

Market Outlook

27 February – 3 March 2017

Highlight

Last Week: Last week, the dollar slightly gained against major currencies in anticipation of a hawkish Fed minutes. After the release of the minutes the dollar slightly weakened against major currencies as uncertainties over lack of clarity on Trump's economic policies weighs on the dollar. The euro weakened against the dollar as French upcoming election remains unclear.

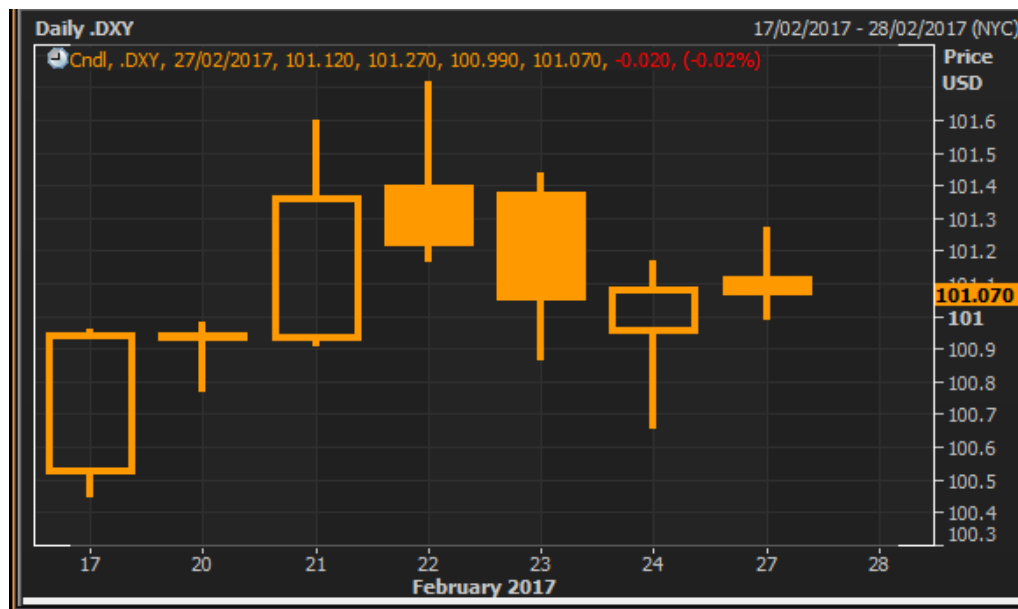
This Week: At the beginning of this week, the movement of major currencies is expected to move in a narrow range as all eyes will be on U.S President Donald Trump's first address to Congress on Tuesday (28/2). The market is also waiting for the latest non-farm payroll number. The single-currency will remain under pressure from political uncertainties in France.

USD

The dollar index opened on Monday (20/2) at 100.93, stable compared to the previous Friday's closing level (17/2) at 100.95. Fed minutes released on Wednesday (22/2) from the FOMC meeting held during January 31 - February 1 show many members felt that another rate increase would be appropriate fairly soon since the U.S. jobs and inflation data came in line with expectations. However, the minutes, also showed the depth of uncertainty at the Fed over the lack of clarity on the new Trump administration's economic program. Also during the week, Markit released its manufacturing and services flash PMIs for February. Both indices drifted from their January flash and final readings. Hence the changes resulted in a drop in February composite index to 54.3 from 55.8 in January. By the way, the National Association of Realtors reported on Wednesday (22/2) that existing home sales jumped 3.3 percent compared to the month earlier, which was the highest level since February 2007. The strong housing data significantly sent the dollar index to its highest level in the week on Wednesday at 101.72 before it dropped sharply on Thursday (23/2) after the release of the U.S. jobless claims data came out at 244K increase, worse than the market

expectation of a 242K increase. Last week, the dollar index moved between 100.66-101.72, before closing on Friday (24/2) at 101.09.

Graph: Dollar Index (DXY)



Source: Reuters

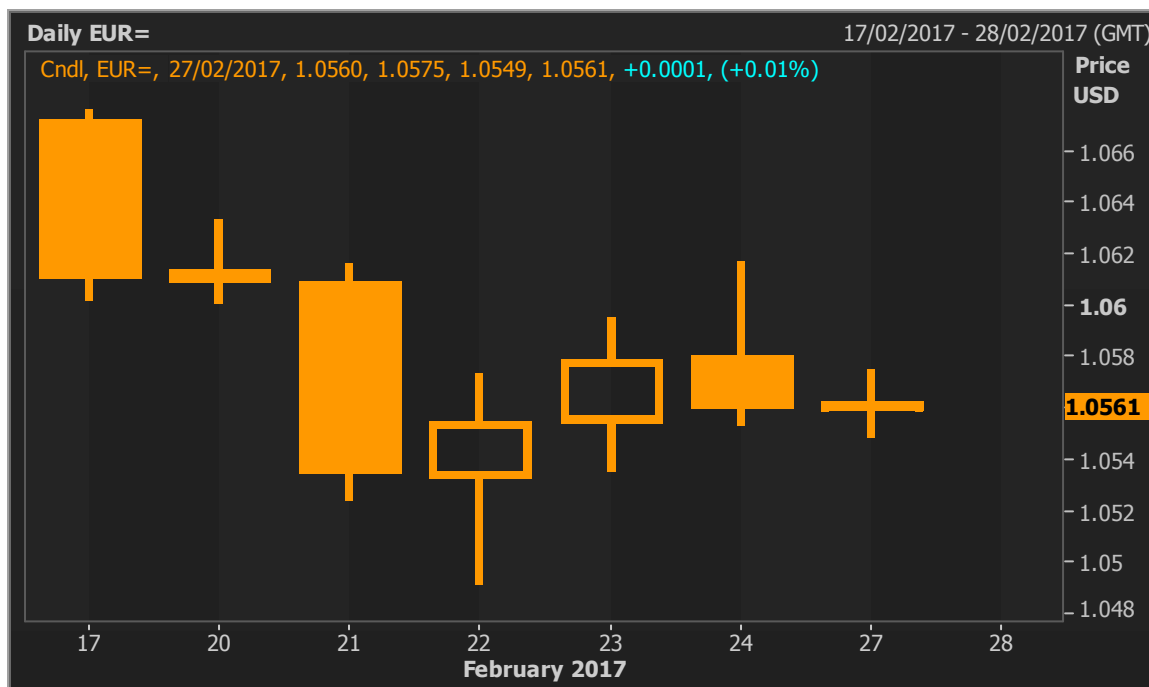
Comment: This week, the market is focusing on Donald Trump's speech on Tuesday (28/2). Trump is set to make his first major policy address to the U.S. Congress on Tuesday, and is expected to give some details on his planned infrastructure spending and tax reform. We expect to see the dollar index to be volatile between 99.50-102.00

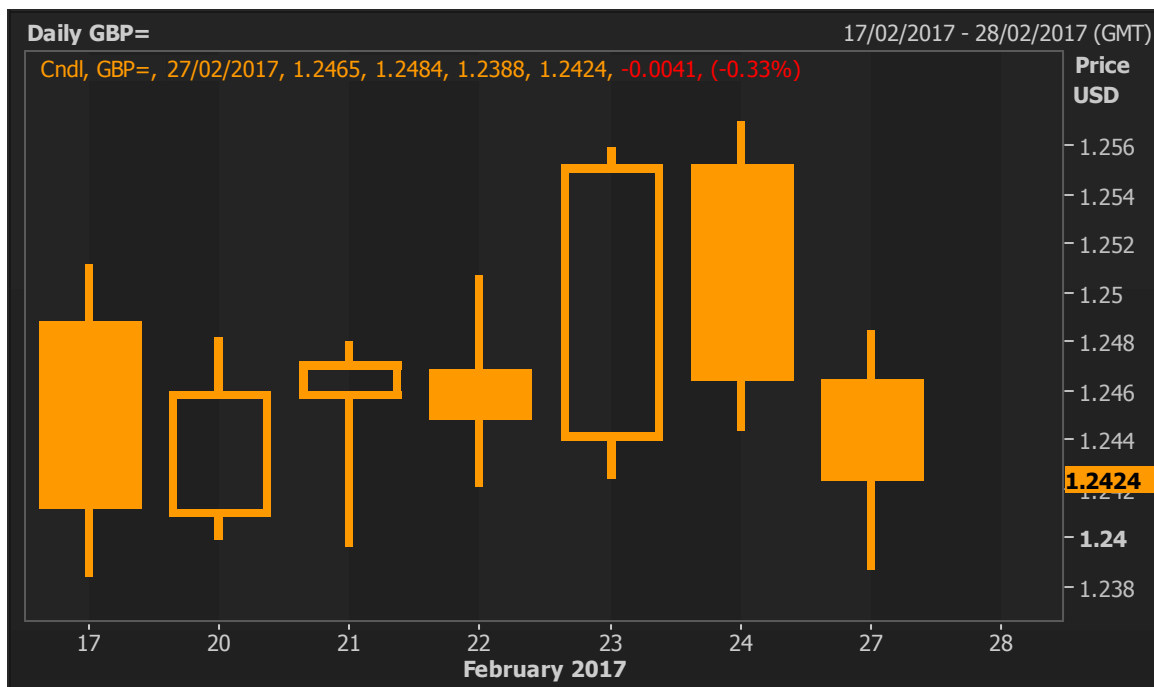
EUR & GBP

The euro opened on Monday (20/2) at 1.0614/16 USD/EUR, stable against the U.S. dollar from previous closing level on Friday (17/2) at 1.0614/16 USD/EUR. However, at the beginning of the week, the euro weakened against the U.S. dollar by a combination of concerned over France's presidential election and growing expectations for a rise in U.S. interest rates. The market concerned that Marine Le Pen could win in May election and deliver a fatal blow to the euro as she trigger the country's exit from the euro area. The euro back gained against the U.S. dollar on Wednesday (22/2) after the market research group Markit said that its Flash Euro Zone Composite Output index which measured the combined output of both the manufacturing and service sectors rose from 51.4 in January to 56.0 in February, above forecasts for 54.3. Another report showed that the inflation in the Eurozone was confirmed at 1.8% in January as analyst's expectations. During last week, the euro varied in a range of 1.0492-1.0637 USD/EUR before closing level on Friday (24/2) at 1.0563/65 USD/EUR.

The pound opened on Monday (20/2) at 1.2409/11 USD/GBP, slightly depreciated against the U.S. dollar from the previous week closing level on Friday (17/2) 1.2414/16 USD/GBP. At the beginning of the week, the pound moved in the upward trend against the U.S. dollar after the Office for National Statistics said gross domestic product rose by 0.7% in the fourth quarter compared to the previous three months, up from an initial estimate of 0.6%. But the estimate for economic growth in 2016 as a whole was revised down to 1.8% from 2.0%. The data also showed that the service sector expanded by 0.8% in December, in line with forecasted. However, another report pointed to a marked slowdown in business investment, which fell by 1.0% in the last three months of 2016. Elsewhere, the pound hit a 1 week-high against the U.S. dollar on Friday (24/2) as a recovery in UK retail sales in February relative to a steeper fall in retail sales in January. During last week, the pound moved between the ranges of 1.2397-1.2572 USD/GBP before closing level on Friday (24/2) at 1.2468/70 USD/GBP last week.

Graph: EUR & GBP





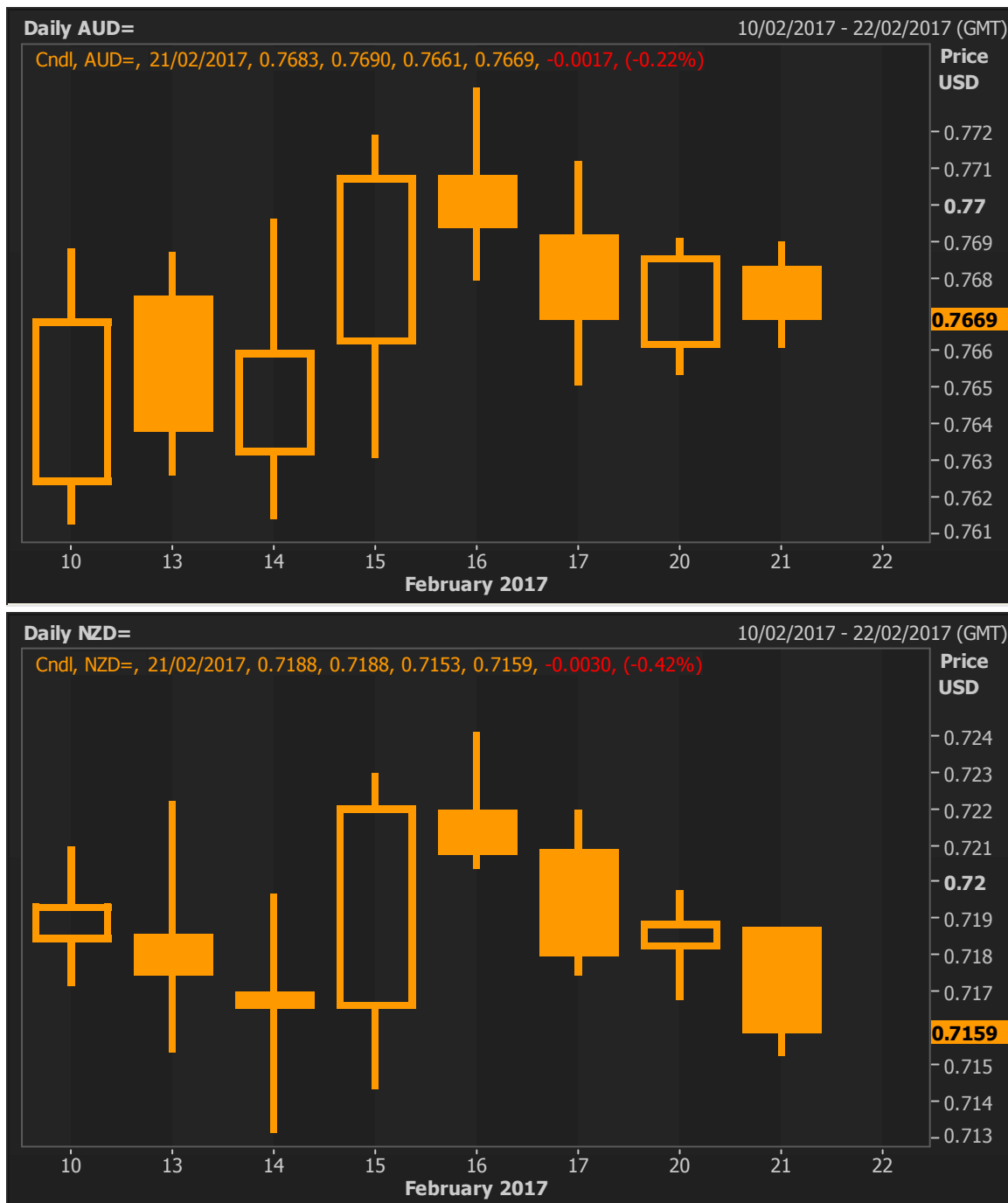
Source: Reuters

Comment: During this week, the market will focus on the U.S. President Donald Trump's address to Congress on Tuesday (28/2) for further details on his promises of tax reform, deregulation and infrastructure spending. In addition, the market will keep an eye out on monthly inflation data out of the euro zone on Thursday (2/3) to assess the timing of when the European Central Bank will start unwinding its massive asset purchase program. Meanwhile, in the U.K., the market will focus on reports of activity in the manufacturing, construction and services sectors for further indications on the continued effect that the Brexit decision is having on the economy. We believe that both the EUR and the GBP will move within the range of 1.0500-1.0700 USD/EUR and 1.2300-1.2500 USD/GBP in this week.

AUD & NZD

The Australian dollar moved in a narrow range along the week. The risk-averse from investors as global-political concerned created a lot of pressure on high beta currencies at the early of the week. Besides, the Australia's economic indicators mostly worse than expectation as capital expenditure decreased 2.1% in 4th quarter while wage price increased 0.5% in 4th quarter compared to recent. However, the Aussie bounced as the Fed minutes released on Wednesday sound more dovish and lack of progress on U.S. tax reform according to the comment from U.S. Treasury Secretary Steven Mnuchin on Thursday. The New Zealand Dollar had positive correlation with the Aussie along the week.

Graph: AUD & NZD



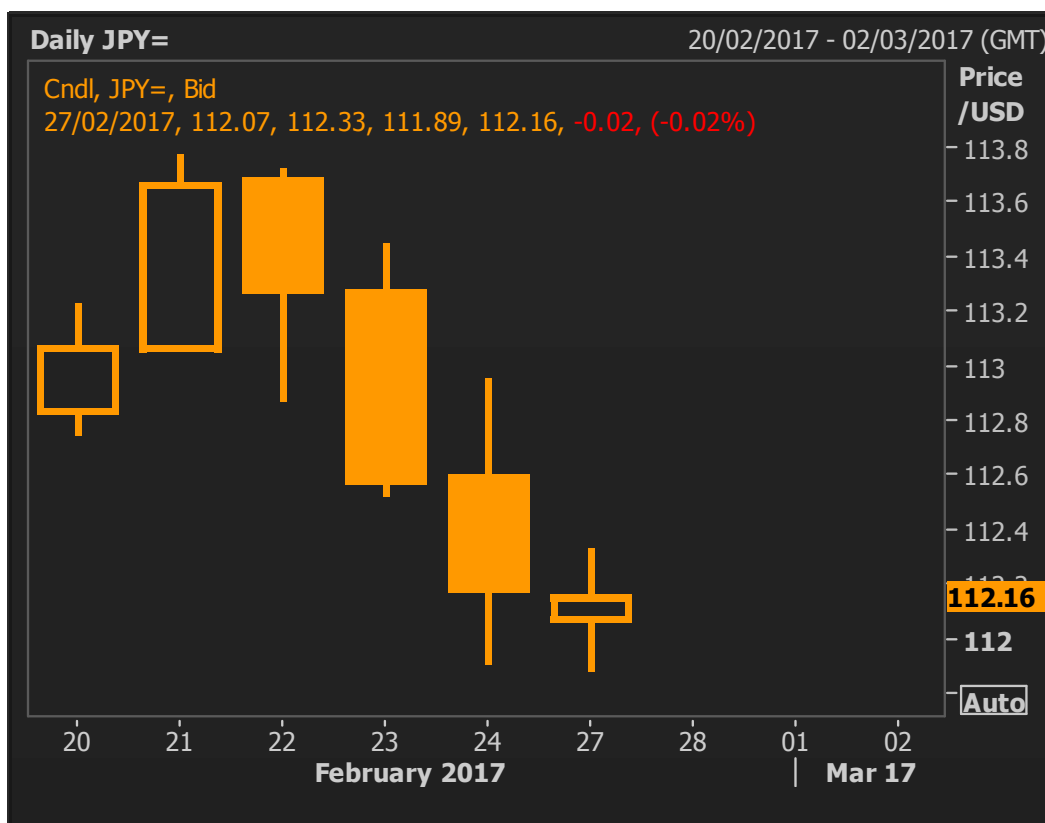
Source: Reuters

Comment: Global Market keeps an eye on Trump's speech on Tuesday while the Australia GDP will be released on Wednesday. We expect the AUD to move in a range of 0.7600 - 0.7800 AUD/USD and NZD in a range of 0.7100 - 0.7300 NZD/USD.

JPY

The JPY opened on Monday (20/2) at 112.83/85 JPY/USD, unchanged from closing level on last Friday (17/2) at 112.85/87 JPY/USD. In the early of the week, the Yen gained against the dollar on higher demands for safe-haven as investors concern about global political risks. However, at the midst of the week, the Yen lost its gain investors raised expectation for an interest rate-hike soon amid hawkish remarks from Federal Reserve officials. On Thursday, the Yen fell back after hit a week high at 113.77 JPY/USD, the yen was supported by uncertainties of EZ elections and impact of FOMC minute. The FOMC minute was more dovish than expectation, missing to convince markets of rate hike in next month's meeting. Last week, the yen moved in a range of 111.91 – 113.77 JPY/USD before closed on Friday at 112.80/83 JPY/USD

Graph: JPY



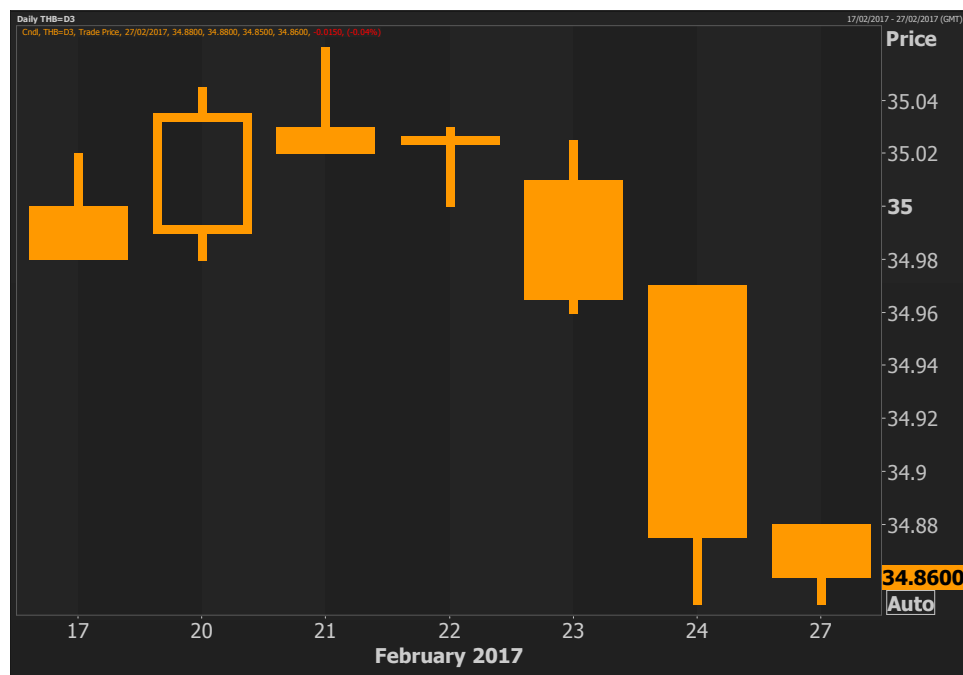
Source: Reuters

Comment: This week the yen is expected move in opposite direction of the dollar as there is no important scheduled data. While Trump's speech and policy plans will significantly dictate how the yen trades in this week. We expect the Yen to move in a range of 111.50 – 114 JPY/USD.

THB

The Thai baht opened on last Monday (20/2) at 34.98/35.00 THB/USD, almost the same level from the previous Friday (17/2) closing level. Last week, the baht still moved in a narrow range and could stand below the level of 35.00 THB/USD at the end of the week. On Monday (20/2), the Office of the National Economics and Social Development Board (NESD) reported that Thailand's GDP was broadly steady in the fourth quarter of last year as fiscal stimulus lifted domestic demand. As market analysts expected, GDP increased 3.0% year-on-year in the last quarter of 2016, a slight slowdown from the third quarter's 3.2% rise. As a result, the economy grew 3.2% in a whole year of 2016, accelerate from 2015's 2.9% expansion. NESD also forecasted that the local economic will grow at 3.0-4.0% in 2017. At the end of the week, the baht was supported after the FOMC February minutes were more dovish than many in the market had expected. Although, the minutes showed that policymakers thought it may be appropriate to raise interest rates again "fairly soon", there are concern in an uncertainty over the lack of clarity of the Trump administration's economic program which result in low possibility of March rate hike. The baht moved in a range between 34.91-35.06 THB/USD before closed on Friday (24/2) at 34.91/93 THB/USD.

Graph: THB



Source: Reuters

Comment: We believe that in the week ahead the baht will move in a narrow range and could be in appreciated trend below the level of 35.00 THB/USD. Global financial markets will focus on Trump's address to Congress on Tuesday (28/2) for further details on his promises of tax reform, deregulation and infrastructure spending. Moreover, the local economic data such as trade balance (28/2) and CPI (1/3) are also in focus. We expect the baht will move between 34.80-35.10 THB/USD.

FX Forecast

Currency	Support	Resistance
USD/THB	34.80	35.10
USD/JPY	111.50	114.0
EUR/USD	1.050	1.070
GBP/USD	1.230	1.250
AUD/USD	0.7600	0.7800
NZD/USD	0.7100	0.7300

Economic Calendar

Last Week

Date		Event	Period	Survey	Actual	Prior
20-Feb	JN	Trade Balance	Jan	-¥625.9b	-¥1086b	¥641.4b
20-Feb	JN	Exports YoY	Jan	5.00%	1.30%	5.40%
20-Feb	JN	Imports YoY	Jan	4.80%	8.50%	-2.60%
20-Feb	UK	Rightmove House Prices MoM	Feb	--	2.00%	0.40%
20-Feb	UK	Rightmove House Prices YoY	Feb	2.80%	2.30%	3.20%
20-Feb	GE	PPI MoM	Jan	0.30%	0.70%	0.40%
20-Feb	GE	PPI YoY	Jan	2.00%	2.40%	1.00%
20-Feb	CA	Wholesale Trade Sales MoM	Dec	0.40%	0.70%	0.20%
21-Feb	JN	Nikkei Japan PMI Mfg	Feb P	--	53.5	52.7
21-Feb	FR	CPI MoM	Jan F	-0.20%	-0.20%	-0.20%
21-Feb	FR	CPI YoY	Jan F	1.40%	1.30%	1.40%
21-Feb	FR	Markit France Manufacturing PMI	Feb P	53.5	52.3	53.6
21-Feb	FR	Markit France Services PMI	Feb P	53.9	56.7	54.1
21-Feb	FR	Markit France Composite PMI	Feb P	53.8	56.2	54.1
21-Feb	GE	Markit Germany Services PMI	Feb P	53.6	54.4	53.4
21-Feb	EC	Markit Eurozone Manufacturing PMI	Feb P	55	55.5	55.2
21-Feb	EC	Markit Eurozone Services PMI	Feb P	53.7	55.6	53.7
21-Feb	EC	Markit Eurozone Composite PMI	Feb P	54.3	56	54.4
21-Feb	US	Markit US Manufacturing PMI	Feb P	55.4	54.3	55
21-Feb	US	Markit US Services PMI	Feb P	55.8	53.9	55.6

21-Feb	US	Markit US Composite PMI	Feb P	--	54.3	55.8
22-Feb	GE	IFO Business Climate	Feb	109.6	111	109.8
22-Feb	GE	IFO Expectations	Feb	103	104	103.2
22-Feb	GE	IFO Current Assessment	Feb	116.6	118.4	116.9
22-Feb	UK	GDP QoQ	4Q P	0.60%	0.70%	0.60%
22-Feb	UK	GDP YoY	4Q P	2.20%	2.00%	2.20%
22-Feb	UK	Private Consumption QoQ	4Q P	0.70%	0.70%	0.70%
22-Feb	UK	Government Spending QoQ	4Q P	0.10%	0.20%	0.00%
22-Feb	UK	Exports QoQ	4Q P	2.00%	4.10%	-2.60%
22-Feb	UK	Imports QoQ	4Q P	0.30%	-0.40%	1.40%
22-Feb	EC	CPI MoM	Jan	-0.80%	-0.80%	0.50%
22-Feb	EC	CPI YoY	Jan F	1.80%	1.80%	1.80%
22-Feb	EC	CPI Core YoY	Jan F	0.90%	0.90%	0.90%
22-Feb	CA	Retail Sales MoM	Dec	0.00%	-0.50%	0.20%
22-Feb	CA	Retail Sales Ex Auto MoM	Dec	0.50%	-0.30%	0.10%
22-Feb	US	Existing Home Sales	Jan	5.55m	5.69m	5.49m
22-Feb	US	Existing Home Sales MoM	Jan	1.10%	3.30%	-2.80%
23-Feb	US	FOMC Meeting Minutes	Feb-01	--	--	--
23-Feb	JN	PPI Services YoY	Jan	0.50%	0.50%	0.40%
23-Feb	GE	Private Consumption QoQ	4Q	0.30%	0.30%	0.40%
23-Feb	GE	Government Spending QoQ	4Q	0.80%	0.80%	1.00%
23-Feb	GE	Exports QoQ	4Q	1.40%	1.80%	-0.40%
23-Feb	GE	Imports QoQ	4Q	1.80%	3.10%	0.20%
23-Feb	GE	GfK Consumer Confidence	Mar	10.1	10	10.2
23-Feb	FR	Business Confidence	Feb	104	104	104
23-Feb	FR	Manufacturing Confidence	Feb	106	107	106
23-Feb	IT	Retail Sales MoM	Dec	0.20%	-0.50%	-0.70%
23-Feb	IT	Retail Sales YoY	Dec	0.90%	-0.20%	0.80%
23-Feb	US	Chicago Fed Nat Activity Index	Jan	0	-0.05	0.14
23-Feb	US	Initial Jobless Claims	Feb-18	240k	244k	239k
23-Feb	US	Continuing Claims	Feb-11	2068k	2060k	2076k
23-Feb	US	Kansas City Fed Manf. Activity	Feb	9	14	9
24-Feb	FR	Consumer Confidence	Feb	100	100	100
24-Feb	IT	Industrial Orders MoM	Dec	--	2.80%	1.50%
24-Feb	IT	Industrial Sales MoM	Dec	--	2.60%	2.40%
24-Feb	UK	BBA Loans for House Purchase	Jan	42600	44657	43228
24-Feb	IT	Economic Sentiment	Feb	--	104	102.5
24-Feb	IT	Manufacturing Confidence	Feb	104.6	106.3	104.8
24-Feb	IT	Consumer Confidence Index	Feb	108.8	106.6	108.8
24-Feb	CA	CPI YoY	Jan	1.60%	2.10%	1.50%
24-Feb	CA	Consumer Price Index	Jan	128.8	129.5	128.4
24-Feb	US	New Home Sales	Jan	571k	555k	536k
24-Feb	US	New Home Sales MoM	Jan	6.40%	3.70%	-10.40%

24-Feb	CA	CPI YoY	Jan	1.60%	2.10%	1.50%
24-Feb	US	U. of Mich. Sentiment	Feb F	96	96.3	95.7
24-Feb	US	U. of Mich. Current Conditions	Feb F	--	111.5	111.2
24-Feb	US	U. of Mich. Expectations	Feb F	--	86.5	85.7

This Week

Date		Event	Period	Survey	Actual	Prior
27-Feb	EC	Economic Confidence	Feb	108.1	108	107.9
27-Feb	EC	Business Climate Indicator	Feb	0.79	0.82	0.77
27-Feb	EC	Industrial Confidence	Feb	1	1.3	0.8
27-Feb	EC	Services Confidence	Feb	13.3	13.8	12.9
27-Feb	EC	Consumer Confidence	Feb F	-6.2	-6.2	-6.2
27-Feb	US	Durable Goods Orders	Jan P	1.70%	--	-0.50%
27-Feb	US	Pending Home Sales MoM	Jan	1.00%	--	1.60%
27-Feb	US	Dallas Fed Manf. Activity	Feb	19.4	--	22.1
28-Feb	JN	Industrial Production MoM	Jan P	0.40%	--	0.70%
28-Feb	JN	Industrial Production YoY	Jan P	4.30%	--	3.20%
28-Feb	JN	Retail Trade YoY	Jan	1.00%	--	0.60%
28-Feb	JN	Retail Sales MoM	Jan	0.30%	--	-1.70%
28-Feb	UK	GfK Consumer Confidence	Feb	-6	--	-5
28-Feb	JN	Housing Starts YoY	Jan	3.20%	--	3.90%
28-Feb	JN	Construction Orders YoY	Jan	--	--	7.10%
28-Feb	FR	CPI MoM	Feb P	0.40%	--	-0.20%
28-Feb	FR	CPI YoY	Feb P	1.50%	--	1.30%
28-Feb	FR	PPI MoM	Jan	--	--	0.90%
28-Feb	FR	PPI YoY	Jan	--	--	1.70%
28-Feb	FR	GDP QoQ	4Q P	0.40%	--	0.40%
28-Feb	FR	GDP YoY	4Q P	1.10%	--	1.10%
28-Feb	US	GDP Annualized QoQ	4Q S	2.10%	--	1.90%
28-Feb	US	Personal Consumption	4Q S	2.50%	--	2.50%
28-Feb	US	GDP Price Index	4Q S	2.10%	--	2.10%
28-Feb	US	Wholesale Inventories MoM	Jan P	0.40%	--	1.00%
28-Feb	US	Retail Inventories MoM	Jan	--	--	0.00%
28-Feb	US	Chicago Purchasing Manager	Feb	53	--	50.3
28-Feb	US	Conf. Board Consumer Confidence	Feb	111	--	111.8
28-Feb	US	Richmond Fed Manufact. Index	Feb	10	--	12
01-Mar	JN	Capital Spending YoY	4Q	0.80%	--	-1.30%
01-Mar	UK	BRC Shop Price Index YoY	Feb	-1.40%	--	-1.70%
01-Mar	JN	Vehicle Sales YoY	Feb	--	--	8.60%
01-Mar	FR	Markit France Manufacturing PMI	Feb F	52.3	--	52.3
01-Mar	GE	Unemployment Claims Rate SA	Feb	5.90%	--	5.90%

01-Mar	EC	Markit Eurozone Manufacturing PMI	Feb F	55.5	--	55.5
01-Mar	IT	GDP Annual YoY	2016	1.00%	--	0.80%
01-Mar	IT	Deficit to GDP	2016	2.40%	--	2.60%
01-Mar	UK	Markit UK PMI Manufacturing SA	Feb	55.8	--	55.9
01-Mar	US	MBA Mortgage Applications	Feb-24	--	--	-2.00%
01-Mar	GE	CPI MoM	Feb P	0.60%	--	-0.60%
01-Mar	GE	CPI YoY	Feb P	2.10%	--	1.90%
01-Mar	GE	CPI EU Harmonized MoM	Feb P	0.60%	--	-0.80%
01-Mar	GE	CPI EU Harmonized YoY	Feb P	2.10%	--	1.90%
01-Mar	US	Personal Income	Jan	0.30%	--	0.30%
01-Mar	US	Personal Spending	Jan	0.30%	--	0.50%
01-Mar	US	Real Personal Spending	Jan	0.00%	--	0.30%
01-Mar	US	PCE Core MoM	Jan	0.30%	--	0.10%
01-Mar	US	PCE Core YoY	Jan	1.70%	--	1.70%
01-Mar	CA	Markit Canada Manufacturing PMI	Feb	--	--	53.5
01-Mar	US	Markit US Manufacturing PMI	Feb F	54.5	--	54.3
01-Mar	CA	Bank of Canada Rate Decision	Mar-01	0.50%	--	0.50%
01-Mar	US	ISM Manufacturing	Feb	56	--	56
01-Mar	US	ISM Prices Paid	Feb	68	--	69
01-Mar	US	ISM New Orders	Feb	--	--	60.4
01-Mar	US	ISM Employment	Feb	--	--	56.1
02-Mar	US	U.S. Federal Reserve Releases Beige Book				
02-Mar	JN	Monetary Base YoY	Feb	--	--	22.60%
02-Mar	GE	Import Price Index MoM	Jan	0.50%	--	1.90%
02-Mar	GE	Import Price Index YoY	Jan	5.50%	--	3.50%
02-Mar	IT	Unemployment Rate	Jan P	12.00%	--	12.00%
02-Mar	UK	Markit/CIPS UK Construction PMI	Feb	52	--	52.2
02-Mar	EC	PPI MoM	Jan	0.60%	--	0.70%
02-Mar	EC	PPI YoY	Jan	3.20%	--	1.60%
02-Mar	EC	Unemployment Rate	Jan	9.60%	--	9.60%
02-Mar	EC	CPI Estimate YoY	Feb	1.90%	--	1.80%
02-Mar	EC	CPI Core YoY	Feb A	0.90%	--	0.90%
02-Mar	US	Challenger Job Cuts YoY	Feb	--	--	-38.80%
02-Mar	CA	GDP MoM	Dec	0.30%	--	0.40%
02-Mar	CA	GDP YoY	Dec	1.70%	--	1.60%
02-Mar	CA	Quarterly GDP Annualized	4Q	2.00%	--	3.50%
02-Mar	US	Initial Jobless Claims	Feb-25	245k	--	244k
02-Mar	US	Continuing Claims	Feb-18	2065k	--	2060k
02-Mar	US	Bloomberg Consumer Comfort	Feb-26	--	--	48
03-Mar	JN	Jobless Rate	Jan	3.00%	--	3.10%
03-Mar	JN	Nikkei Japan PMI Composite	Feb	--	--	52.3
03-Mar	JN	Consumer Confidence Index	Feb	43.5	--	43.2
03-Mar	GE	Retail Sales MoM	Jan	0.30%	--	-0.90%

03-Mar	GE	Retail Sales YoY	Jan	0.70%	--	-1.10%
03-Mar	GE	Markit Germany Services PMI	Feb F	54.4	--	54.4
03-Mar	EC	Markit Eurozone Services PMI	Feb F	55.6	--	55.6
03-Mar	EC	Markit Eurozone Composite PMI	Feb F	56	--	56
03-Mar	UK	Markit/CIPS UK Services PMI	Feb	54	--	54.5
03-Mar	UK	Markit/CIPS UK Composite PMI	Feb	55.6	--	55.5
03-Mar	EC	Retail Sales MoM	Jan	0.30%	--	-0.30%
03-Mar	EC	Retail Sales YoY	Jan	1.50%	--	1.10%
03-Mar	US	Markit US Services PMI	Feb F	--	--	53.9
03-Mar	US	Markit US Composite PMI	Feb F	--	--	54.3
03-Mar	US	ISM Non-Manf. Composite	Feb	56.5	--	56.5