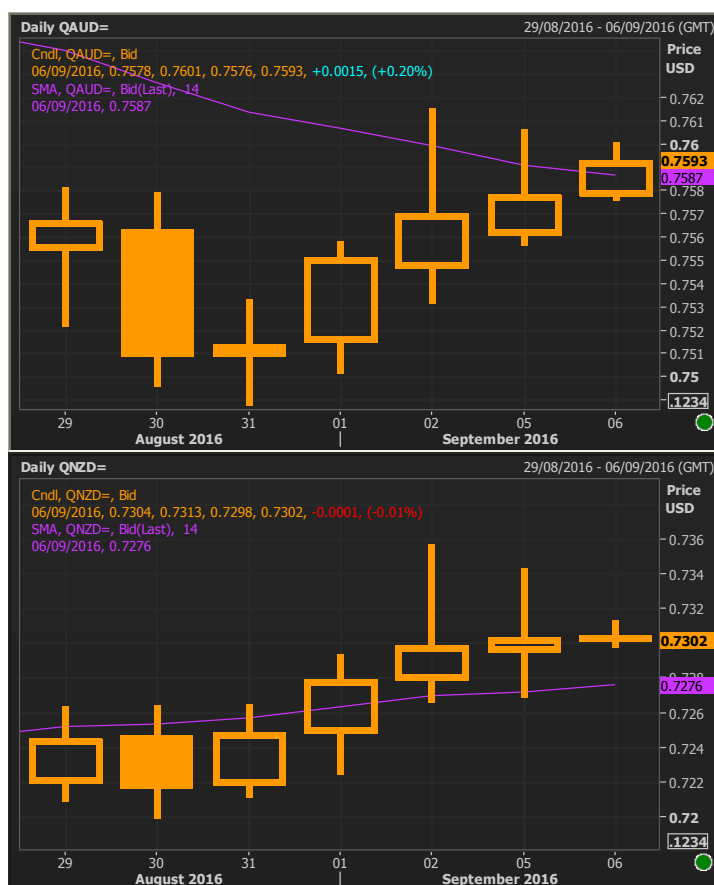
Comments: The euro still has resiliency in economic data following the result of EU referendum. The investors expected the ECB to maintain its current QE purchases at the ECB meeting this week on Thursday (08/09). Also, the retail sales figures for July is due on Monday (05/09) and German industrial production figures for July are due to be released on Wednesday (07/09). The euro is expected to move in a range 1.1120-1.1280 USD/EUR.

The pound is still in focus and continues to be on the economic impact of the EU referendum. The post-Brexit data have so far been quite mixed but it seems that the economy rebound in August and political uncertainty has declined since the appointment of Theresa May as the new Prime Minister. The indicators which focus is PMI service index due on Monday (05/09), the industrial production on Wednesday (07/09) and construction output on Friday (09/09). The pound is expected to move in a range 1.3200-1.3350 USD/GBP.

AUD & NZD

The Australian dollar and the New Zealand dollar were traded during last week in range between 0.7496 – 0.7615 USD/AUD and 0.7199 – 0.7357 USD/NZD. Both of the currencies dropped sharply against the US dollar on Monday (29/8) after Yellen speech at Jackson Hole gave the hint that the FED is still on plan of policy rate hike in this year. However, the aussie and kiwi later had strengthened again on Friday (2/9) after the US non-farm payroll came out worse than market expectation.

Graph: AUD and NZD

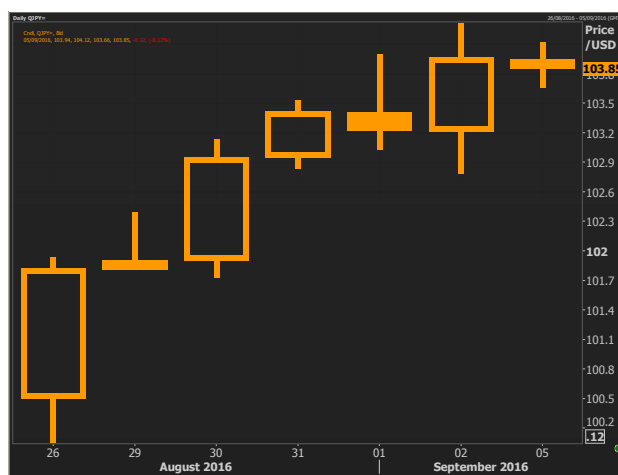


Source: Reuters

Comments: The highlight of the Australian dollar and the New Zealand dollar in this week are on Bank of Australia policy meeting on Tuesday (6/9). We expect that the two currencies will be traded in the ranges between 0.7550 – 0.7680 USD/AUD and 0.7230 – 0.7400 USD/NZD, respectively.

The yen opened on Monday (29/8) at 101.97/102.01 JPY/USD, depreciated from the previous Friday's closing level (26/8) at 100.45/50 JPY/USD since after Bank of Japan Governor Haruhiko Kuroda said he won't wouldn't hesitate to boost monetary stimulus if needed, reiterating a pledge during an annual policy retreat in Jackson Hole, WyomingWyoming, USA. He also indicated that there was no doubt that there was ample space for additional easing in each of the three dimensions, referring to the BOJ's package of asset buying, monetary-base guidance, and negative interest rates. The BOJ will carefully consider how to make the best use of the policy scheme in order to achieve the price stability target. During last week, Japan's economic data gave no clear directions. At the beginning of the week (29/8), the seasonally adjusted jobless rate in Japan stood at 3.0 percent in July, down from 3.1 percent in June, while market expectedand below market expectation of 3.1 percent. Retail sales in Japan fell 0.2 percent year-on-year in July, compared to a 0.9 percent decrease forecast. On Wednesday (31/8), Japan's July industrial production came in at zero, down from June's 2.3 percent, and also missing missed expectations for of 0.8 percent growth. However, the Markit/Nikkei Final final Japan Manufacturing PMI, reported on Thursday (1/9), came in at 49.5 in August, compared the final figure of 49.3 in July. It was the 6th month of contraction in factory activity which raises the expectations that the BOJ is more likely to ease the monetary policy further in the next BOJ's monetary policy meeting on September 21. During last week, the yen moved between 101.73 – 103.95 JPY/USD, before closing on Friday (2/9) at 103.57/60 JPY/USD.

Graph: JPY

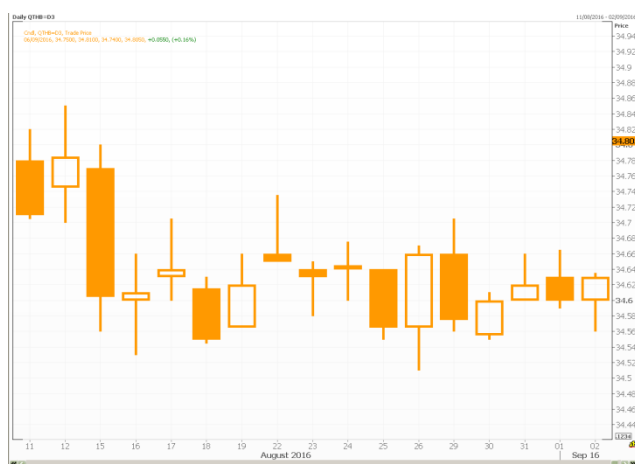


Source: Reuters

Comments: This week, we expect to see the yen move between 103.25-105.25 JPY/USD, pressured from wide expectations of more monetary policy easing this month. We also have some Japan's economic data to watch; the Japan's July leading index (7/9), July's current account, and GDP in Q2 (8/9).

The Baht opened on last Monday (29/8) at 34.68/70 THB/USD, appreciated from previous' Friday (26/8) closing level at 34.55/57 THB/USD. Similar to other currencies, the Baht instantly depreciated against the greenback after the Fed Chair, Janet Yellen, said at the Fed's Jackson Hole symposium on previous Friday (26/8) that the case for U.S. interest rate hikes has "strengthened" in recent months due to improvements in the labor market and expectations for solid economic growth however she did not indicate when the Fed would act, saying that higher interest rates will depend on incoming economic data. During the week, the Baht had gradually appreciated back to the level below 34.60 THB/USD and stood in that level supported by the ongoing capital inflow provided by foreign investors .In the capital market, the foreign investors have made a total of 1.1 billion Baht accumulated bought in the Stock exchange of Thailand(SET) since January this year and 30% of them collected in last month(August). However, on Wednesday (31/8), the Baht was slightly pressured after Mrs. Roong Mallikamas, a senior director of the macroeconomic and monetary policy department, said that Merchandise exports contracted by 4.5% year-on-year in July, down from June's 1.9% rise, but rose by 0.8% from June to July. Imports declined by 8.6% year-on-year in July, up from a 9.3% contraction last a month earlier. She also said that the Thai economy in July grew at a slightly slower rate than in June, mainly due to lower private consumption and public expenditure. On Friday (2/9) night, the Baht was still at the same level despite the release of disappointing U.S. economic reports. The U.S. Labor Department said the economy added only 151,000 jobs in August, disappointing expectations for an increase of 180,000 while the U.S. unemployment rate remained unchanged at 4.9% this month, confounding expectations for a downtick to 4.8%.

Graph: THB



Comments: We believe that this week the Baht will still move in a narrow range at the same level, given no other circumstances, between 34.55-34.95 THB/USD. The economic data around the world such as trade (8/9) and inflation data (9/9) of China, ECB meeting (8/9) and Thai consumer confidence (8/9) are all in focus.

FX Forecast

Currency	Support	Resistance
USD/THB	34.55	34.95
EUR/USD	1.1120	1.1280
GBP/USD	1.3200	1.3350
AUD/USD	0.7550	0.7680
NZD/USD	0.7230	0.7400
USD/JPY	103.25	105.25

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Economic Calendar

Last Week

Date Time		Event		Survey	Actual	Prior
29/08/2016	US	PCE Core MoM	Jul	0.10%	0.10%	0.10%
29/08/2016	US	PCE Core YoY	Jul	1.50%	1.60%	1.60%
30/08/2016	JN	Retail Trade YoY	Jul	-0.90%	-0.20%	-1.40%
30/08/2016	JN	Retail Sales MoM	Jul	0.80%	1.40%	0.20%
30/08/2016	IT	Retail Sales MoM	Jun	-0.20%	0.20%	0.30%
30/08/2016	IT	Retail Sales YoY	Jun	0.10%	0.80%	-1.30%
30/08/2016	EC	Economic Confidence	Aug	104.1	103.5	104.6
30/08/2016	EC	Business Climate Indicator	Aug	0.36	0.02	0.39
30/08/2016	GE	CPI MoM	Aug P	0.10%	0.00%	0.30%
30/08/2016	GE	CPI YoY	Aug P	0.50%	0.40%	0.40%
31/08/2016	GE	Retail Sales MoM	Jul	0.50%	1.70%	-0.10%
31/08/2016	GE	Retail Sales YoY	Jul	0.30%	-1.50%	2.70%
31/08/2016	FR	CPI MoM	Aug P	0.40%	0.30%	-0.40%
31/08/2016	FR	CPI YoY	Aug P	0.30%	0.20%	0.20%
31/08/2016	FR	Consumer Spending MoM	Jul	0.30%	-0.20%	-0.80%
31/08/2016	FR	Consumer Spending YoY	Jul	1.10%	0.50%	0.60%
31/08/2016	IT	Unemployment Rate	Jul P	11.60%	11.40%	11.60%
31/08/2016	EC	Unemployment Rate	Jul	10.00%	10.10%	10.10%
31/08/2016	EC	CPI Core YoY	Aug A	0.90%	0.80%	0.90%
31/08/2016	US	ADP Employment Change	Aug	175k	177k	179k
31/08/2016	US	Pending Home Sales MoM	Jul	0.70%	1.30%	0.20%
31/08/2016	US	Pending Home Sales NSA YoY	Jul	2.20%	-2.20%	0.30%
01/09/2016	EC	Markit Eurozone Manufacturing PMI	Aug F	51.8	51.7	51.8
01/09/2016	US	Nonfarm Productivity	2Q F	-0.60%	-0.60%	-0.50%
01/09/2016	US	Unit Labor Costs	2Q F	2.10%	4.30%	2.00%
01/09/2016	US	Initial Jobless Claims	Aug-27	265k	263k	261k
01/09/2016	US	Continuing Claims	Aug-20	2145k	2159k	2145k
01/09/2016	US	Markit US Manufacturing PMI	Aug F	52.1	52	52.1
01/09/2016	US	ISM Manufacturing	Aug	52	49.4	52.6
02/09/2016	JN	Consumer Confidence Index	Aug	41.8	42	41.3
02/09/2016	UK	Markit/CIPS UK Construction PMI	Aug	46.3	49.2	45.9
02/09/2016	US	Change in Nonfarm Payrolls	Aug	180k	151k	255k
02/09/2016	US	Change in Private Payrolls	Aug	180k	126k	217k
02/09/2016	US	Change in Manufact. Payrolls	Aug	-4k	-14k	9k
02/09/2016	US	Unemployment Rate	Aug	4.80%	4.90%	4.90%
02/09/2016	US	Average Hourly Earnings MoM	Aug	0.20%	0.10%	0.30%
02/09/2016	US	Average Hourly Earnings YoY	Aug	2.50%	2.40%	2.60%
02/09/2016	US	Factory Orders	Jul	2.00%	1.90%	-1.50%
02/09/2016	US	Durable Goods Orders	Jul F	4.40%	4.40%	4.40%
03/09/2016	US	Markit US Services PMI	Aug F	51	51	50.9

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This Week

Date Time		Event		Survey	Actual	Prior
05/09/2016	FR	Markit France Services PMI	Aug F	52	52.3	52
05/09/2016	FR	Markit France Composite PMI	Aug F	51.6	51.9	51.6
05/09/2016	GE	Markit Germany Services PMI	Aug F	53.3	51.7	53.3
05/09/2016	EC	Markit Eurozone Services PMI	Aug F	53.1	52.8	53.1
05/09/2016	EC	Markit Eurozone Composite PMI	Aug F	53.3	52.9	53.3
05/09/2016	EC	Retail Sales MoM	Jul	0.50%	1.10%	0.00%
05/09/2016	EC	Retail Sales YoY	Jul	1.80%	2.90%	1.60%
05/09/2016	RU	CPI MoM	Aug	0.00%	0.00%	0.50%
05/09/2016	RU	CPI YoY	Aug	6.90%	6.90%	7.20%
05/09/2016	RU	CPI YTD	Aug	3.90%	3.90%	3.90%
05/09/2016	RU	CPI Core MoM	Aug	0.40%	0.40%	0.30%
05/09/2016	RU	CPI Core YoY	Aug	7.00%	7.00%	7.40%
06/09/2016	GE	Factory Orders MoM	Jul	0.50%	0.20%	-0.40%
06/09/2016	GE	Factory Orders WDA YoY	Jul	-0.20%	-0.70%	-3.10%
06/09/2016	EC	GDP SA QoQ	2Q F	0.30%	--	0.30%
06/09/2016	EC	GDP SA YoY	2Q F	1.60%	--	1.60%
06/09/2016	US	ISM Non-Manf. Composite	Aug	55	--	55.5
07/09/2016	UK	Industrial Production MoM	Jul	-0.20%	--	0.10%
07/09/2016	UK	Industrial Production YoY	Jul	1.90%	--	1.60%
07/09/2016	UK	Manufacturing Production MoM	Jul	-0.30%	--	-0.30%
07/09/2016	UK	Manufacturing Production YoY	Jul	1.70%	--	0.90%
07/09/2016	CA	Bank of Canada Rate Decision	Sep-07	0.50%	--	0.50%
08/09/2016	JN	Trade Balance BoP Basis	Jul	¥571.2b	--	¥763.6b
08/09/2016	JN	GDP SA QoQ	2Q F	0.00%	--	0.00%
08/09/2016	JN	GDP Nominal SA QoQ	2Q F	0.20%	--	0.20%
08/09/2016	FR	Non-Farm Payrolls QoQ	2Q F	0.20%	--	0.20%
08/09/2016	EC	ECB Main Refinancing Rate	Sep-08	0.00%	--	0.00%
08/09/2016	EC	ECB Deposit Facility Rate	Sep-08	-0.40%	--	-0.40%
08/09/2016	EC	ECB Marginal Lending Facility	Sep-08	0.25%	--	0.25%
08/09/2016	CA	New Housing Price Index MoM	Jul	0.10%	--	0.10%
08/09/2016	CA	New Housing Price Index YoY	Jul	2.50%	--	2.50%
08/09/2016	US	Initial Jobless Claims	Sep-03	265k	--	263k
08/09/2016	US	Continuing Claims	Aug-27	2151k	--	2159k
08/09/2016	CA	Building Permits MoM	Jul	2.50%	--	-5.50%
09/09/2016	GE	Trade Balance	Jul	23.7b	--	24.9b
09/09/2016	GE	Current Account Balance	Jul	24.5b	--	26.3b
09/09/2016	FR	Industrial Production MoM	Jul	0.30%	--	-0.80%
09/09/2016	FR	Industrial Production YoY	Jul	1.00%	--	-1.30%
09/09/2016	FR	Manufacturing Production MoM	Jul	0.70%	--	-1.20%
09/09/2016	FR	Manufacturing Production YoY	Jul	1.80%	--	-1.50%
09/09/2016	UK	Trade Balance	Jul	-£4200	--	-£5084
09/09/2016	CA	Housing Starts	Aug	190.0k	--	198.4k

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