



FOREIGN EXCHANGE OUTLOOK

8 - 14 July 2019



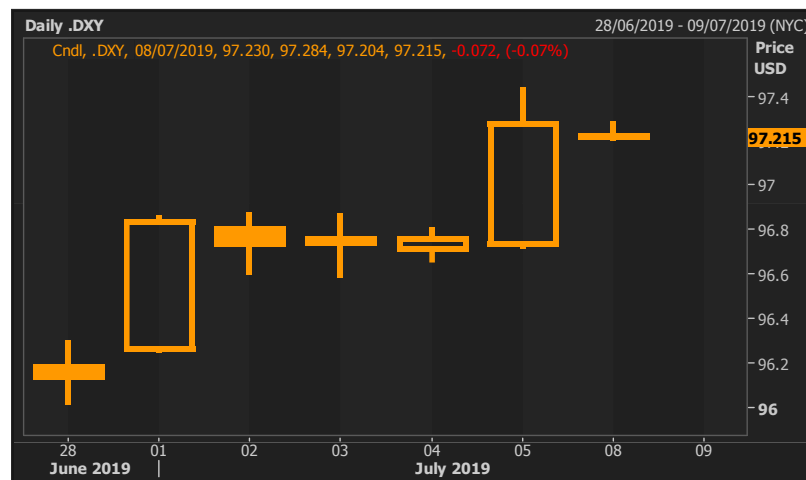
USD

Highlight

The Dollar climbs as U.S.-China trade tensions ease and strong payroll data.

The dollar rose against the major peers after the reports of an agreement had been flagged ahead of U.S. President Donald Trump and Chinese counterpart Xi Jinping’s meeting on the sidelines of the G20 meeting, the outcome was more positive than investors had expected. Moreover the U.S. manufacturing activity index, measured by the ISM, came in slightly higher than expected in June to 51.7. However at the midst of the week, the dollar slipped against the basket as U.S. president turned his attention to the European Union with threats of additional tariffs. Also, the Data from payrolls by ADP showed U.S. companies added 102,000 private sector jobs in June, lower than the 140,000 analysts had forecast. Nevertheless, the dollar gained at the end of the week after non-farm payrolls increased by 224,000 jobs, the most in five months, and well above the 160,000 jobs forecast.

Graph



Comment

This week the focus is on Fed chairman Jerome Powell’s speech on Tuesday (9/7), FOMC minutes on Wednesday (10/7) and Powell’s testifies on 10 – 11 July.



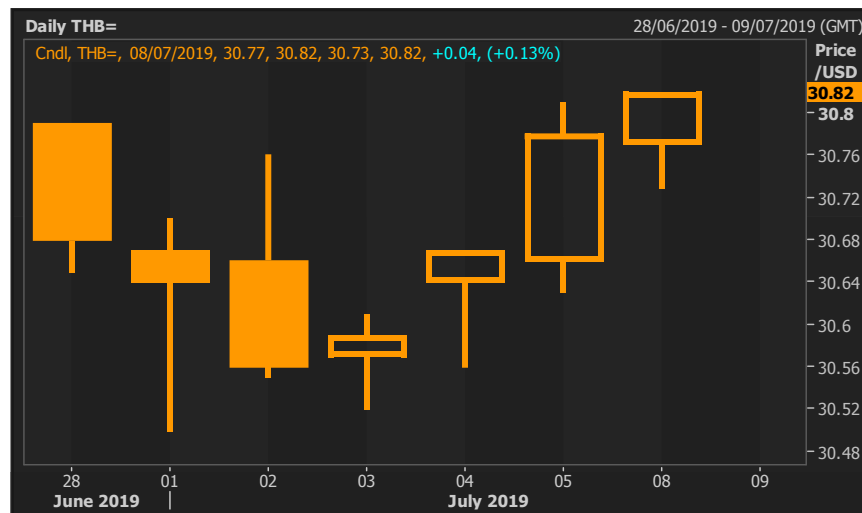
THB

Highlight

The Baht depreciated as BOT cut growth forecast and worried about strength of the baht.

The Baht opened at 30.67/69 THB/USD unchanged from closing level of Friday (28/6). The Baht rose against the dollar after worried about Sino-trade between USA and China faded during the G20 meeting. However the baht fell after the central bank official said that "Thailand's economy is expected to have grown less than 3% in the first half of this year and worried about strength of the baht will affect the economy. Moreover, Thai's June consumer confidence index was at 76.4 in May, below the expectation of 77.7 which is the lowest in almost 2 years. The baht continually depreciated as U.S. job data was better-than-expected.

Graph



Comment

This week the baht will be driven by the fund flow, political issues and external factors. We expect the Baht to move in a range of 30.70 – 31.00 THB/USD.



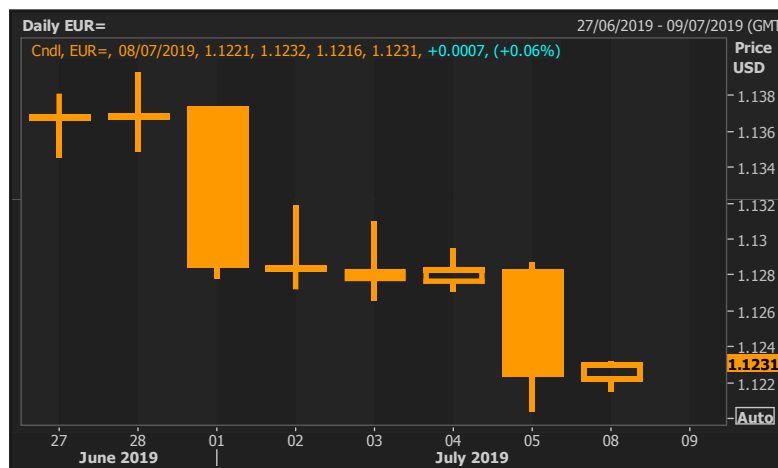
EUR

Highlight

The EUR depreciated from poor economic data, while investors want to see more stimulus from the European Central Bank (ECB).

Last week, the EUR moved lower after the Eurozone Manufacturing Purchasing Manager Index (PMI) released at 47.6 points, lower from 47.7 points in May. In addition, this index shrunk for 5 consecutive months. During the week, ECB officers mentioned that the Eurozone inflation is concerned and ECB will inject more stimulus policies if necessary. Many investors expect ECB to announce the additional stimulus programs at its meeting on 25 July or the following meeting on 12 September. The EUR is also under pressure after the US Trade Representative (USTR) threatened the extra duties on EU produce, saying it was in response to a long-running dispute on subsidies placed on large passenger aircraft. There were 89 "subheadings" of products listed for the potential new tariffs, which the USTR estimated to be worth \$4 bn (€3.5 bn). This comes in addition to a list published in April, of which the extra tariffs were estimated to be worth \$21bn (€18.5bn). The European Union leaders also have a conclusion on new executive team. Frenchwoman Christine Lagarde was proposed as president of the European Central Bank, while Spanish Foreign Minister Josep Borrell was nominated to become EU foreign policy chief, German Defense Minister Ursula von der Leyen was nominated to become head of the European Commission, Belgian Prime Minister Charles Michel was nominated to become head of the European Council. Last but not least, Italian socialist David Sassoli was nominated to become the new president of European Parliament. The market expect that if Christine Lagarde become the ECB president, she will inherit lingering Mario Draghi influence on the policies supporting economic growth.

Graph



Comment

This week investor are focusing on the releases of major economic data such as; Sentix Investor Confidence, German Industrial production and Trade balance (08/07), Italian Retail Sales (09/07), French and Italian Industrial Production (10/07), while also keep an eye on the Eurogroup meeting on 11 July. We expect the EUR to move in a range of 1.1150 – 1.1375 USD/EUR



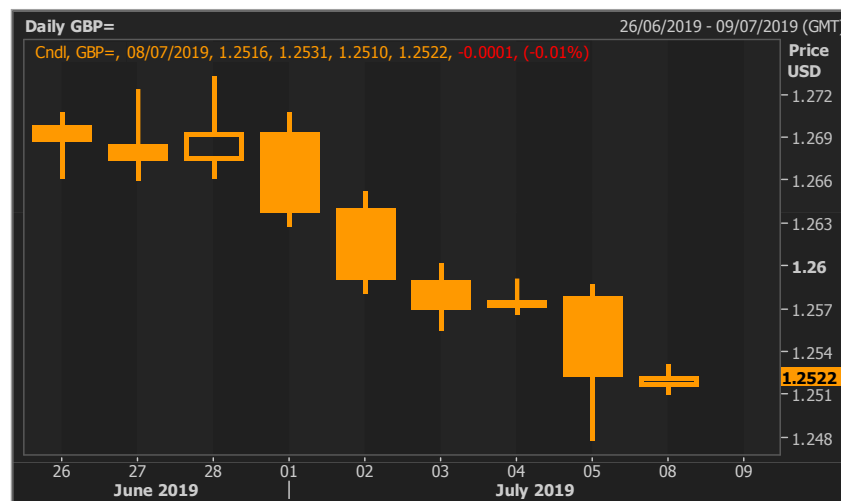
GBP

Highlight

Last week, the pound sterling fell against the U.S. dollar after comment from Bank of England Governor Mark Carney said a global trade war and a no-deal Brexit were growing risks to Britain's economy which convinced money markets to price in a rate cut over the next 12 months. This week, the market will focus on the release of U.K. GDP, Manufacturing Production and Industrial Production on Wednesday (10/7)

Last week, the pound sterling opened at 1.2693/95 USD/GBP on Monday (1/7), remain stable from the previous week closing level of 1.2693/95 USD/GBP. During last week, the pound sterling traded in a depreciated after Bank of England Governor Mark Carney commented that a global trade war and a no-deal Brexit were growing risks to Britain's economy which convinced money markets to price in a rate cut over the next 12 months. On Wednesday (3/7), the IHS Markit announced that Services Purchasing Managers' Index (PMI) slipped to 50.2 in June from 51 in May. Moreover, the pound fell hitting a six-week low against the U.S. dollar at 1.2479 USD/GBP on Friday (5/7) after strong U.S. Nom-farm payrolls. During last week, the pound sterling moved between 1.2479 -1.2707 USD/GBP and closed on Friday (5/7) at 1.2523/25 USD/GBP.

Graph



Comment

This week, the pound sterling is likely to fall against the U.S. dollar after poor U.K. economic data and a rise in expectations that the Bank of England (BOE) will cut interest rates. The Money markets that had assigned a roughly 40% probability to a December 2019 rate cut, raised this to 57% after a speech by BOE Governor Mark Carney who flagged uncertainties stemming from trade disputes and Britain's departure from the European Union. The pound sterling is expected to be traded within a range of 1.2450-1.2650 USD/GBP



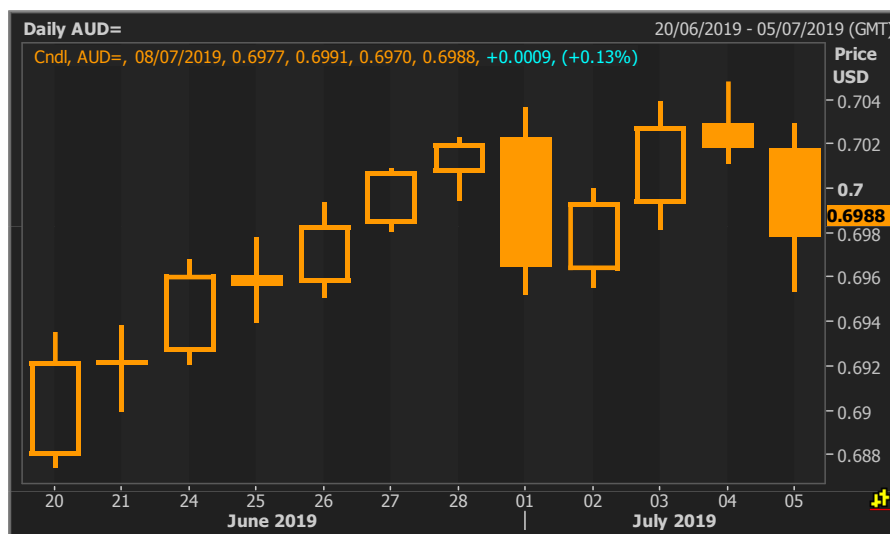
AUD

Highligh

The RBA cut its reference rate to 1.0% as expectation but the trade balance in May was upbeat. The currency moved in range of 0.6953-0.7048 USD/AUD last week and there is resistance level at 0.7050 USD/AUD.

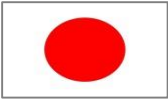
Graph

The Australian dollar opened last week at 0.7024/27 USD/AUD and then slipped on Monday(1/7) as traders were cautious ahead of an expected interest rate cut by the country's central bank. On Tuesday(2/7), the Reserve Bank of Australia (RBA) reduced its cash rate a quarter of a percentage point to a historical low 1.00% in a widely expected move - the second easing in as many months. However, the rate cut did not further weigh on the Aussie as the RBA's accompanying statement didn't further move the dial on future rate cut expectations. Moreover, the aussie instantly rebounded and hit the highest level since May at the level of 0.7050 USD/AUD after the country's trade surplus jumped to a record peak of A\$5.7 billion (\$3.98 billion) in May as export growth handily outstripped imports. On Friday (5/7), since the resistance level at 0.7050 USD/AUD were too strong and the U.S. non-farm payroll was released better than expectation, the aussie significantly fell and then tested a week low at 0.6955 USD/AUD before closed on the last session at 0.6979/80 USD/AUD.



Comment

This week, the Aussie would not pass the resistance level around 0.7050 USD/AUD since the dollar may rebound after upbeat non-farm payroll data released. The currency will be move in range of 0.6850-0.7050 USD/AUD as the NAB business condition (9/7) and Westpac consumer confidence (10/7) are only two economic indicator released this week.



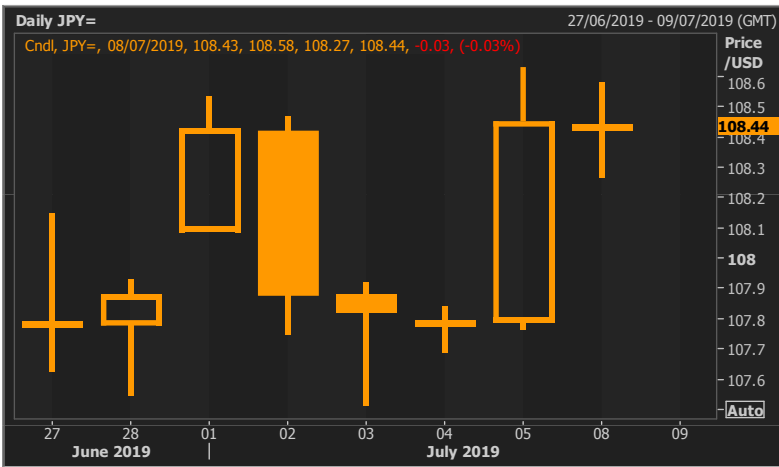
JPY

Highlight

The Yen fluctuated by safe-haven assets demand, while markets still keep eye on Fed’s policy meeting this month.

The Japanese Yen depreciated at the beginning of week after the US and Chinese officials agreed to renegotiate trade deal and delayed increasing import tariffs for the rest of listed goods. Moreover, the US government announced to terminate Hua Wei banned as severed trade-war tends to hurt its economy. Nonetheless, President Donald Trump’s comment on the deal raised some concerns on the situation as he stated that the deal would not be succeed unless US receives more benefit. The president also blamed that China has gained advantages on trade over the US for a long time. The currency regained within the week as investors were awaiting for US Nonfarm payrolls and other key labour market data on Friday (5/7) which would be an important factor for Federal Reserve (Fed) to consider when the Fed needs to change its policy pathway. The Yen sharply dropped through the level of 108.00 JPY/USD at the end of week from better-than-expected US job data that helped cooling down expectation on interest rate cut in Fed’s July meeting.

Graph



Comment

This week, investors will focus on May Current Account and Machinery Orders data on Monday (8/7), June Producer Price Index on Wednesday (10/7) and May Industrial Production data on Friday (12/7). Meanwhile trade tension between US and its allies would still be the main factor on safe-haven assets demand. We expect that the Yen would move in the range of 107.00 – 110.00 JPY/USD.

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Economic Calendar

Last week

Date Time		Event	Survey	Actual	Prior
07/01/2019	JN	Tankan Large Mfg Index	9	7	12
07/01/2019	JN	Tankan Large Mfg Outlook	6	7	8
07/01/2019	JN	Tankan Large Non-Mfg Index	20	23	21
07/01/2019	JN	Tankan Large Non-Mfg Outlook	19	17	20
07/01/2019	JN	Tankan Large All Industry Capex	8.10%	7.40%	1.20%
07/01/2019	JN	Tankan Small Mfg Index	2	-1	6
07/01/2019	JN	Tankan Small Mfg Outlook	-2	-5	-2
07/01/2019	JN	Tankan Small Non-Mfg Index	10	10	12
07/01/2019	JN	Tankan Small Non-Mfg Outlook	6	3	5
07/01/2019	JN	Consumer Confidence Index	39.2	38.7	39.4
07/01/2019	IT	Markit Italy Manufacturing PMI	48.7	48.4	49.7
07/01/2019	FR	Markit France Manufacturing PMI	52	51.9	52
07/01/2019	GE	Markit/BME Germany Manufacturing PMI	45.4	45	45.4
07/01/2019	GE	Unemployment Change (000's)	0.0k	-1.0k	60.0k
07/01/2019	GE	Unemployment Claims Rate SA	5.00%	5.00%	5.00%
07/01/2019	EC	Markit Eurozone Manufacturing PMI	47.8	47.6	47.8
07/01/2019	IT	Unemployment Rate	10.30%	9.90%	10.20%
07/01/2019	UK	Markit UK PMI Manufacturing SA	49.5	48	49.4
07/01/2019	EC	Unemployment Rate	7.60%	7.50%	7.60%
07/01/2019	US	Markit US Manufacturing PMI	50.1	50.6	50.1
07/01/2019	US	ISM Manufacturing	51	51.7	52.1
07/02/2019	GE	Retail Sales MoM	0.50%	-0.60%	-2.00%
07/02/2019	GE	Retail Sales NSA YoY	2.70%	4.00%	4.00%
07/02/2019	UK	Nationwide House PX MoM	0.20%	0.10%	-0.20%
07/02/2019	UK	Nationwide House Px NSA YoY	0.50%	0.50%	0.60%
07/02/2019	FR	Budget Balance YTD	--	-83.9b	-67.2b
07/02/2019	UK	Markit/CIPS UK Construction PMI	49.2	43.1	48.6
07/02/2019	EC	PPI MoM	0.10%	-0.10%	-0.30%
07/02/2019	EC	PPI YoY	1.70%	1.60%	2.60%
07/03/2019	IT	Markit Italy Services PMI	50	50.5	50
07/03/2019	IT	Markit Italy Composite PMI	49.5	50.1	49.9
07/03/2019	FR	Markit France Services PMI	53.1	52.9	53.1
07/03/2019	FR	Markit France Composite PMI	52.9	52.7	52.9
07/03/2019	GE	Markit Germany Services PMI	55.6	55.8	55.6
07/03/2019	GE	Markit/BME Germany Composite PMI	52.6	52.6	52.6
07/03/2019	EC	Markit Eurozone Services PMI	53.4	53.6	53.4
07/03/2019	EC	Markit Eurozone Composite PMI	52.1	52.2	52.1
07/03/2019	UK	Markit/CIPS UK Services PMI	51	50.2	51
07/03/2019	UK	Markit/CIPS UK Composite PMI	51	49.7	50.9

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07/03/2019	US	ADP Employment Change	140k	102k	27k
07/03/2019	US	Trade Balance	-\$54.0b	-\$55.5b	-\$50.8b
07/03/2019	US	Initial Jobless Claims	223k	221k	227k
07/03/2019	US	Continuing Claims	1675k	1686k	1688k
07/03/2019	US	Markit US Services PMI	50.7	51.5	50.7
07/03/2019	US	Markit US Composite PMI	--	51.5	50.6
07/03/2019	US	Factory Orders	-0.60%	-0.70%	-0.80%
07/03/2019	US	Durable Goods Orders	-1.30%	-1.30%	-1.30%
07/03/2019	US	ISM Non-Manufacturing Index	56	55.1	56.9
07/04/2019	GE	Markit Germany Construction PMI	--	50	51.4
07/04/2019	EC	Retail Sales MoM	0.30%	-0.30%	-0.40%
07/04/2019	EC	Retail Sales YoY	1.60%	1.30%	1.50%
07/05/2019	JN	Household Spending YoY	1.50%	4.00%	1.30%
07/05/2019	GE	Factory Orders MoM	-0.20%	-2.20%	0.30%
07/05/2019	GE	Factory Orders WDA YoY	-6.20%	-8.60%	-5.30%
07/05/2019	FR	Trade Balance	-4854m	-3278m	-4981m
07/05/2019	FR	Current Account Balance	--	0.3b	-0.8b
07/05/2019	UK	Halifax House Prices MoM	-0.40%	-0.30%	0.50%
07/05/2019	UK	Halifax House Price 3Mths/Year	5.70%	5.70%	5.20%
07/05/2019	US	Change in Nonfarm Payrolls	160k	224k	75k
07/05/2019	US	Unemployment Rate	3.60%	3.70%	3.60%
07/05/2019	US	Average Hourly Earnings MoM	0.30%	0.20%	0.20%
07/05/2019	US	Average Hourly Earnings YoY	3.20%	3.10%	3.10%
07/05/2019	US	Average Weekly Hours All Employees	34.4	34.4	34.4

This week

Date Time		Event	Survey	Actual	Prior
07/08/2019	JN	BoP Current Account Balance	¥1395.3b	¥1594.8b	¥1707.4b
07/08/2019	JN	BoP Current Account Adjusted	¥1231.0b	¥1305.7b	¥1600.1b
07/08/2019	JN	Trade Balance BoP Basis	-¥758.9b	-¥650.9b	-¥98.2b
07/08/2019	JN	Core Machine Orders MoM	-3.80%	-7.80%	5.20%
07/08/2019	JN	Core Machine Orders YoY	-3.60%	-3.70%	2.50%
07/08/2019	GE	Industrial Production SA MoM	0.40%	0.30%	-1.90%
07/08/2019	GE	Industrial Production WDA YoY	-3.20%	-3.70%	-1.80%
07/08/2019	GE	Trade Balance	17.0b	20.6b	17.9b
07/08/2019	GE	Current Account Balance	12.6b	16.5b	22.6b
07/08/2019	GE	Exports SA MoM	0.90%	1.10%	-3.70%
07/08/2019	GE	Imports SA MoM	0.30%	-0.50%	-1.30%
07/09/2019	IT	Retail Sales MoM	--	-0.70%	0.00%
07/09/2019	IT	Retail Sales YoY	-0.60%	-1.80%	4.20%
07/10/2019	JN	PPI MoM	-0.10%	-0.50%	-0.10%
07/10/2019	JN	PPI YoY	0.40%	-0.10%	0.70%
07/10/2019	FR	Industrial Production MoM	0.30%	--	0.40%
07/10/2019	FR	Industrial Production YoY	1.60%	--	1.10%
07/10/2019	FR	Manufacturing Production MoM	0.30%	--	0.00%
07/10/2019	FR	Manufacturing Production YoY	--	--	0.50%

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07/10/2019	IT	Industrial Production MoM	0.20%	--	-0.70%
07/10/2019	IT	Industrial Production WDA YoY	-1.50%	--	-1.50%
07/10/2019	IT	Industrial Production NSA YoY	--	--	0.10%
07/10/2019	UK	Monthly GDP (MoM)	0.30%	--	-0.40%
07/10/2019	UK	Monthly GDP (3M/3M)	0.10%	--	0.30%
07/10/2019	UK	Industrial Production MoM	1.50%	--	-2.70%
07/10/2019	UK	Industrial Production YoY	1.20%	--	-1.00%
07/10/2019	UK	Manufacturing Production MoM	2.20%	--	-3.90%
07/10/2019	UK	Manufacturing Production YoY	1.10%	--	-0.80%
07/10/2019	UK	Construction Output MoM	0.10%	--	-0.40%
07/10/2019	UK	Construction Output YoY	0.90%	--	2.40%
07/11/2019	US	FOMC Meeting Minutes	--	--	--
07/11/2019	GE	CPI MoM	0.30%	--	0.30%
07/11/2019	GE	CPI YoY	1.60%	--	1.60%
07/11/2019	FR	CPI MoM	0.20%	--	0.20%
07/11/2019	FR	CPI YoY	1.20%	--	1.20%
07/11/2019	US	CPI MoM	0.00%	--	0.10%
07/11/2019	US	CPI YoY	1.60%	--	1.80%
07/11/2019	US	Initial Jobless Claims	221k	--	221k
07/11/2019	US	Real Avg Hourly Earning YoY	--	--	1.30%
07/11/2019	US	Real Avg Weekly Earnings YoY	--	--	1.00%
07/12/2019	JN	Industrial Production MoM	--	--	2.30%
07/12/2019	JN	Industrial Production YoY	--	--	-1.80%
07/12/2019	EC	Industrial Production SA MoM	0.20%	--	-0.50%
07/12/2019	EC	Industrial Production WDA YoY	-1.60%	--	-0.40%