

Market Outlook

9 January 2017 – 13 January 2017

Highlight

Last Week: Federal Reserve Bank published its December's meeting minutes showed that Federal committee was concern regarding the uncertainties in fiscal stimulus before U.S President-elect takes Trump took office. Last week, People's Bank of China (PBOC) guided yuan higher and Friday's level was the highest since 2005 to curve capital outflow. PBOC stands to sell-off USD dominated bond if the capital flow continues.

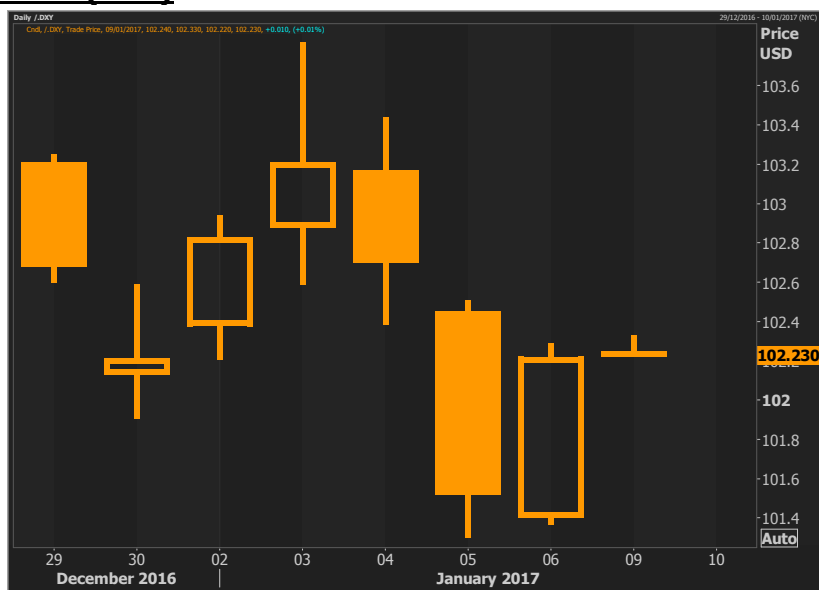
This Week: All attentions will turn to U.S economics data, especially retail sales on Friday, and appearances by Federal official throughout the week. On Thursday, Federal Reserve President Janet Yellen will make an appearance at an event in Washington and handful of Fed official will gives speeches on that day. U.S President-elect Donald Trump will give his first post-election conference on Wednesday, where markets will look for hints regarding his policy. As for the Eurozone, the ECB will publish its latest meeting minute on Thursday.

USD

The dollar index opened on Wednesday (4/1) at 103.17, increased from the closing level on Friday (30/12) at 102.21. However, during last week, the U.S. dollar was sold to make profit by the investors even though the positive U.S. economic data were released. The Institute for Supply Management (ISM) released the Manufacturing Business Survey for December registered to 54.7 from the November reading of 53.2, whereas the U.S. Markit Manufacturing PMI rose to 54.3, the highest level since March 2015. The ADP December estimate of private employment jobs came out at 153,000 jobs, a drop from November's 215,000, which below the consensus of 170,000. The market's major focus was the U.S. Nonfarm payrolls on Friday night (6/1) which grew by 156,000 jobs in December, a number that missed expectations of 178,000. In addition,

the unemployment rate was in line at 4.7%. However the number was overshadowed by a sharp gain in U.S. wages. The report showed that the annual rate of wage growth rose 2.9% in December from a year earlier. The data kept the dollar index to stay in positive trend. During last week, the dollar index moved between 101.30-103.44, before closing on Friday (6/1) at 102.22.

Graph: Dollar Index (DXY)



Source: Reuters

Comments: This week, the global financial markets will continue to focus on key U.S. reports which are U.S. wholesale inventories (10/1), Bloomberg consumer confidence (12/1), Fed Chair Janet Yellen Speaks, Retail sales, PPI, and Michigan Consumer Sentiment (13/1) etc. Meanwhile, the U.S. President-elect Donald Trump is to hold a press conference on Wednesday (11/1) which investors will be watching closely for any hints about the possible direction on economic policy. During this week, we may see the dollar index to move between 101.50-103.50.

EUR & GBP

The euro opened on Wednesday (4/1) at 1.0403/05 USD/EUR, depreciated against the U.S. dollar from the previous closing level on Friday (30/12) at 1.0513/15 USD/EUR. However, the euro gained against the U.S. dollar after the report showed that business activities in the euro area rose at the fastest pace in more than five years in December and inflation in the euro area climbed 1.1 percent, the highest in over three years, from 0.6 percent in November, but still well below the ECB's 2 percent target. Moreover, the Markit Eurozone composite purchasing manager's index rose to 54.4 in December from 53.9 in previous month, better than analyst's expectations of 53.9 unchanged. During last week, the euro varied in a range of 1.0341-1.0620 USD/EUR before it closed on Friday (6/1) at 1.0591/93 USD/EUR.

The pound opened on Wednesday (4/1) at 1.2232/34 USD/GBP, depreciated against the U.S. dollar from the previous week's closing level on Friday (30/12) 1.2336/38 USD/GBP. However, the pound moved in an appreciating trend against the U.S. dollar after the data showed that Markit U.K. manufacturing purchasing manager's index rose to 56.1 in December from 53.6 in previous month, better than expected 53.3 in December. Meanwhile, U.K. services purchasing managers' index rose to 56.2 in December from 55.3 in previous month, compared to analysts' expectations for a reading of 54.7. During last week, the pound moved between the ranges of 1.2221-1.2432 USD/GBP before closing level on Friday (6/1) at 1.2380/82 USD/GBP last week.

Graph: EUR & GBP



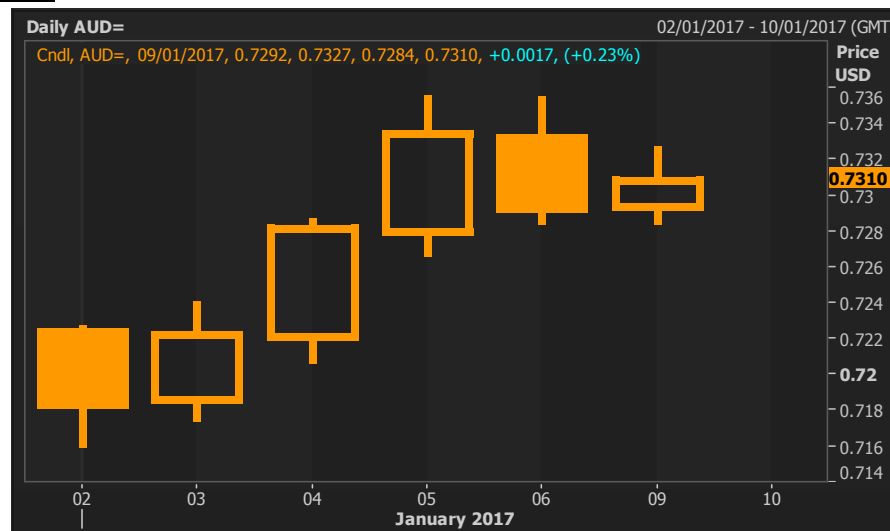
Source: Reuters

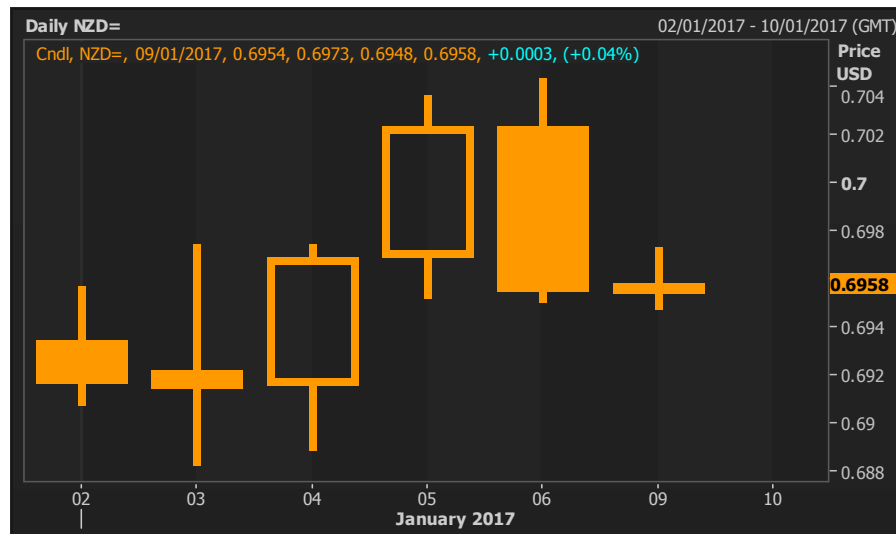
Comment: During this week, the market will focus on important economic data such as Eurozone unemployment rate and U.K. house price data (9/1), U.K. manufacturing and industrial production as well as trade balance (11/1), Eurozone industrial production (12/1). Furthermore, the market also eyes on economic data of U.S. and the speech of Fed's officials in this week. Moreover, the market will wait for Theresa May's action in the upcoming Brexit. Hence, we believe that both the EUR and the GBP will move within the ranges of 1.0400-1.0600 USD/EUR and 1.2050-1.2250 USD/GBP in this week.

AUD & NZD

Last week, the AUD opened at 0.7219/21 USD/AUD on last Wednesday (4/1). The Australian dollar edged up against the dollar as China released a better-than-expected survey of Caixin manufacturing PMI (3/1). Moreover, the tighter capital controls policy from China also supported the Australian dollar during the midst of the week. The Aussie continually gained from upbeat trade data which show the balance of surplus at 1.243 billion AUD and investors locked the profit of the dollar after Fed's minutes was released. The New Zealand dollar opened at 0.6916/18 USD/NZD on last Wednesday (4/1) and moved in the same direction with the Aussie along the week.

Graph: AUD & NZD





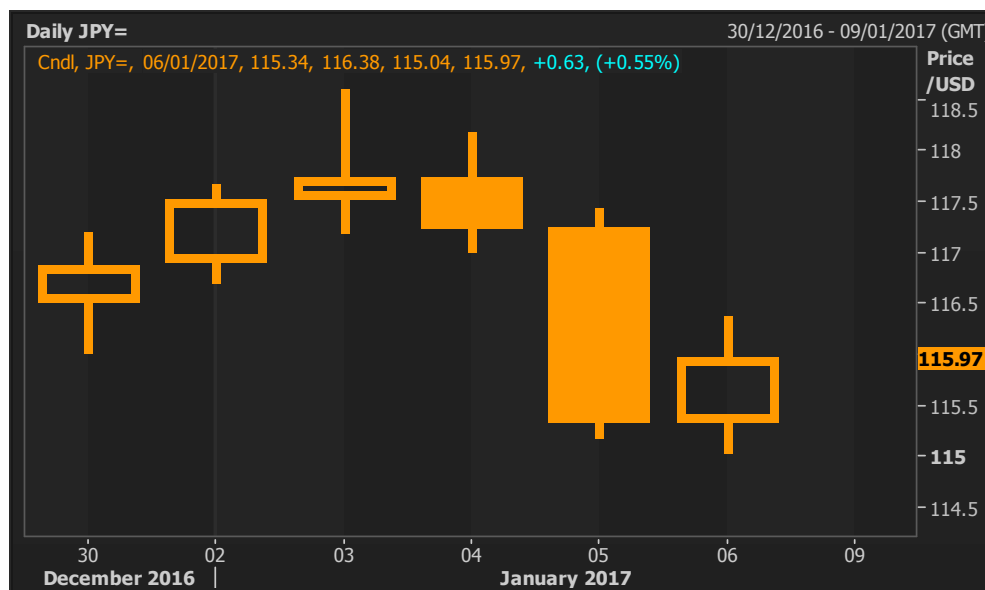
Source: Reuters

Comment: This week, the movement of the AUD and NZD will be affected by Australia's retail sales data (10/1) and China's policy to control the liquidity. We expect the AUD and NZD to move in a range of 0.7250 – 0.7400 USD/AUD and 0.6900 – 0.7050 USD/NZD.

JPY

The yen opened on last Wednesday (04/01) at 117.74 JPY/USD, slightly depreciating from Friday's closing at 116.87 (30/12), the dollar rose against the other major currencies, boosted by the strong data. The ISM manufacturing increased by 1.5% to 54.7 in December, higher than expectations at 53.7. The ISM manufacturing prices also rose to 65.5 in December from 54.5 in last month's level. Within the first day of working day, however, the yen rebounded on appreciating data. The final manufacturing PMI rose to 52.4 in December from a preliminary reading of 51.9. The yen continued its strength in the end of week as investors seek safe heaven assets. The yen closed on Friday at 116.00/05 JPY/USD

Graph: JPY



Source: Reuters

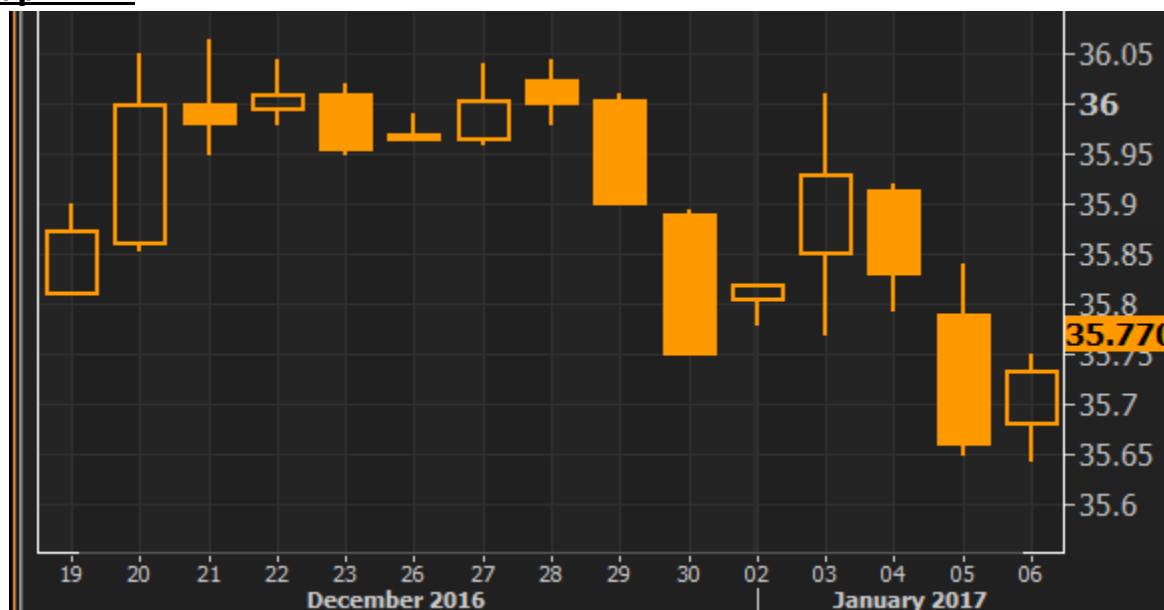
Comment: This week, the yen is expected to follow trend of the US data since it is quiet week for the yen on bank holiday of Japan (09/01) and there is no important data report on coming days. The yen will move in a range of 113.00-118.00 JPY/USD.

THB

The Baht opened on last Wednesday (4/1) at 35.91/93 THB/USD, almost the same level from previous' Friday (30/12) closing level. Last week, the Baht gradually appreciated against US dollar and moved to the level of 35.70 THB/USD at the end of the week because of three main reasons. Firstly, there has been profit-taking on the dollar continuously since the end of last year after the dollar index surged more than 5 % from the impact of the Donald Trump, who won the election on November and will become the new president of United States. The capital flow was pushed back to the emerging market especially in the risky assets. For instance, the foreign investors had been made a total of 7 billion Baht accumulated bought in the Stock exchange of Thailand(SET) after just 3 working days on 2017. Secondly, on Wednesday (4/1), the consumer confidence of December 2017 was released at 73.7, ticked up from the level of 72.3 in the previous month. This number indicated that the local economy will recover since the first quarter this year contributed by stronger export and tourism. Finally, at the end of the week, the Asian currencies were appreciated after China's yuan soared against the U.S. dollar on Thursday (5/1) following a sharp rise in the offshore spot rate as China worked to stem capital flows and stabilize the currency. It was not clear if Chinese authorities had engineered the spike in yuan borrowing rates in Hong Kong but they had used such a tactic several times last year to support offshore yuan exchange levels and by extension

relieving some of the pressure on the yuan onshore, which is at more than eight-year lows. During the week the Baht had moved between 35.68-35.97 THB/USD before closed on Friday (6/1) at 35.72/75 THB/USD.

Graph: THB



Source: Reuters

Comment: We believe that this week the Baht and all currencies will be more volatile than it was in last 2-3 weeks as investors will come back to the market again. The capital inflow to the emerging market will continue this week which will support the Baht but investors will also be watching an appearance by Fed Chair Janet Yellen on Thursday (12/1) and the interviews of Donald Trump. If there are comments that support US economy, dollar may strengthen again. The baht will move between 35.60-36.00 THB/USD as the support level of 35.70 USD/THB is still difficult to break through.

FX Forecast

| Currency | Support | Resistance |
|----------|---------|------------|
| USD/THB | 35.60 | 36.00 |
| USD/JPY | 113.00 | 118.00 |
| EUR/USD | 1.0400 | 1.0600 |
| GBP/USD | 1.2050 | 1.2250 |
| AUD/USD | 0.7250 | 0.7400 |
| NZD/USD | 0.6900 | 0.7050 |

Economic Calendar

Last Week

| Date | | Event | | Survey | Actual | Prior |
|-------|----|--------------------------------------|-------|--------|--------|--------|
| 2 Jan | IT | Markit/ADACI Italy Manufacturing PMI | Dec | 52.3 | 53.2 | 52.2 |
| | FR | Markit France Manufacturing PMI | Dec F | 53.5 | 53.5 | 53.5 |
| | GE | Markit/BME Germany Manufacturing PMI | Dec F | 55.5 | 55.6 | 55.5 |
| | EC | Markit Eurozone Manufacturing PMI | Dec F | 54.9 | 54.9 | 54.9 |
| 3 Jan | IT | New Car Registrations YoY | Dec | -- | 0.1306 | 0.0819 |
| | IT | Budget Balance | Dec | -- | 8.9b | -7.0b |
| | FR | CPI MoM | Dec P | 0.005 | 0.003 | 0 |
| | FR | CPI YoY | Dec P | 0.008 | 0.006 | 0.005 |
| | GE | Unemployment Change (000's) | Dec | -5k | -17k | -5k |
| | GE | Unemployment Claims Rate SA | Dec | 0.06 | 0.06 | 0.06 |
| | UK | Markit UK PMI Manufacturing SA | Dec | 53.3 | 56.1 | 53.4 |
| | GE | CPI YoY | Dec P | 0.014 | 0.017 | 0.008 |
| | GE | CPI MoM | Dec P | 0.006 | 0.007 | 0.001 |
| | US | Markit US Manufacturing PMI | Dec F | 54.2 | 54.3 | 54.2 |
| | US | ISM Manufacturing | Dec | 53.8 | 54.7 | 53.2 |
| | US | ISM New Orders | Dec | -- | 60.2 | 53 |
| | US | ISM Employment | Dec | -- | 53.1 | 52.3 |
| | US | Construction Spending MoM | Nov | 0.005 | 0.009 | 0.005 |
| 4 Jan | UK | BRC Shop Price Index YoY | Dec | -- | -0.014 | -0.017 |
| | JN | Nikkei Japan PMI Mfg | Dec F | -- | 52.4 | 51.9 |
| | FR | Consumer Confidence | Dec | 99 | 99 | 98 |
| | IT | Markit/ADACI Italy Services PMI | Dec | 52.6 | 52.3 | 53.3 |
| | IT | Markit/ADACI Italy Composite PMI | Dec | 53 | 52.9 | 53.4 |
| | FR | Markit France Services PMI | Dec F | 52.6 | 52.9 | 52.6 |
| | FR | Markit France Composite PMI | Dec F | 52.8 | 53.1 | 52.8 |
| | GE | Markit Germany Services PMI | Dec F | 53.8 | 54.3 | 53.8 |
| | GE | Markit/BME Germany Composite PMI | Dec F | 54.8 | 55.2 | 54.8 |
| | EC | Markit Eurozone Services PMI | Dec F | 53.1 | 53.7 | 53.1 |
| | EC | Markit Eurozone Composite PMI | Dec F | 53.9 | 54.4 | 53.9 |
| | UK | Markit/CIPS UK Construction PMI | Dec | 52.5 | 54.2 | 52.8 |
| | UK | Net Consumer Credit | Nov | 1.6b | 1.9b | 1.6b |
| | UK | Net Lending Sec. on Dwellings | Nov | 3.3b | 3.2b | 3.3b |
| | UK | Mortgage Approvals | Nov | 68.5k | 67.5k | 67.5k |
| | EC | CPI Core YoY | Dec A | 0.008 | 0.009 | 0.008 |

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|-------|----|---------------------------------|------------|--------|---------|---------|
| | US | MBA Mortgage Applications | 11293 | -- | 0.001 | -0.121 |
| 5 Jan | US | FOMC Meeting Minutes | 01/12/2014 | -- | -- | -- |
| | JN | Monetary Base YoY | Dec | -- | 0.231 | 0.215 |
| | JN | Monetary Base End of period | Dec | -- | ¥437.4t | ¥419.8t |
| | JN | Nikkei Japan PMI Services | Dec | -- | 52.3 | 51.8 |
| | JN | Nikkei Japan PMI Composite | Dec | -- | 52.8 | 52 |
| | GE | Markit Germany Construction PMI | Dec | -- | 54.9 | 53.9 |
| | UK | New Car Registrations YoY | Dec | -- | -0.011 | 0.029 |
| | IT | Deficit to GDP YTD | 3Q | -- | 0.023 | 0.023 |
| | GE | Markit Germany Retail PMI | Dec | -- | 52 | 49.6 |
| | EC | Markit Eurozone Retail PMI | Dec | -- | 50.4 | 48.6 |
| | FR | Markit France Retail PMI | Dec | -- | 50.4 | 47.3 |
| | IT | Markit Italy Retail PMI | Dec | -- | 47.9 | 48.8 |
| | UK | Markit/CIPS UK Services PMI | Dec | 54.7 | 56.2 | 55.2 |
| | UK | Markit/CIPS UK Composite PMI | Dec | 55 | 56.7 | 55.2 |
| | UK | Official Reserves Changes | Dec | -- | \$29m | \$1826m |
| | EC | PPI MoM | Nov | 0.003 | 0.003 | 0.008 |
| | EC | PPI YoY | Nov | -0.001 | 0.001 | -0.004 |
| | US | Challenger Job Cuts YoY | Dec | -- | 0.424 | -0.13 |
| | US | ADP Employment Change | Dec | 175k | 153k | 216k |
| | US | Initial Jobless Claims | 11658 | 260k | 235k | 265k |
| | US | Continuing Claims | 45627 | 2045k | 2112k | 2102k |
| | CA | Industrial Product Price MoM | Nov | 0.005 | 0.003 | 0.007 |
| | US | Markit US Services PMI | Dec F | 53.4 | 53.9 | 53.4 |
| | US | Markit US Composite PMI | Dec F | -- | 54.1 | 53.7 |
| | US | ISM Non-Manf. Composite | Dec | 56.8 | 57.2 | 57.2 |
| 6 Jan | JN | Labor Cash Earnings YoY | Nov | 0.002 | 0.002 | 0.001 |
| | JN | Real Cash Earnings YoY | Nov | 0 | -0.002 | 0 |
| | GE | Retail Sales MoM | Nov | -0.009 | -0.018 | 0.024 |
| | GE | Retail Sales YoY | Nov | 0.012 | 0.032 | -0.01 |
| | GE | Factory Orders MoM | Nov | -0.024 | -0.025 | 0.049 |
| | FR | Trade Balance | Nov | -4800m | -4377m | -5202m |
| | FR | Current Account Balance | Nov | -- | -2.3b | -3.5b |
| | EC | Economic Confidence | Dec | 106.8 | 107.8 | 106.5 |
| | EC | Business Climate Indicator | Dec | 0.47 | 0.79 | 0.42 |
| | EC | Industrial Confidence | Dec | -0.4 | 0.1 | -1.1 |
| | EC | Services Confidence | Dec | 12 | 12.9 | 12.1 |
| | EC | Consumer Confidence | Dec F | -5.1 | -5.1 | -5.1 |
| | EC | Retail Sales MoM | Nov | -0.004 | -0.004 | 0.011 |
| | EC | Retail Sales YoY | Nov | 0.019 | 0.023 | 0.024 |

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|--|----|------------------------------------|-------|----------|----------|----------|
| | US | Trade Balance | Nov | -\$45.4b | -\$45.2b | -\$42.6b |
| | CA | Unemployment Rate | Dec | 0.069 | 0.069 | 0.068 |
| | US | Change in Nonfarm Payrolls | Dec | 175k | 156k | 178k |
| | CA | Full Time Employment Change | Dec | -- | 81.3 | -8.7 |
| | US | Change in Manufact. Payrolls | Dec | 0k | 17k | -4k |
| | CA | Participation Rate | Dec | 65.6 | 65.8 | 65.6 |
| | US | Unemployment Rate | Dec | 0.047 | 0.047 | 0.046 |
| | US | Average Hourly Earnings MoM | Dec | 0.003 | 0.004 | -0.001 |
| | US | Average Hourly Earnings YoY | Dec | 0.028 | 0.029 | 0.025 |
| | US | Average Weekly Hours All Employees | Dec | 34.4 | 34.3 | 34.4 |
| | US | Labor Force Participation Rate | Dec | -- | 0.627 | 0.627 |
| | US | Underemployment Rate | Dec | -- | 0.092 | 0.093 |
| | CA | Ivey Purchasing Managers Index SA | Dec | -- | 60.8 | 56.8 |
| | US | Factory Orders | Nov | -0.023 | -0.024 | 0.027 |
| | US | Durable Goods Orders | Nov F | -0.046 | -0.045 | -0.046 |

This Week

| Date | | Event | | Survey | Actual | Prior |
|--------|----|--------------------------------|-------|--------|--------|--------|
| 9 Jan | GE | Industrial Production SA MoM | Nov | 0.006 | -- | 0.003 |
| | GE | Industrial Production WDA YoY | Nov | 0.019 | -- | 0.012 |
| | GE | Trade Balance | Nov | 20.3b | -- | 19.3b |
| | GE | Current Account Balance | Nov | 22.1b | -- | 18.4b |
| | FR | Bank of France Bus. Sentiment | Dec | 101 | -- | 101 |
| | UK | Halifax House Prices MoM | Dec | 0.003 | -- | 0.002 |
| | UK | Halifax House Price 3Mths/Year | Dec | 0.058 | -- | 0.06 |
| | IT | Unemployment Rate | Nov P | 0.116 | -- | 0.116 |
| | EC | Sentix Investor Confidence | Jan | 12.8 | -- | 10 |
| | EC | Unemployment Rate | Nov | 0.098 | -- | 0.098 |
| | CA | Bloomberg Nanos Confidence | 38718 | -- | -- | 56.8 |
| | CA | Business Outlook Future Sales | 4Q | -- | -- | 12 |
| | CA | BoC Senior Loan Officer Survey | 4Q | -- | -- | 3.3 |
| 10 Jan | JN | Consumer Confidence Index | Dec | -- | -- | 40.9 |
| | FR | Industrial Production MoM | Nov | 0.006 | -- | -0.002 |
| | FR | Industrial Production YoY | Nov | -0.002 | -- | -0.018 |
| | FR | Manufacturing Production MoM | Nov | 0.009 | -- | -0.006 |
| | FR | Manufacturing Production YoY | Nov | -0.001 | -- | -0.015 |

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|--------|----|------------------------------|-------|---------|----|-----------|
| | US | NFIB Small Business Optimism | Dec | 99.3 | -- | 98.4 |
| | US | Wholesale Inventories MoM | Nov F | 0.009 | -- | 0.009 |
| | US | Wholesale Trade Sales MoM | Nov | -- | -- | 0.014 |
| | US | JOLTS Job Openings | Nov | 5517 | -- | 5534 |
| 11 Jan | JN | Official Reserve Assets | Dec | -- | -- | \$1219.3b |
| | UK | Trade Balance | Nov | -£3500 | -- | -£1971 |
| | UK | Industrial Production MoM | Nov | 0.009 | -- | -0.013 |
| | UK | Industrial Production YoY | Nov | 0.006 | -- | -0.011 |
| | UK | Manufacturing Production MoM | Nov | 0.005 | -- | -0.009 |
| | UK | Manufacturing Production YoY | Nov | 0.004 | -- | -0.004 |
| | UK | Construction Output SA MoM | Nov | 0.003 | -- | -0.006 |
| | UK | Construction Output SA YoY | Nov | 0.02 | -- | 0.007 |
| | US | MBA Mortgage Applications | 38718 | -- | -- | 0.001 |
| 12 Jan | JN | Trade Balance BoP Basis | Nov | ¥249.4b | -- | ¥587.6b |
| | JN | Bank Lending Incl Trusts YoY | Dec | -- | -- | 0.024 |
| | FR | CPI MoM | Dec F | 0.003 | -- | 0.003 |
| | FR | CPI YoY | Dec F | 0.006 | -- | 0.006 |
| | IT | Industrial Production MoM | Nov | 0.002 | -- | 0 |
| | EC | Industrial Production SA MoM | Nov | 0.005 | -- | -0.001 |
| | US | Import Price Index MoM | Dec | 0.007 | -- | -0.003 |
| | US | Initial Jobless Claims | 39083 | 255k | -- | 235k |
| | US | Continuing Claims | 11658 | 2077k | -- | 2112k |
| | CA | New Housing Price Index MoM | Nov | 0.003 | -- | 0.004 |
| | CA | New Housing Price Index YoY | Nov | 0.03 | -- | 0.03 |
| | US | Import Price Index YoY | Dec | 0.018 | -- | -0.001 |
| 13 Jan | JN | Bankruptcies YoY | Dec | -- | -- | -0.0253 |
| | GE | Wholesale Price Index MoM | Dec | -- | -- | 0.001 |
| | GE | Wholesale Price Index YoY | Dec | -- | -- | 0.008 |
| | US | PPI Ex Food and Energy MoM | Dec | 0.001 | -- | 0.004 |
| | US | Retail Sales Advance MoM | Dec | 0.007 | -- | 0.001 |
| | US | Retail Sales Ex Auto MoM | Dec | 0.005 | -- | 0.002 |
| | US | Retail Sales Ex Auto and Gas | Dec | 0.004 | -- | 0.002 |
| | US | Retail Sales Control Group | Dec | 0.004 | -- | 0.001 |
| | CA | Existing Home Sales MoM | Dec | -- | -- | -0.053 |
| | US | Business Inventories | Nov | 0.005 | -- | -0.002 |
| | US | U. of Mich. Sentiment | Jan P | 98.5 | -- | 98.2 |