



FOREIGN EXCHANGE OUTLOOK

26 August – 30 August 2019



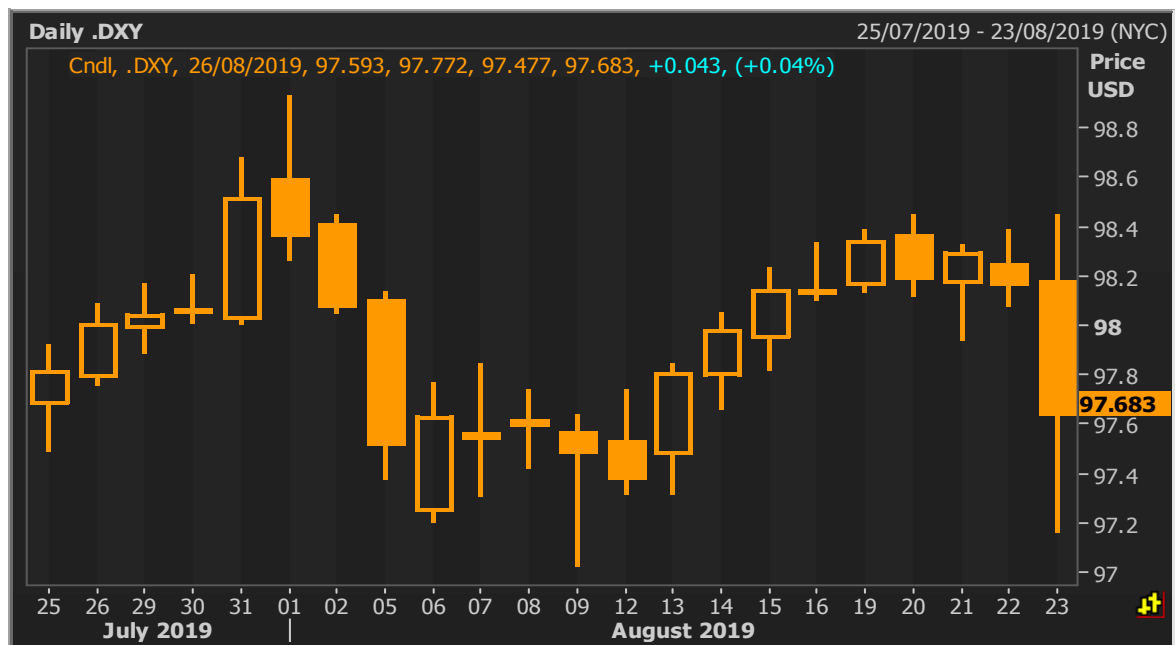
USD

Highlight

The dollar dipped against safe-haven assets as the Sino-U.S. trade war re-escalate the concern over the global economic growth.

At the beginning of the week, the greenback was flat hovering near two-week highs against a currency basket as there is good news on the Sino-U.S. trade issue after The US Commerce Secretary, Wilbur Ross, has confirmed a ban on Chinese technology giant Huawei will not come into force for another 90 days. On Wednesday (21/8), the dollar was largely unchanged after the minutes showed that officials saw the central bank's rate cut last month as a measure taken amid the trade war with China and low inflation. Fed policymakers were deeply divided over whether to cut interest rates last month but were united in wanting to signal they were not on a preset path to more cuts. On Friday (23/8), the dollar was significantly depreciated against safe-haven assets as President Donald Trump announced an additional 5% duty on \$550 billion in targeted Chinese goods, hours after China unveiled retaliatory tariffs on \$75 billion worth of U.S. products. This was a sharp re-escalation in the U.S.-China trade war, which whacked investor confidence and darkened the global economic outlook.

Graph



Comment

However, the greenback was still in pressure as this message is not likely to sit well with U.S. President Donald Trump, who has repeatedly bashed Powell for not cutting interest rates more aggressively. Moreover, the greenback movement this week depend on the economic data released including consumer confidence (27/8), GDP Q2 (29/8) and also the development of Sino-U.S. trade talk.



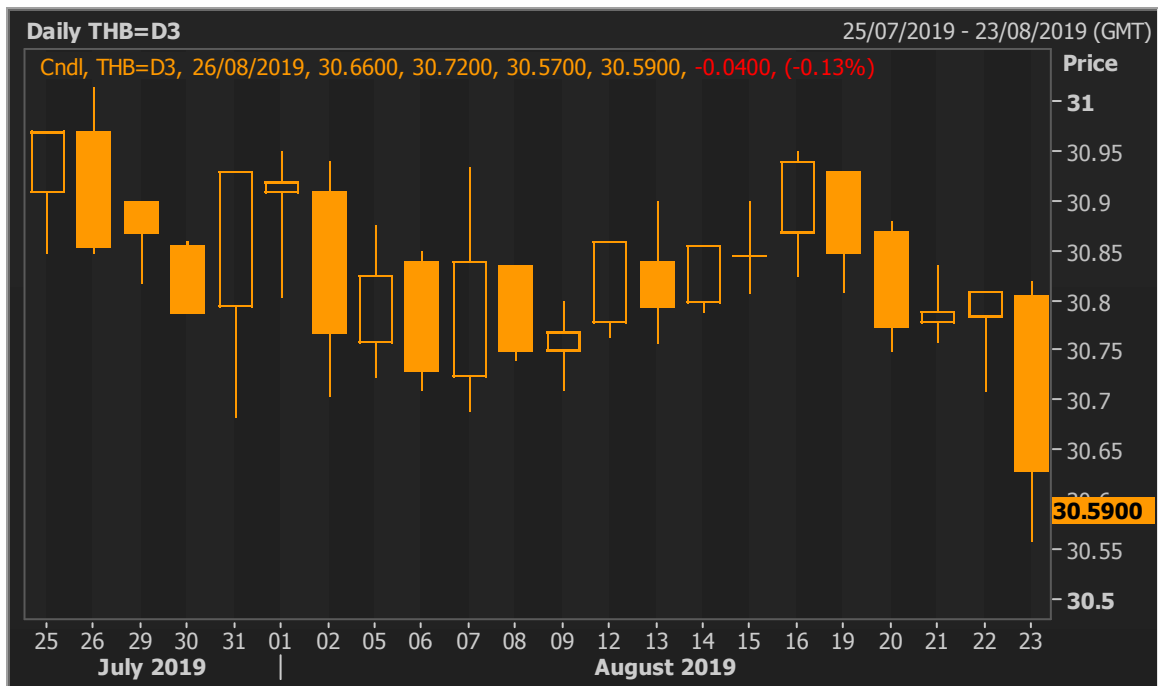
THB

Highlight

The Baht appreciated at the end of last week after July's export beat expectation and the Gold price tested new high but we still believe that it may continue moving in a range of 30.50-30.90 THB/USD next week.

The Baht opened on last Monday (19/8) at 30.85/87 THB/USD, almost the same level compared with the close level on previous Friday (16/8) close. At the beginning of the week, the Baht was pressured after the National Economic and Social Development Council (NESDC) said on Monday (19/8) that Gross domestic product rose 2.3% from a year ago, down from 2.8% in the first quarter, which was the slowest pace since the third quarter of 2014. Moreover, the state planning agency reduced its forecast for 2019 growth to 2.7-3.2%, versus 3.3%-3.8% seen in May. It also sharply changed its estimate for this year's exports, now seeing 1.2% shrinkage instead of 2.2% growth. However, on Wednesday (21/8), the Baht was supported which sent the currency to an appreciated trend until the end of the week after the Ministry of Commerce has revealed a surprising July imports and exports data beating all estimations from analysts. The exports showed an amazing number of 4.28% increase YoY, beating an estimation of 2.1% decrease while imports rose 1.67% YoY, beating an estimate of 5.97% decrease. Moreover, the Thai cabinet approved an economic stimulus package, worth 316 billion THB (over 10 billion USD), to boost the country's sluggish economy. The Fiscal Policy Office (FPO) of Thailand estimates that GDP growth will get a 0.5-percentage-point boost from the raft of stimulus measures, bringing the economic growth to 3.5 percent this year.

Graph



Comment

We believe the Baht will vary in a range of 30.50-30.90 THB/USD this week according to external factor including the Sino-U.S. trade deal and Brexit situation. However, investors will closely monitor that there are any additional measures to take care of the appreciated baht from BOT. Moreover, on Friday (30/8), investors will focus on the current account and trade balance figure of July.



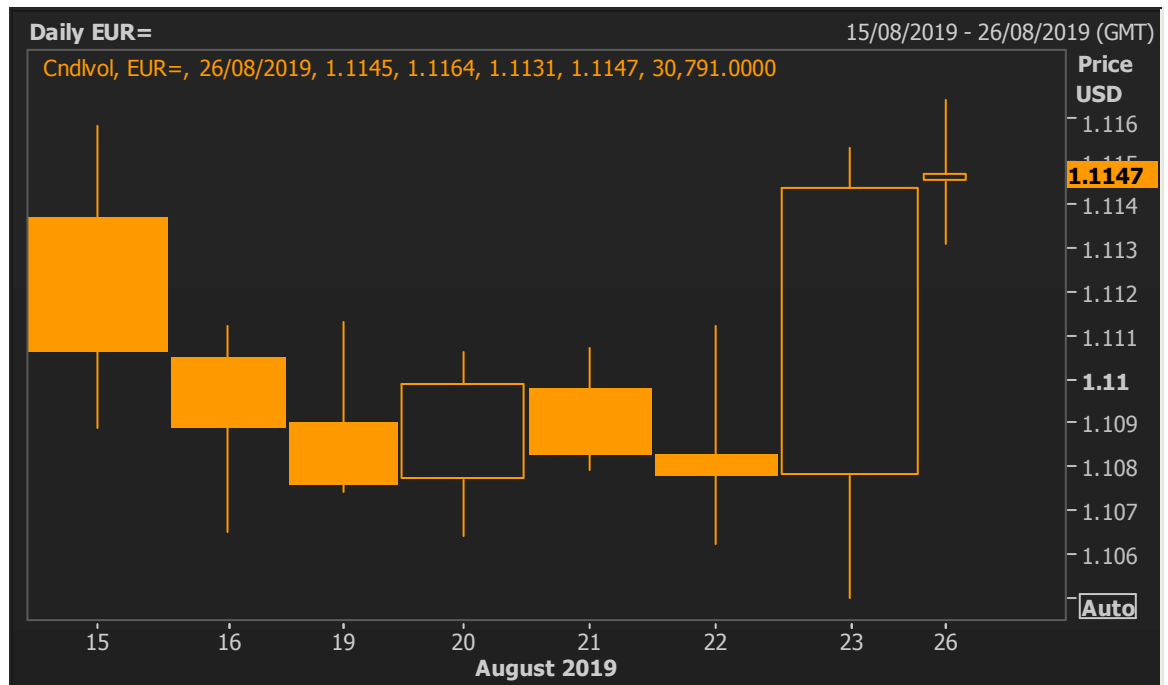
EUR

Highlight

Last week, the euro moved in a range of 1.1050 – 1.1153 USD/EUR. As it was pressured from the concern over the German economy and the worse Inflation data in Eurozone.

Last week, the Euro opened on Monday (19/8) at 1.1093/95 EUR/USD, almost the same level compared with the previous Friday week closing level (16/8) at 1.1090/92 EUR/USD. The Euro slightly dropped on Monday (19/8) after the Eurozone consumer price grew to 1% yoy in July that was weaker than expectation at 1.1%. Moreover, The German finance ministry said on Tuesday (20/8) that The German economy was facing increased headwinds from abroad and this was fueling business uncertainty, while German Exporters were suffering from weaker foreign demand, growing trade tensions and uncertainty over Brexit. From this report and previous Eurozone economic data boosted the investor speculated that Germany was preparing fresh fiscal stimulus to boost its economy. However, on Thursday (22/8), the Euro was supported after the Euro Zone flash Manufacturing PMI in August climbed to 47.0 from 46.3 in July, higher than expected at 46.5 and Euro Flash Services PMI rose to 53.4 from 53.0, higher than expected at 53.2, while French and German PMI data for August was higher than expectations too. Moreover, the Euro gained against USD on Friday night (23/8) after a new escalation in the trade war between the U.S. and China as China announced retaliatory measures, including higher tariffs for \$75B the U.S. goods.

Graph



Comment

Comment This week, Investors will be looking ahead to German Ifo Business Climate and the G7 summit on Monday (26/8) amid fears that the Eurozone economy is entering a recession. In addition, the market is still concerned about Trade tension between U.S. and China. We expect the euro to move in a narrow range between 1.1000 – 1.1150 USD/EUR



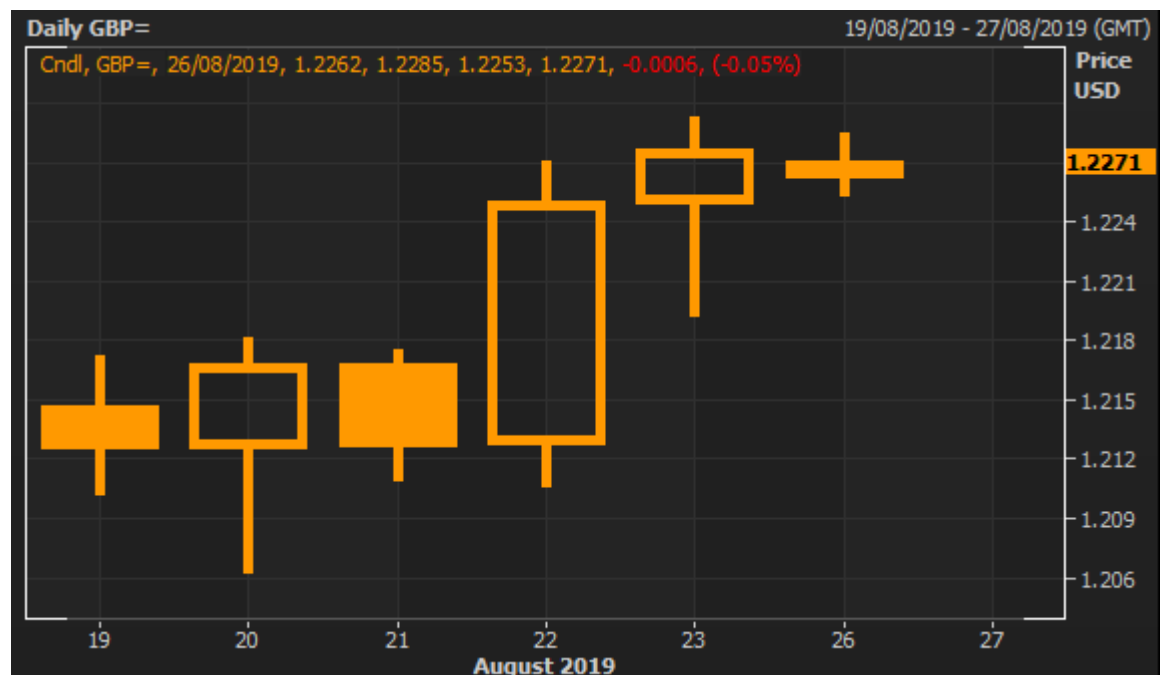
GBP

Highlight

The pound sterling traded higher in a range of 1.2063 – 1.2293 USD/GBP.

The Pound Sterling began the week with an appreciation from last week's closing level after the Brexit talk between the Germany and UK Prime Minister came out to be positive as well as an optimistic tone of speech from both Mark Carney, Bank of England Governor and Boris Johnson, the UK Prime Minister. To begin with Mark Carney's speech at Jackson Hole Symposium stated that he was concerned about rising threats in the global market including the Brexit situation and the rate cut is possible in the case of no-deal Brexit. While the UK Prime Minister Boris Johnson made a speech at the G7 summit that the chance for a Brexit deal was improving but the risk remains depending on the EU. Furthermore, the PM Johnson said that the US want to do the trade deal with the UK within a year but he, himself, does not agree on the short period of time.

Graph



Comment

This week, the pound could trade fluctuatedly as the Brexit situation is still looming.



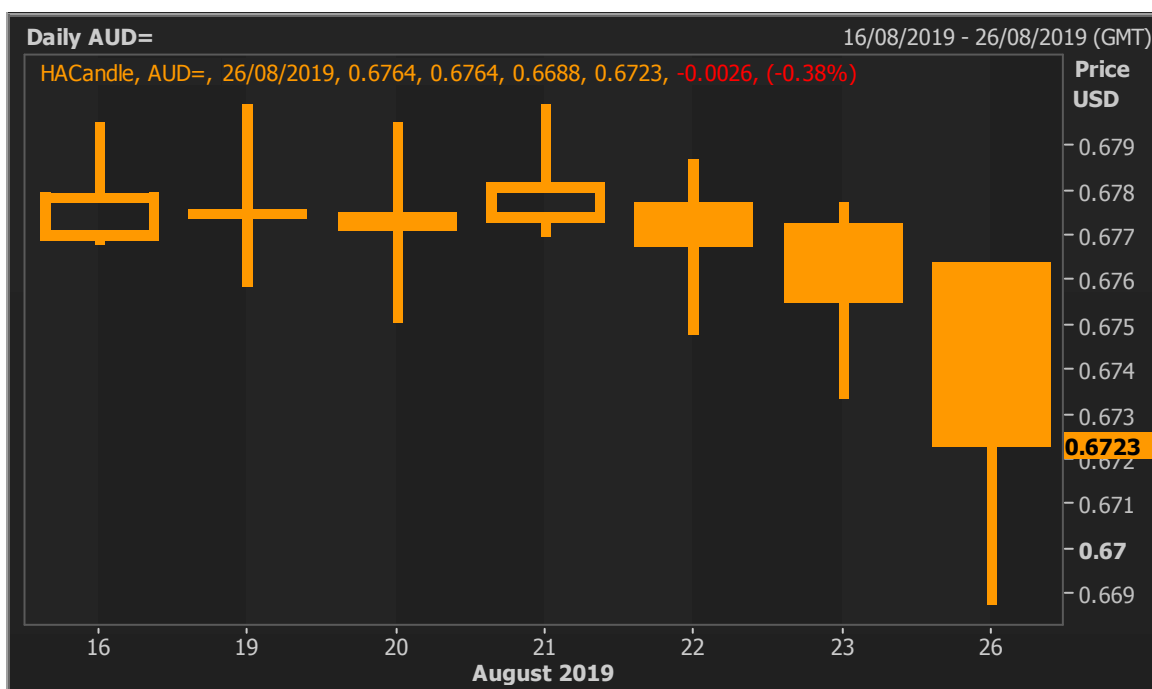
AUD

Highlight

The minutes of the Reserve Bank of Australia's meeting showed it would consider further rate cuts if they were needed to support growth.

Last week, the AUD opened on Monday (19/8) at 0.6780/82 USD/AUD, remained stable from the closing level on Friday (16/8) at 0.6781/83 USD/AUD. On Tuesday (20/8), the Reserve Bank of Australia (RBA) released the minutes of its August meeting (6/8). At its August monetary policy meeting, the RBA left its official cash rate (OCR) at a record low of 1.00% after quarter-point cuts in June and July meetings. However, the Australia's central bank is ready to cut interest-rates further, including negative interest rates, if evidence suggests this would boost the economy. Since there are few signs of inflation pressures emerging in the economy and warned entrenched expectations of weak wage growth could decrease household spending. Regarding the economic data released on Thursday (22/8), the Flash Manufacturing PMI fell to 51.3 in August, lower than 51.6 in July. Also, the Flash Service PMI decreased from 52.3 in July to 49.2 in August.

Graph



Comment

The economic releases within this week include the Reserve Bank of Australia Assistant Governor DeBelle Speaks (26/8), Construction Work Done Q2 (27/8), Private New Capital Expenditure (28/8), Building Approvals (29/8). The Australian dollar is expected to trade in a range of 0.6650 - 0.6800 USD/AUD.



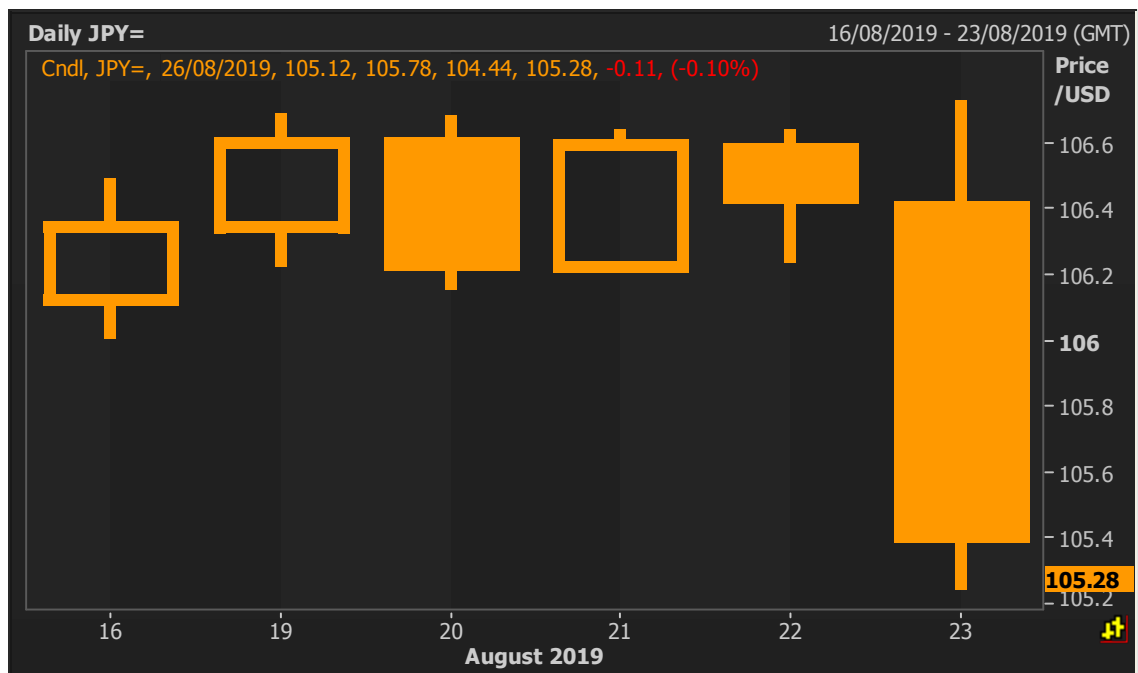
JPY

Highlight

The sentiment was fragile last week on concern over trade wars, Brexit, and chaos in Hong Kong. The JPY this week is likely to remain strengthen as safe-haven asset.

The JPY opened at 106.32/34 JPY/USD, from Friday's close at 106.38/40 JPY/USD. The movement was modest as markets were waiting for the statement from Fed Chair Jerome Powell for any sign of interest rates cut. During last week, the FOMC released meeting's minutes which showed that policymakers were divided about the rate cut. Also the statement indicated that the rate cut was a mid-cycle adjustment that should not be seen as an indication of action. Whilst, the US Commerce Department decided to delay the ban for Huawei Technologies by 90-days and allow it to buy supplies from the US firms which slightly improved the sentiment in the market. For the economic data; it came in soft; the Japans' consumer prices stay in a moderate upward trend in July, the August PMI Manufacturing came in at 49.4, missing the market's expectations. Meanwhile, the US and Japan ministerial negotiations are ongoing as both counterparts have decided to extend trade discussions by an additional day. During last week, the JPY was trading between 105.26 – 106.74 JPY/USD and closed on Friday (23/8) at 105.39/41 JPY/USD.

Graph



Comment

Overall picture is bearish as there have been uncertainties around the world, the news from Brexit, the current situation in trade wars and chaos Hong Kong. So safe-havens like Yen and Gold is likely to extend their rallies this week, we expect the JPY to move between 104.50 - 106.50 JPY/USD. Also, market will pay attention to the US President Donald Trump and PM Shinzo Abe as they will settle a meeting to discuss the US tariffs in the upcoming G7 summit due 24-26 August in France.

Economic Calendar

Last week

Date	Time	Event	Survey	Actual	Prior	
19-Aug	JN	Trade Balance	Jul	¥194.5b	¥249.6b	¥589.5b
19-Aug	JN	Exports YoY	Jul	-2.30%	-1.60%	-6.70%
19-Aug	JN	Imports YoY	Jul	-2.30%	-1.20%	-5.20%
19-Aug	EC	ECB Current Account SA	Jun	--	18.4b	29.7b
19-Aug	IT	Current Account Balance	Jun	--	5047m	2599m
19-Aug	EC	CPI Core YoY	Jul F	0.90%	0.90%	0.90%
19-Aug	EC	CPI MoM	Jul	-0.40%	-0.50%	0.20%
19-Aug	EC	CPI YoY	Jul F	1.10%	1.00%	1.10%
20-Aug	GE	PPI MoM	Jul	0.00%	0.10%	-0.40%
20-Aug	GE	PPI YoY	Jul	1.00%	1.10%	1.20%
20-Aug	EC	Construction Output MoM	Jun	--	0.00%	-0.30%
20-Aug	EC	Construction Output YoY	Jun	--	1.00%	2.00%
21-Aug	US	Existing Home Sales	Jul	5.40m	5.42m	5.27m
21-Aug	US	Existing Home Sales MoM	Jul	2.50%	2.50%	-1.70%
22-Aug	US	FOMC Meeting Minutes	Jul-31	--	--	--
22-Aug	JN	All Industry Activity Index MoM	Jun	-0.80%	-0.80%	0.30%
22-Aug	FR	Markit France Manufacturing PMI	Aug P	49.5	51	49.7
22-Aug	FR	Markit France Services PMI	Aug P	52.5	53.3	52.6
22-Aug	FR	Markit France Composite PMI	Aug P	51.8	52.7	51.9
22-Aug	GE	Markit/BME Germany Manufacturing PMI	Aug P	43	43.6	43.2
22-Aug	GE	Markit Germany Services PMI	Aug P	54	54.4	54.5
22-Aug	EC	Markit Eurozone Manufacturing PMI	Aug P	46.2	47	46.5
22-Aug	EC	Markit Eurozone Services PMI	Aug P	53	53.4	53.2
22-Aug	EC	Markit Eurozone Composite PMI	Aug P	51.2	51.8	51.5
22-Aug	US	Initial Jobless Claims	Aug-17	216k	209k	220k
22-Aug	RU	Gold and Forex Reserve	Aug-16	--	528.4b	527.1b
22-Aug	US	Markit US Manufacturing PMI	Aug P	50.5	49.9	50.4
22-Aug	US	Markit US Services PMI	Aug P	52.8	50.9	53
22-Aug	US	Markit US Composite PMI	Aug P	--	50.9	52.6
22-Aug	EC	Consumer Confidence	Aug A	-7	-7.1	-6.6
22-Aug	US	Kansas City Fed Manf. Activity	Aug	1	-6	-1
23-Aug	JN	Natl CPI YoY	Jul	0.60%	0.50%	0.70%
23-Aug	JN	Natl CPI Ex Fresh Food YoY	Jul	0.60%	0.60%	0.60%
23-Aug	JN	Natl CPI Ex Fresh Food, Energy YoY	Jul	0.50%	0.60%	0.50%
23-Aug	US	New Home Sales	Jul	647k	635k	646k
23-Aug	US	New Home Sales MoM	Jul	0.20%	-12.80%	7.00%

This week

Date Time		Event	Survey	Actual	Prior	
26-Aug	GE	IFO Business Climate	Aug	95.1	94.3	95.7
26-Aug	US	Durable Goods Orders	Jul P	1.20%	--	1.90%
26-Aug	US	Durables Ex Transportation	Jul P	0.00%	--	1.00%
26-Aug	US	Dallas Fed Manf. Activity	Aug	-4	--	-6.3
27-Aug	JN	PPI Services YoY	Jul	0.60%	--	0.70%
27-Aug	FR	Consumer Confidence	Aug	102	--	102
27-Aug	FR	Business Confidence	Aug	104	--	105
27-Aug	FR	Manufacturing Confidence	Aug	101	--	101
27-Aug	US	Richmond Fed Manufact. Index	Aug	-4	--	-12
27-Aug	US	Conf. Board Consumer Confidence	Aug	129.3	--	135.7
28-Aug	GE	Import Price Index MoM	Jul	-0.10%	--	-1.40%
28-Aug	GE	Import Price Index YoY	Jul	-2.00%	--	-2.00%
28-Aug	GE	GfK Consumer Confidence	Sep	9.6	--	9.7
28-Aug	EC	M3 Money Supply YoY	Jul	4.70%	--	4.50%
28-Aug	IT	Consumer Confidence Index	Aug	112.2	--	113.4
28-Aug	IT	Economic Sentiment	Aug	--	--	101.2
29-Aug	JN	Consumer Confidence Index	Aug	37.5	--	37.8
29-Aug	FR	GDP QoQ	2Q F	0.20%	--	0.20%
29-Aug	FR	GDP YoY	2Q F	1.30%	--	1.30%
29-Aug	IT	PPI MoM	Jul	--	--	-0.50%
29-Aug	IT	PPI YoY	Jul	--	--	1.10%
29-Aug	EC	Economic Confidence	Aug	102.3	--	102.7
29-Aug	EC	Consumer Confidence	Aug F	-7.1	--	-7.1
29-Aug	GE	CPI MoM	Aug P	-0.10%	--	0.50%
29-Aug	GE	CPI YoY	Aug P	1.50%	--	1.70%
29-Aug	US	GDP Annualized QoQ	2Q S	2.00%	--	2.10%
29-Aug	US	Personal Consumption	2Q S	4.30%	--	4.30%
29-Aug	US	GDP Price Index	2Q S	2.40%	--	2.40%
29-Aug	US	Core PCE QoQ	2Q S	1.80%	--	1.80%
29-Aug	US	Pending Home Sales MoM	Jul	0.10%	--	2.80%
29-Aug	US	Pending Home Sales NSA YoY	Jul	1.80%	--	-0.60%
30-Aug	UK	GfK Consumer Confidence	Aug	-11	--	-11
30-Aug	JN	Tokyo CPI YoY	Aug	0.60%	--	0.90%
30-Aug	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Aug	0.70%	--	0.80%
30-Aug	JN	Retail Sales YoY	Jul	-0.70%	--	0.50%
30-Aug	JN	Industrial Production YoY	Jul P	-0.60%	--	-3.80%
30-Aug	JN	Industrial Production MoM	Jul P	0.30%	--	-3.30%
30-Aug	JN	Housing Starts YoY	Jul	-5.00%	--	0.30%
30-Aug	FR	PPI MoM	Jul	--	--	-0.50%
30-Aug	FR	PPI YoY	Jul	--	--	0.20%
30-Aug	FR	CPI MoM	Aug P	0.40%	--	-0.20%
30-Aug	FR	CPI YoY	Aug P	1.00%	--	1.10%
30-Aug	EC	Unemployment Rate	Jul	7.50%	--	7.50%

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