

Market Outlook

20 - 24 March 2017

Highlight

Last Week: The U.S. dollar lost its gains after Fed failed to convince markets whether the Fed's next rate increase will come soon at its March 14-15th meeting. Meanwhile the BOJ held policy rate at -0.1% and yield of 10-year-government bond at 0% and maintained the asset purchase target at 700 million USD, along with the BOE left the interest rates on hold at 0.25% and QE was also left unchanged, as widely expected. At the end of week, the Thai baht moved in appreciating trend against the U.S. dollar as foreign funds flow into regional markets while markets await signals of next interest rate hike.

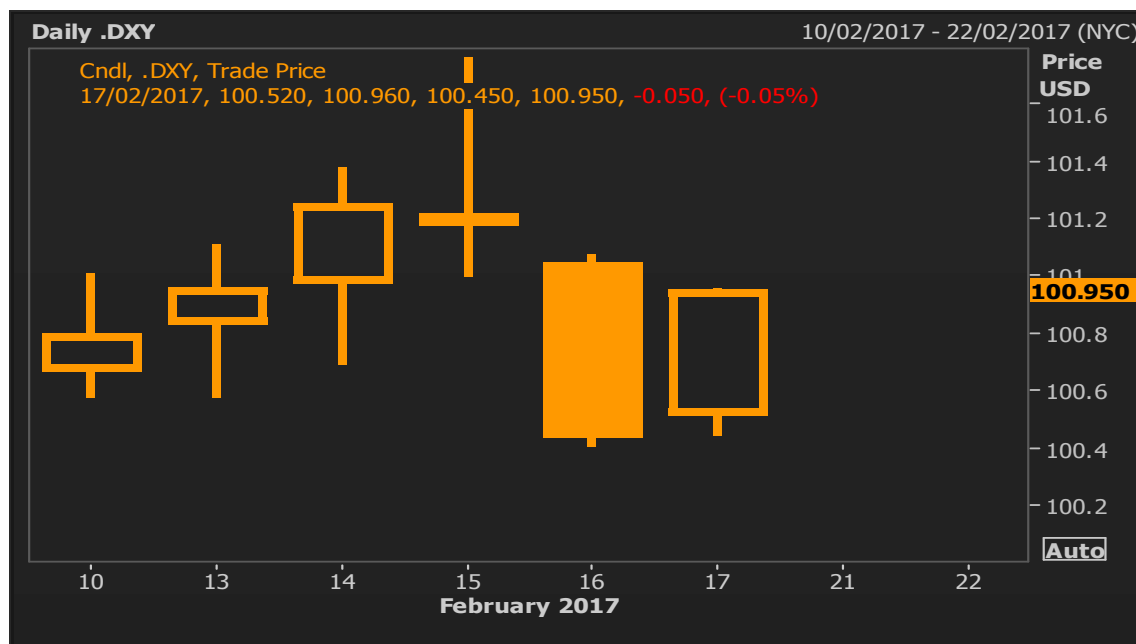
This Week: In a week ahead, we expect Fed's speeches would be the primary drive of the dollar as there is no major U.S. economic reports on the calendar. Fed Chicago, Charles Evans will give a speech on Monday (20/3), following by Fed Chair Janet Yellen, Fed Dallas Robert Kaplan and Fed Minneapolis Neel Kashkari on March 23th. Moreover markets will focus on U.K. CPI (21/3), U.K. retail sales (23/3), Eurozone Manufacturing and Service PMI (24/3)

USD

Dollar index opened on Monday (13/2) at 100.84, moving narrowly from previous Friday (10/2) closing level at 100.80. Last week, the dollar gained against major currencies on strong US reports and hawkish Fed's comment. The US economic shows continued improvement, most important economic reports beat expectations. The only miss was in industrial production and housing starts. The inflation rate increased by 0.6% in January, higher than expected of 0.3%. The retail sales rose more than expected in January to 0.4% and December's retail sales were also revised up to 1.0%. Meanwhile the US consumer prices recorded their biggest gain in 4 years, jumping 0.6 percent and Philadelphia fed manufacturing index rose to 43.3, its highest level in 33 years. Moreover, on Wednesday (15/2), Janet Yellen Fed chair remained committed to the central bank's plan for tightening as the jobs market has improved and inflation has shown signs of nearing the Fed's 2% goal. However, the dollar lost its gains against major currencies on Thursday (16/2) after raising to one month high of 101.76. The dollar dropped as investors see that Fed Chair Janet Yellen didn't deliver enough conviction whether the Fed's next rate increase will come at its March 14-15

meeting. Last week, the dollar index closing level at 100.95 on last Friday (17/2).

Graph: Dollar Index (DXY)



Source: Reuters

Comments: This week, the dollar is expected to move in a narrow range as there is no US significant report but FOMC meeting on Thursday. However, the markets will wait to see whether FOMC meeting will turn more hawkish about US economy which could raise possibility of interest rate hiking in next month's meeting. The dollar index is expected to move within the range of 100.35 -101.75 this week.

EUR & GBP

The euro opened at 1.0679/83 USD/EUR on last Monday (13/3), significantly appreciated from previous' Friday closing level at 1.0612/14 USD/EUR. The euro rose to one-month highs at the level of 1.0715 USD/EUR on Monday (13/3) after downbeat U.S. average hour earning data and discussion from the European Central Bank about the possibility of raising interest rates before ending its stimulus program. However, on Tuesday (14/3), political risks from Dutch elections weighed on European currencies as polls suggested the government may lose about half its seats at the hands of the anti-Islam Party for Freedom (PVV) party of Geert Wilders which advocates pulling the Netherlands out of the EU. However, the results showed that Mr Wilders won just 20 seats and was beaten by Mark Rutte, the incumbent centre-Right Dutch prime minister, whose VVD Party was on track to becoming the largest party in the Netherlands 150-seat parliament with 33 seats. Moreover, after unexpected dovish tones by Fed Officials and the upbeat Eurozone CPI data (2.0% YoY) were released, the euro was gradually boosted back and appreciated to the highest level of the week at 1.0784 USD/EUR before closed on Friday(17/3) at 1.0738/40 USD/EUR.

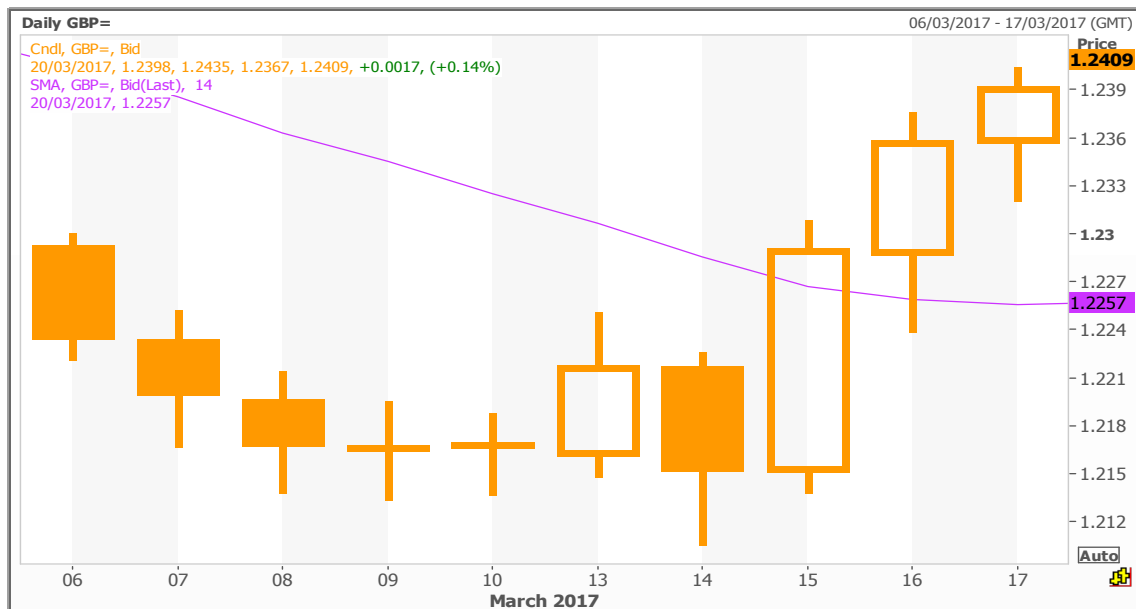
The pound opened at 1.2161/63 USD/GBP on last Monday (13/3), depreciated from previous' Friday closing level at 1.2170/71 USD/GBP, still was at around the 8-week low level . At the beginning of the week, the pound was continuously pressured after

hit by fears of a prolonged bout of political jousting over the terms of Britain's exit from the European Union. On Monday, British Prime Minister Theresa May won the right to launch divorce proceedings with the EU, beginning two years of talks that will shape the future of Britain and Europe. However, the pound slightly rebounded after Scottish First Minister Nicola Sturgeon demanded the right to hold a second Scottish independence referendum either late next year or at the start of 2019. On Wednesday (15/3), Sterling retraced gains against the dollar after the latest UK jobs report showed that the unemployment rate fell to 4.7%, the lowest since 1975. Moreover, on Thursday (16/3) the Bank of England held interest rates at record lows, but the meeting minutes showed the monetary policy committee was unexpectedly split on the decision. Kristen Forbes, who is due to leave the BoE in June, voted in favor of raising the benchmark interest rate to 0.5%, the first monetary policy committee member to do so in over a year. The other eight members of the committee voted to keep rates on hold at 0.25%. The central bank also warned that inflation is likely to overshoot its target this summer, due in part to higher energy costs and to keep increasing. As a result, the pound gradually appreciated to the highest level of the week on Friday (17/3) at 1.2405 USD/GBP before closed at 1.2396/98 USD/GBP.

Graph: EUR and GBP



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Source: Reuters

Comments: In the week ahead, Investors will be awaiting data on inflation from the UK(21/3) and euro zone surveys on business activity(24/3). Moreover, the process over Brexit in Great Britain and political uncertainty in the countries in Eurozone still weigh on the pound and the euro respectively. We believe the euro and the pound will move between 1.0600-1.0850 USD/EUR and 1.2250-1.2500 USD/GBP respectively.

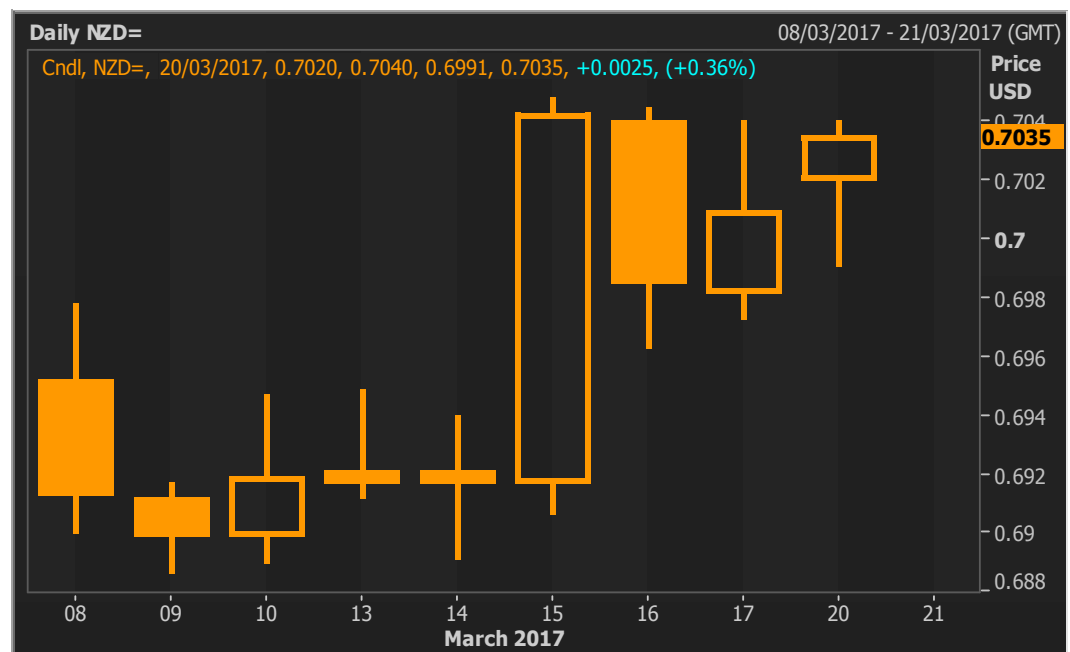
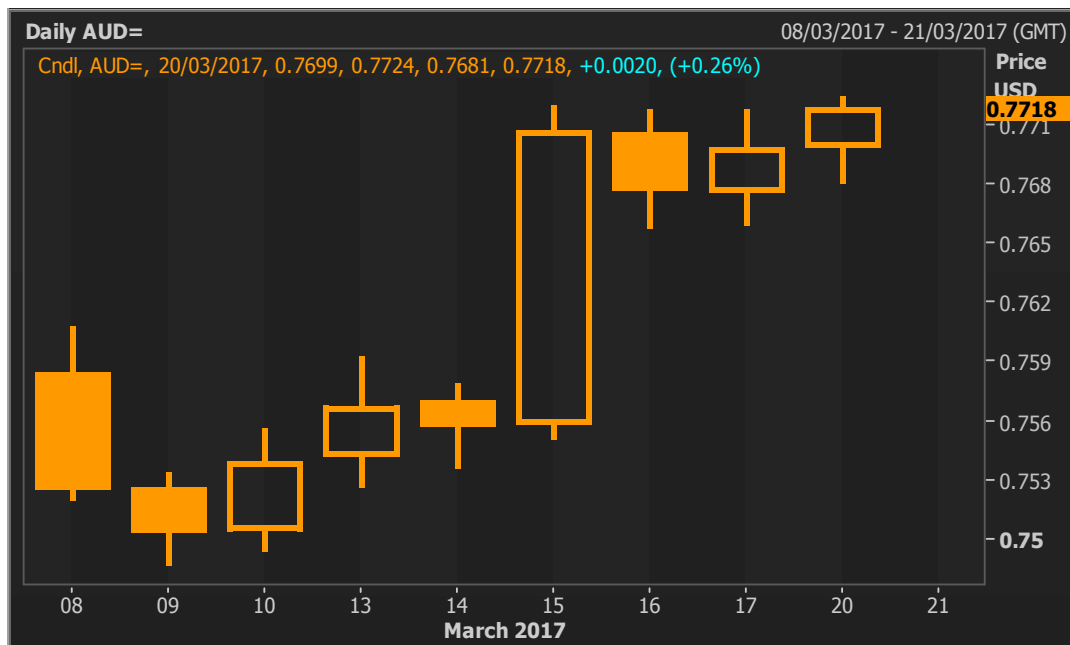
AUD & NZD

Last week, the Australian dollar opened at 0.7542/44 USD/AUD on Monday (13/3), slightly appreciated from the previous week closing level (10/3) at 0.7540/42 USD/AUD as the investors waited anxiously to see what clues the U.S. Federal Reserve would reveal on its monetary policy outlook. On Tuesday (14/3), the National Bureau of Statistics announced China's factory output which rose 6.3 percent in January-February from the same period a year earlier, while fixed-asset investment grew 8.9 percent, both beating expectations. However, retail sales growth was well below expectations, it rose 9.5 percent in January-February from a year earlier. Analysts had forecasted they would rise 10.5 percent, easing from December. The Aussie held gains on Thursday (16/3) after the Federal Reserve raised interest rates as expected but signaled a more gradual pace of monetary tightening this year than many in the market anticipated, offsetting pressure from underwhelming local economic data. Australia's employment fell 6,400 in February against a forecast rise of 16,000, while the jobless rate ticked up to 5.9 percent, from 5.7 percent. Last week, the Aussie was traded between 0.7527-0.7719 USD/AUD, and closed on Friday (17/3) at 0.7698/0.7700 USD/AUD.

The New Zealand dollar opened at 0.6921/23 USD/NZD on Monday (13/3), slightly appreciated from the previous week closing level at 0.6919/21 USD/NZD. During last week, the Kiwi traded in an appreciating trend, along with the Aussie. On Thursday (16/3), Statistics New Zealand announced New Zealand's economy rose 0.4 percent in October-December from the previous three months but below a forecast of 0.7 percent. Last week, the Kiwi traded between 0.6891-0.7048 USD/NZD and closed on Friday (17/3) at 0.7010/12 USD/NZD.

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Graph: AUD and NZD



Source: Reuters

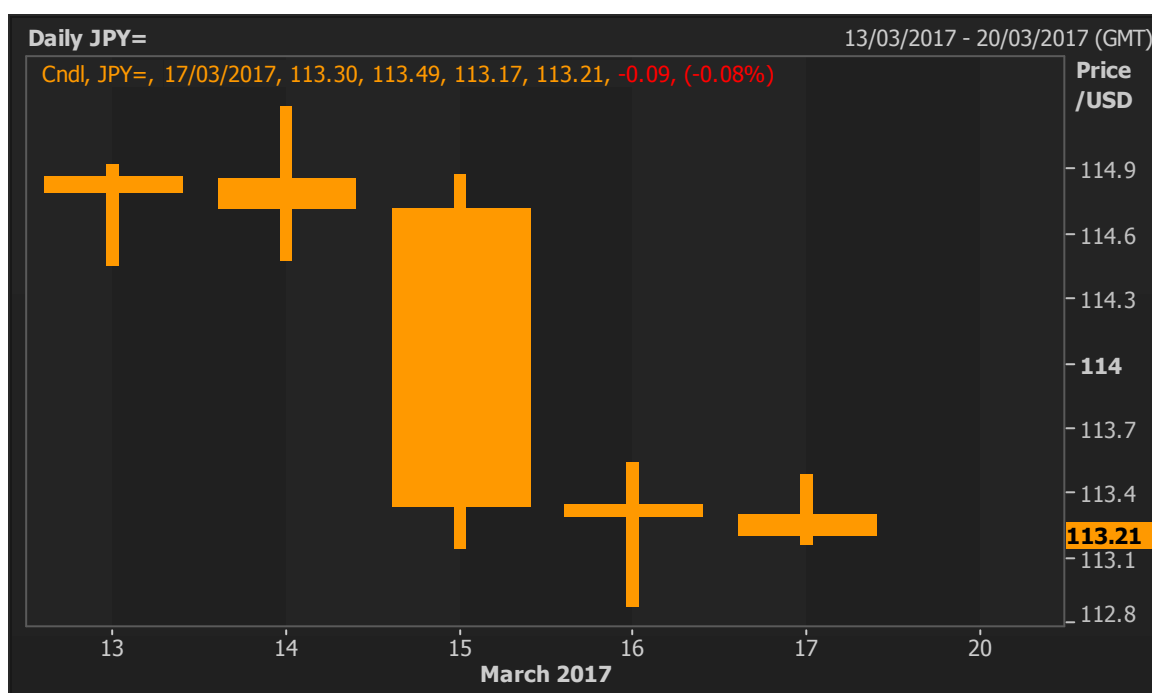
Comments: The Australian dollar is expected to appreciate against the dollar as a statement from the U.S. Federal Reserve failed to signal a decided pace of monetary policy tightening. While the New Zealand dollar is also expected to appreciate against the dollar after the market expects the central bank keeps rates at a record low of 1.75 percent. This week, the market will focus on the Reserve Bank of New Zealand (RBNZ) rate decision on Thursday (23/3). The Australian dollar is expected to move within the range of 0.7650 - 0.7800 USD/AUD while the New Zealand dollar is expected to move within the range of 0.6950 - 0.7200 USD/NZD.

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JPY

The yen opened on last Monday (13/3) at 114.85/89 JPY/USD, appreciated from last Friday's closing level at 115.37/40 JPY/USD. In the beginning of the week, BOJ released a stronger figure of Producer Price Index, increasing 1% in February, the highest level since December 2014. However, the Yen depreciated prior to the FOMC's meeting during 14-15th March where investors expect the FED to hike interest rate with an aggressive view. On Thursday (16/3), the Yen surprisingly appreciated after the FED raised interest rate for the first time in 2017 but with a more conservative view of timing in hiking interest rate in the future. As a result, investors sold off the greenback to wait and see a clearer view of next rate hike. Also, on Thursday (16/3), the BOJ held policy rate at -0.1% and yield of 10-year-government bond at 0% as well as the asset purchase target of 700 million USD. The Japanese Yen continuously gained before it closed on Friday (17/3) at 113.23/25 JPY/USD.

Graph: JPY

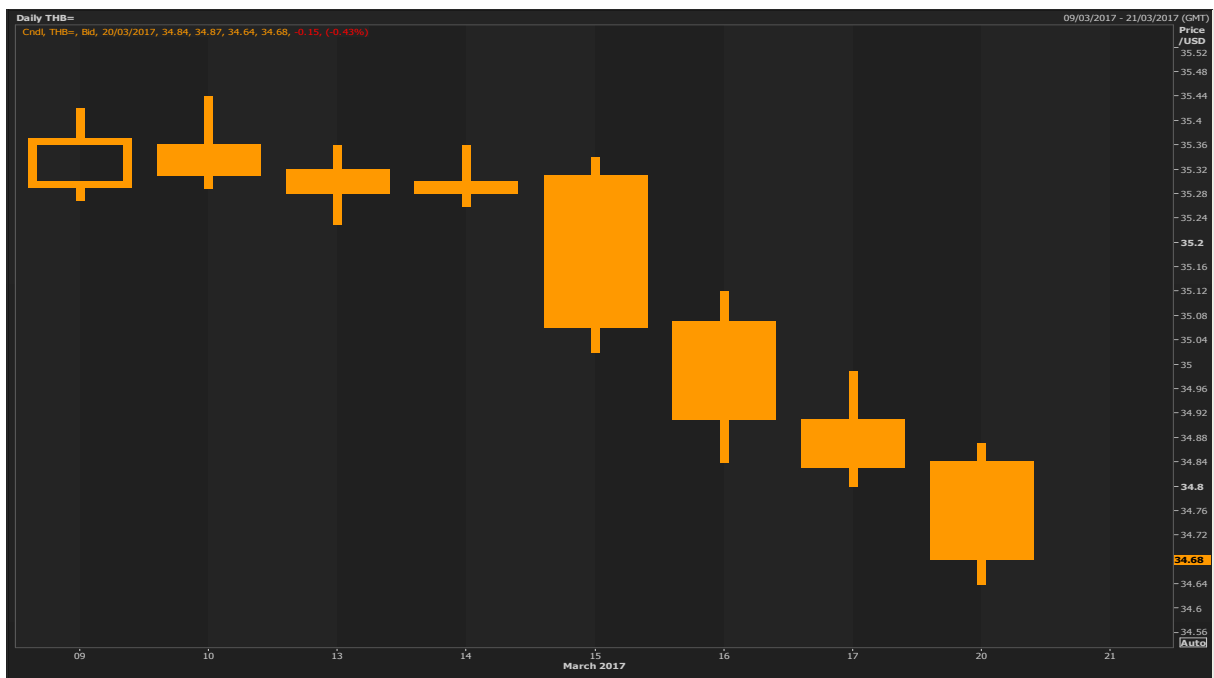


Source: Reuters

Comments: In the week ahead, we expect the Japanese Yen to appreciate as a drop in the greenback. Also, the political concern in many countries in Eurozone supported the strength of safe haven assets. In this week, investors are eyeing on all industry activity index and trade balance on Wednesday (22/3), PMI manufacturing on Friday (24/3). We expect the Japanese Yen to be traded in the range of 112.00-114.00 JPY/USD.

Last week, the Thai Baht opened at 35.02/04 THB/USD on Monday (6/3), a slight appreciation from the previous week closing level (3/3) at 35.04/06 THB/USD as the US dollar experienced sell-off from investors taking profit after Federal Reserve President Janet Yellen commented that the Fed will raise rates this month if the economy holds up. On Wednesday (8/3), the Thai Baht depreciated against the dollar after investors shift their portfolio to hold the US dollar ahead of employment number. The Thai Baht continued to depreciate on Thursday (9/3) after the release of better-than-expected private sector job creation to support a case for a rate hike. Turning to Thailand economic data, KR-ECI published the latest Household confidence number which increased from 44 to 45.3. On Friday (10/3), the Thai baht weakened to a one-month low against the dollar as investors expected strong job numbers. Once the job numbers were published, the Thai baht remained relatively unchanged despite the strong job numbers as the key indicator that the Fed looks for inflation was disappointing. Average wage earning was published at 0.2% from the expected gain of 0.3%. Last week, the Thai baht traded between 35.02-35.42 THB/USD, and closed on Friday (10/3) at 35.39/41 THB/USD.

Graph: THB



Source: Reuters

Comment: The capital movement would be the driven factor for the baht. We expect the baht to move in a range of 34.55 – 34.80 THB/USD.

FX Forecast

Currency	Support	Resistance
USD/THB	34.55	35.80
USD/JPY	112.00	114.00
EUR/USD	1.0600	1.0850
GBP/USD	1.2250	1.2500
AUD/USD	0.7650	0.7800
NZD/USD	0.6950	0.7200

Economic Calendar

Last Week

Date Time		Event		Survey	Actual	Prior
03/21/2017	AU	House Price Index QoQ	4Q	2.50%	4.10%	1.50%
03/21/2017	AU	House Price Index YoY	4Q	6.30%	7.70%	3.50%
03/21/2017	AU	RBA March Rate Meeting Minutes				
03/21/2017	SZ	Trade Balance	Feb	--	3.11b	4.73b
03/21/2017	SZ	Exports Real MoM	Feb	--	-2.20%	-4.00%
03/21/2017	SZ	Imports Real MoM	Feb	--	2.90%	-5.30%
03/21/2017	SZ	Money Supply M3 YoY	Feb	--	--	2.90%
03/21/2017	UK	CPI MoM	Feb	0.50%	--	-0.50%
03/21/2017	UK	CPI YoY	Feb	2.10%	--	1.80%
03/21/2017	UK	CPI Core YoY	Feb	1.70%	--	1.60%
03/21/2017	UK	Retail Price Index	Feb	267.5	--	265.5
03/21/2017	UK	RPI MoM	Feb	0.80%	--	-0.60%
03/21/2017	UK	RPI YoY	Feb	2.90%	--	2.60%
03/21/2017	UK	House Price Index YoY	Jan	6.40%	--	7.20%
03/21/2017	CA	Retail Sales MoM	Jan	1.50%	--	-0.50%
03/21/2017	US	Current Account Balance	4Q	-\$129.0b	--	\$113.0b
03/21/2017	CA	Retail Sales Ex Auto MoM	Jan	1.30%	--	-0.30%
03/22/2017	JN	Trade Balance	Feb	¥807.2b	--	¥1086.9b
03/22/2017	JN	Trade Balance Adjusted	Feb	¥550.8b	--	¥155.5b
03/22/2017	JN	Exports YoY	Feb	10.10%	--	1.30%
03/22/2017	JN	Imports YoY	Feb	1.30%	--	8.50%
03/22/2017	DE	Retail Sales MoM	Feb	--	--	0.20%
03/22/2017	DE	Retail Sales YoY	Feb	--	--	-1.30%
03/22/2017	EC	ECB Current Account SA	Jan	--	--	31.0b
03/22/2017	US	Existing Home Sales	Feb	5.56m	--	5.69m
03/22/2017	US	Existing Home Sales MoM	Feb	-2.40%	--	3.30%
03/23/2017	NZ	RBNZ Official Cash Rate	Mar-23	1.75%	--	1.75%
03/23/2017	DE	Consumer Confidence Indicator	Mar	5	--	4.8

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03/23/2017	UK	Retail Sales Ex Auto Fuel MoM	Feb	0.30%	--	-0.20%
03/23/2017	UK	Retail Sales Ex Auto Fuel YoY	Feb	3.20%	--	2.60%
03/23/2017	UK	Retail Sales Inc Auto Fuel MoM	Feb	0.40%	--	-0.30%
03/23/2017	UK	Retail Sales Inc Auto Fuel YoY	Feb	2.60%	--	1.50%
03/23/2017	US	Revisions: Initial Jobless Claims				
03/23/2017	US	Initial Jobless Claims	Mar-18	240k	--	241k
03/23/2017	US	New Home Sales	Feb	565k	--	555k
03/23/2017	US	New Home Sales MoM	Feb	1.80%	--	3.70%
03/23/2017	EC	Consumer Confidence	Mar A	-5.9	--	-6.2
03/24/2017	NZ	Trade Balance NZD	Feb	180m	--	-285m
03/24/2017	NZ	Exports NZD	Feb	4.20b	--	3.91b
03/24/2017	NZ	Imports NZD	Feb	3.99b	--	4.19b
03/24/2017	NZ	Trade Balance 12 Mth YTD NZD	Feb	-3655m	--	-3468m
03/24/2017	EC	Markit Eurozone Manufacturing PMI	Mar P	55.3	--	55.4
03/24/2017	EC	Markit Eurozone Services PMI	Mar P	55.3	--	55.5
03/24/2017	EC	Markit Eurozone Composite PMI	Mar P	55.8	--	56
03/24/2017	CA	CPI YoY	Feb	2.10%	--	2.10%
03/24/2017	CA	CPI Core- Common YoY%	Feb	--	--	1.30%
03/24/2017	US	Durable Goods Orders	Feb P	1.40%	--	2.00%
03/24/2017	US	Durables Ex Transportation	Feb P	0.70%	--	0.00%
03/24/2017	CA	Consumer Price Index	Feb	--	--	129.5
03/24/2017	US	Markit US Manufacturing PMI	Mar P	54.8	--	54.2

This Week

Date		Event		Survey	Actual	Prior
03/13/2017	JN	PPI MoM	Feb	0.20%	0.20%	0.60%
03/13/2017	JN	PPI YoY	Feb	1.00%	1.00%	0.50%
03/13/2017	JN	Machine Orders MoM	Jan	-0.10%	-3.20%	6.70%
03/13/2017	JN	Machine Orders YoY	Jan	-3.70%	-8.20%	6.70%
03/14/2017	EC	Industrial Production SA MoM	Jan	1.30%	0.90%	-1.60%
03/14/2017	EC	Industrial Production WDA YoY	Jan	0.90%	0.60%	2.00%
03/14/2017	US	PPI Final Demand YoY	Feb	1.90%	2.20%	1.60%
03/15/2017	JN	Industrial Production MoM	Jan F	--	-0.40%	-0.80%
03/15/2017	JN	Industrial Production YoY	Jan F	--	3.70%	3.20%
03/15/2017	JN	Capacity Utilization MoM	Jan	--	0.10%	0.60%
03/15/2017	DE	PPI MoM	Feb	--	0.30%	-0.50%
03/15/2017	DE	PPI YoY	Feb	--	4.10%	4.10%
03/15/2017	UK	Jobless Claims Change	Feb	--	-11.3k	-42.4k
03/15/2017	UK	Average Weekly Earnings 3M/YoY	Jan	2.40%	2.20%	2.60%

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03/15/2017	UK	Weekly Earnings ex Bonus 3M/YoY	Jan	2.50%	2.30%	2.60%
03/15/2017	EC	Employment QoQ	4Q	--	0.30%	0.20%
03/15/2017	EC	Employment YoY	4Q	--	1.10%	1.20%
03/15/2017	US	CPI MoM	Feb	0.00%	0.10%	0.60%
03/15/2017	US	CPI YoY	Feb	2.70%	2.70%	2.50%
03/15/2017	US	Retail Sales Advance MoM	Feb	0.10%	0.10%	0.40%
03/15/2017	US	Retail Sales Ex Auto MoM	Feb	0.10%	0.20%	0.80%
03/15/2017	US	Retail Sales Ex Auto and Gas	Feb	0.20%	0.20%	0.70%
03/15/2017	US	Retail Sales Control Group	Feb	0.20%	0.10%	0.40%
03/16/2017	US	FOMC Rate Decision (Upper Bound)	Mar-15	1.00%	1.00%	0.75%
03/16/2017	US	FOMC Rate Decision (Lower Bound)	Mar-15	0.75%	0.75%	0.50%
03/16/2017	US	Total Net TIC Flows	Jan	--	\$110.4b	\$42.8b
03/16/2017	NZ	GDP SA QoQ	4Q	0.70%	0.40%	1.10%
03/16/2017	NZ	GDP YoY	4Q	3.20%	2.70%	3.50%
03/16/2017	AU	Consumer Inflation Expectation	Mar	--	4.00%	4.10%
03/16/2017	AU	Employment Change	Feb	16.0k	-6.4k	13.5k
03/16/2017	AU	Unemployment Rate	Feb	5.70%	5.90%	5.70%
03/16/2017	AU	Full Time Employment Change	Feb	--	27.1k	-44.8k
03/16/2017	AU	Participation Rate	Feb	64.60%	64.60%	64.60%
03/16/2017	JN	BOJ Policy Balance Rate	Mar-16	-0.10%	-0.10%	-0.10%
03/16/2017	JN	BOJ 10-Yr Yield Target	Mar-16	0.00%	0.00%	0.00%
03/16/2017	JN	Machine Tool Orders YoY	Feb F	--	9.10%	9.10%
03/16/2017	EC	CPI MoM	Feb	0.40%	0.40%	--
03/16/2017	EC	CPI YoY	Feb F	2.00%	2.00%	2.00%
03/16/2017	EC	CPI Core YoY	Feb F	0.90%	0.90%	0.90%
03/16/2017	UK	Bank of England Bank Rate	Mar-16	0.25%	0.25%	0.25%
03/16/2017	US	Housing Starts	Feb	1264k	1288k	1246k
03/16/2017	US	Housing Starts MoM	Feb	1.40%	3.00%	-2.60%
03/16/2017	US	Building Permits	Feb	1268k	1213k	1285k
03/16/2017	US	Building Permits MoM	Feb	-1.90%	-6.20%	4.60%
03/16/2017	US	Initial Jobless Claims	Mar-11	240k	241k	243k
03/16/2017	US	Philadelphia Fed Business Outlook	Mar	30	32.8	43.3
03/16/2017	JN	BOJ Monetary Policy Statement (Table)				
03/17/2017	NZ	BusinessNZ Manufacturing PMI	Feb	--	55.2	51.6
03/17/2017	NZ	ANZ Consumer Confidence Index	Mar	--	125.2	127.4
03/17/2017	NZ	ANZ Consumer Confidence MoM	Mar	--	-1.70%	-1.00%
03/17/2017	EC	Trade Balance SA	Jan	22.0b	15.7b	24.5b
03/17/2017	EC	Trade Balance NSA	Jan	--	-0.6b	28.1b
03/17/2017	EC	Construction Output MoM	Jan	--	-2.30%	-0.20%
03/17/2017	EC	Construction Output YoY	Jan	--	-6.20%	3.20%
03/17/2017	US	Industrial Production MoM	Feb	0.20%	0.00%	-0.30%
03/17/2017	US	Manufacturing (SIC) Production	Feb	0.50%	0.50%	0.20%
03/17/2017	US	U. of Mich. Sentiment	Mar P	97	97.6	96.3

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