

FOREIGN EXCHANGE OUTLOOK

18 – 24 March 2019



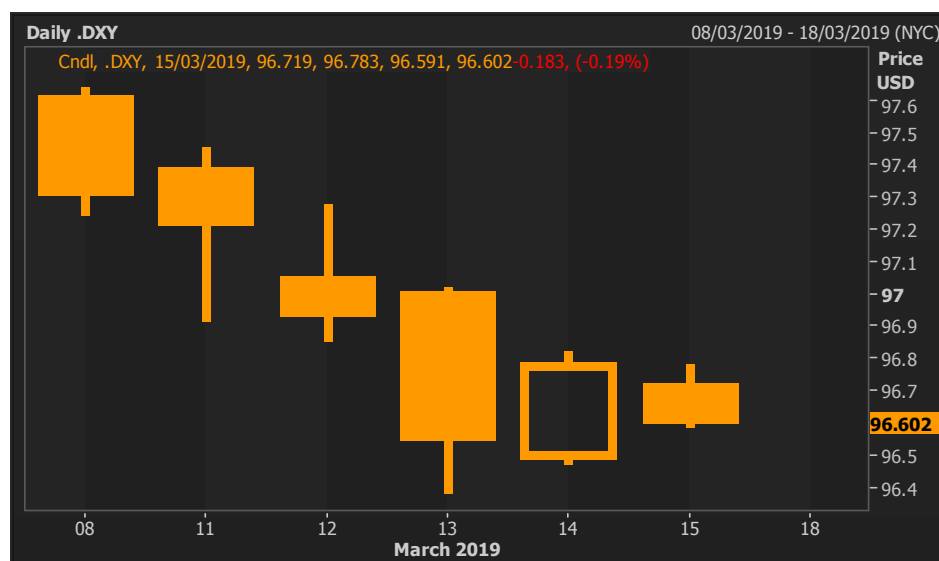
USD

Highligh

Looking ahead on this week, investors continue to wait for a breakthrough in U.S.- China trade talks. They also will get an update on Federal Reserve rate hike projections (Fed’s dot plot) this week and the central bank could also announce plans to end the wind-down of its balance sheet.

Last week, the dollar index opened on Monday (11/3) at 97.394, slightly gained from the closing level on Friday (8/3) at 97.306. However, the dollar index traded lower against its major currencies all the week due to the weaker-than-expected of U.S. employment data. The data on Friday (8/3) showed the economy creating only 20,000 jobs in February, adding to signs of a sharp slowdown in economic activity in the first quarter. Moreover, the released of the U.S. inflation data affirmed expectations that the Federal Reserve will continue to hold off raising interest rates. The Labor Department said its core consumer price index slowed to 0.1% in February after edging up 0.2% in January. However, a downside in the dollar was limited somewhat by a plunge in the pound as Brexit’s concern in the end of the week. The dollar index bounced from a nearly-two-week low on Friday (15/3) after four-straight days of losses despite the release of U.S. new home sales falling more than expected in January. While reports of a U.S.-China trade summit being delayed dampened optimism among investors. U.S. Treasury Secretary Steven Mnuchin said on Thursday (14/3) that a trade summit between President Donald Trump and his Chinese counterpart Xi Jinping would not happen at the end of March as had been previously suggested because there was still more work to do in trade negotiations, questioning how soon the two largest economies in the world will end their trade dispute. Last week, the dollar index moved in the range of 96.385-97.454 and closed on Friday (15/3) at 96.486.

Graph



Comment

The Fed is widely expected to keep monetary policy unchanged in a range of 2.25%-2.50% at its two-day policy meeting ended on Wednesday (20/3) and policymakers will also release new forecasts for economic growth and interest rates, known as the "dot-plot", which will probably point to either no more rate hikes this year or to one more at most. Moreover, we will eyes on the speech of Fed Chair Jerome Powell after the release of the Fed's statement. The Fed will also likely announce further details on when it will end its operation to unwind its balance sheet. In January the Fed indicated that it will be patient as it considers more rate hikes, amid concerns over slowing global growth. There still focus on the trade tension between U.S. and China. The U.S. will also release several economic data such as durable goods orders on Tuesday (19/3), initial jobless claims on Thursday (21/3) and Markit manufacturing and services PMI on Friday (22/3).



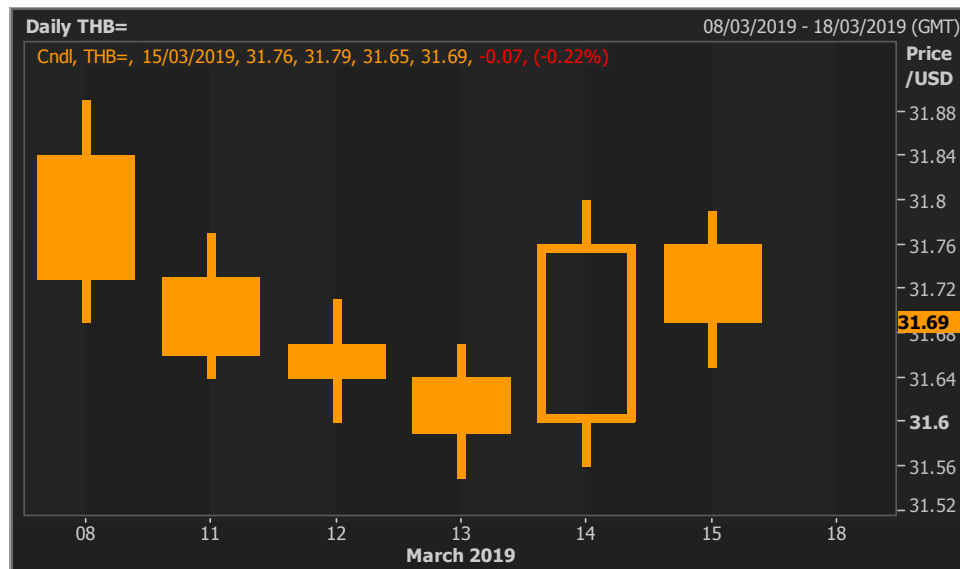
THB

Highlight

This week, the Bank of Thailand’s Monetary Policy Committee will meet on Wednesday (20/3), which is expected to keep interest rate unchanged at 1.75%. Moreover, the trade balance in February (20/3) will be release on Thursday (21/3). The markets also focus on overseas fund flows and the first general election since a 2014 military coup on Sunday (24/3).

Last week, the Thai baht opened on Monday (11/3) at 31.70/72 THB/USD, gained from the closing level on Friday (8/3) at 31.74/76 THB/USD. The Thai baht gained against the U.S. dollar last week as a weaker-than-expected U.S. economic data. Moreover, Thai consumer confidence index rose to 82 in February, the highest level since September, according to data released by the University of Thai Chamber of Commerce in Bangkok. The sentiment was boosted by clarity on the timeline for the March 24 general election, easing concerns about the U.S.-China trade war, and a recovery in Chinese tourist arrivals. Last week, the Thai Baht closed level at 31.69/71 THB/USD on Friday (15/3) and moved between 31.59-31.80 THB/USD in last week.

Graph



Comment

This week, we expect that the Thai baht will move in a range of 31.50-31.80 THB/USD ahead of the general election on Sunday (24/3). Moreover, the Bank of Thailand’s Monetary Policy Committee will meet on Wednesday (20/3), when we anticipate a slight shift in voting to 4-3 in favor of keeping the policy rate at a current level 1.75% versus raising it. At the previous meeting (6/2), the vote was 4-2 (one member was absent) for leaving the rate unchanged. We also focus on the trade balance in February which will be release on Thursday (21/3) as well as the oversea fund flow in Thailand. For the external factors, the U.S.-China trade talks are showing sign of taking longer than expected, despite positive signals in recent week. More Brexit votes are on the agenda this week, as the U.K. look to avoid crashing out of the EU without a deal on March 29, or to possibly extend the deadline to June 30. Furthermore, the Federal Open Market Committee will meet on March 19 and 20. We expect the US Central bank to signal just one interest rate hike in the rest of the year.

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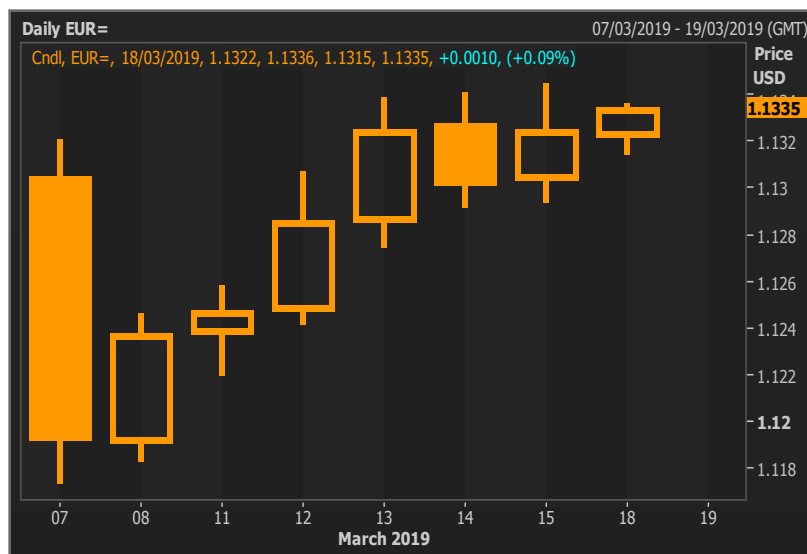
EUR

Highlight

The Euro appreciated after the news that U.K. secures “legally binding” changes to BREXIT deal. Meanwhile, the market is focusing on the EU meeting summit on 21-22 March to extend BREXIT’s deadline.

Last week, the EUR appreciated since the beginning of the week as the EU signal led to open an adjustment to BREXIT deal which led to the upsurge of EUR and GBP in the FX market. In the meantime, the results from the vote of U.K. Member of Parliament (MP); rejected Theresa May’s BREXIT deal, and No Deal BREXIT, as well as requested to extend the deadline of BREXIT for 3 months. In order to make the U.K. plan complete, all 27 other EU nations would have to agree to an extension in the upcoming EU Summit during 21st – 22nd March. However, the data showed Germany’s Industrial Production and Trade Balance shrank while the Consumer Price Index and Core Consumer Price Index of Eurozone remained stable at 1.50% and 1.00% consecutively.

Graph



Comment

This week the market will majority turn the focus on the EU summit meeting during 21st – 22nd March, as well as the releases of Eurozone Trade Balance (18/03), the Service PMI and Manufacturing (22/03). We expect the EUR to move in a range of 1.1200 – 1.1400 USD/EUR.



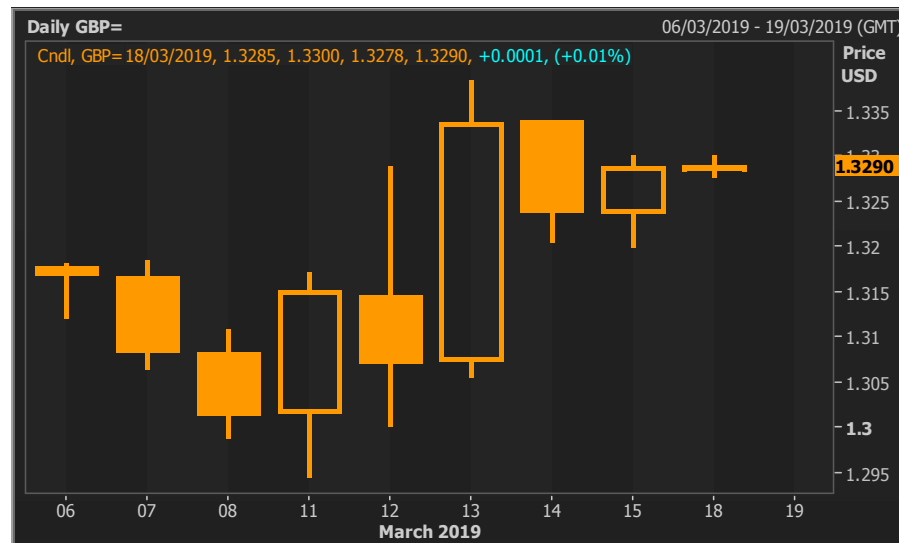
GBP

Highlight

Last week, the pound sterling traded in highly volatile after British Parliament rejected May's deal to quit the European Union for a second time. This week, the market will focus on the releases of U.K. Unemployment Rate on Tuesday (19/3), U.K. CPI and PPI on Wednesday (20/3), along with U.K. retail sales and Bank of England (BOE) Monetary Policy on Thursday (21/3).

Last week, the pound sterling opened at 1.3010/12 USD/GBP on Monday (11/3), slightly depreciated from the previous week closing level of 1.3015/17 USD/GBP as concern about an uncertain outlook over Britain's exit from the European Union. During last week, the pound sterling traded in highly volatile after the British Parliament rejected May's deal to quit the European Union for a second time. Moreover, on Wednesday (13/3), British lawmakers rejected leaving the European Union without a deal in any scenario. The non-binding vote will increase pressure on Prime Minister Theresa May to rule out a "no-deal" exit, and paves the way for a vote to delay Brexit. If Britain does seek a delay, it will require the agreement of all the bloc's other 27 members. However, the pound sterling slightly dropped after the UK parliament voted overwhelmingly to seek a delay in Britain's exit from the European Union. During last week, the pound sterling moved between 1.2947- 1.3383 USD/GBP and closed on Friday (15/3) at 1.3250/52 USD/GBP.

Graph



Comment

The focus remained on progress of Brexit after Britain's parliament rejected a "no-deal" exit from the European Union. The investors expect that Britain will not crash out of the EU without a deal on March 29. The pound sterling is expected to be traded within a range of 1.3000-1.3400 USD/GBP.



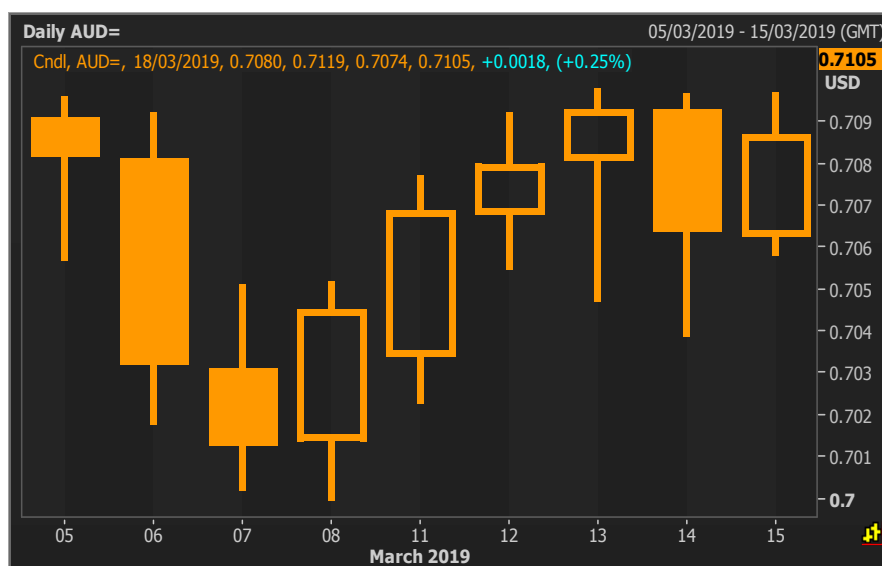
AUD

Highligh

The Australian dollars slightly rebounded as U.S. dollar slipped but the currency still had been heavily pressured.

The Australian dollars opened on last Monday (11/3) at 0.7044/46 USD/AUD, almost the same level of Friday closing level as investors had still priced in ever-more aggressive rate cuts after downbeat economic data and dovish tones from RBA. That policy U-turn by the Reserve Bank of Australia (RBA) was underscored after the National Australia Bank's index of business conditions slipped 3 points to +4 in February, while business confidence fell 2 points to +2. Moreover, the Melbourne Institute and Westpac Bank index of consumer sentiment fell 4.8 percent in March, unwinding a 4.3 percent jump in February. As a result, domestic bond yields extended a recent steep decline to multi-year lows, leaving them a long way under comparable yields in the United States. Last week, however, the Australian dollars not only not further dipped but slightly rebounded as U.S. payrolls and CPI data report knocked its U.S. counterpart backward and also the rallies of the pound since Brexit situation. To sum up, the Australian dollars moved between 0.7041-0.7098 USD/AUD and closed on Friday (15/3) at 0.7085/87 USD/AUD

Graph



Comment

Downbeat economic data, lower yield and dovish in monetary policy are all the factor that heavily pressured the Australian dollars. This week, the employments data will be watched on Thursday (21/3). We believe the currency will move in a downtrend and may move between 0.7000-0.7200 USD/AUD.



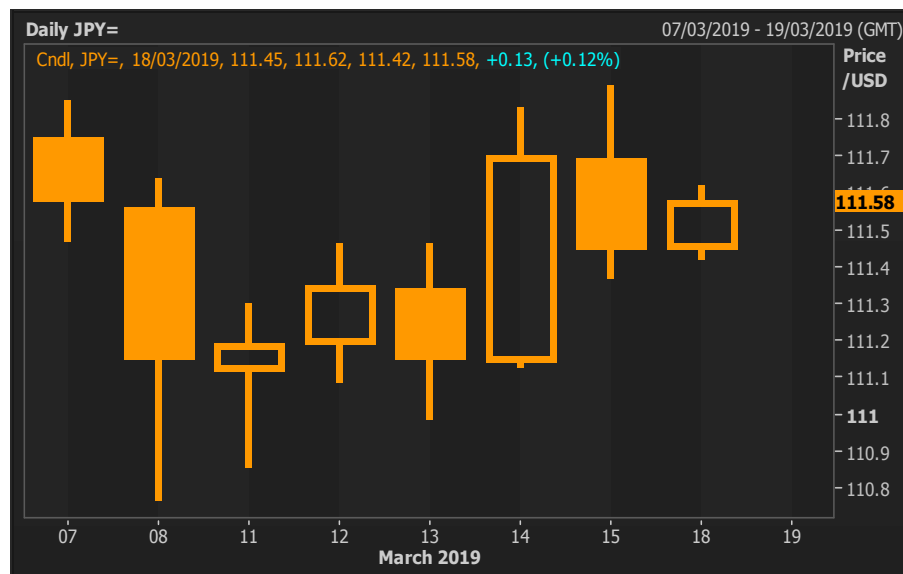
JPY

Highligh

The Japanese Yen moved in the range of 111.00 – 112.00 JPY/USD followed by safe-haven demand from the investors, while the Bank of Japan (BOJ) maintained its policy rate and decreased Exports and Industrial Productions forecasting.

The Japanese Yen appreciated at the beginning of the week as safe-haven demand surged from the investors after the British Parliament rejected the latest PM Theresa May's Brexit plan on Tuesday (12/3) even this bill has been modified from the Brexit negotiator team and European Commission (EC) after the original plan was deterred by the parliament last January which raised concerns on No-deal Brexit while it is only 2 weeks before deadline. Nonetheless, the currency lost its gain from investors' profit taking on the next day as the British Parliament did not accept Hard Brexit pathway and voted to seek a delay to the 29th March deadline for Britain to leave the bloc. Regarding to domestic monetary policy, the Bank of Japan (BOJ) maintained its benchmark rate at the record low at -0.10% in its latest meeting on Thursday and Friday (14/3 -15/3) and also kept the yield of 10-year government bond around 0%. Moreover, the BOJ has dropped its Exports and Industrial Productions forecasting due to economic slowdown as a consequence of Sino – US trade war and geopolitical uncertainties.

Graph



Comment

This week, the investors will focus on the release of February Trade Balance and January Industrial Productions data on Monday (18/3), BOJ Meeting Minutes on Wednesday (20/3), February Nationwide Consumer Price Index and March Manufacturing PMI on Friday (22/3). Furthermore, the progress on US – China trade war that is expected to reach the deal within next month and Brexit deal negotiation after deadline extension would still be important factors to the demand on safe-haven assets. The BOJ is expected to continue maintaining low interest rate policy while await for the economic outlook after VAT increasing this October. We forecast that the JPY would move in the range of 110.50 – 112.50 JPY/USD.

Economic Calendar

Last week

Date Time		Event		Survey	Actual	Prior
03/11/2019	JN	Machine Tool Orders YoY	Feb P	--	-29.30%	-18.80%
03/11/2019	GE	Industrial Production SA MoM	Jan	0.50%	-0.80%	-0.40%
03/11/2019	GE	Industrial Production WDA YoY	Jan	-3.30%	-3.30%	-3.90%
03/11/2019	GE	Trade Balance	Jan	15.2b	14.5b	13.9b
03/11/2019	GE	Current Account Balance	Jan	18.0b	18.3b	21.0b
03/11/2019	GE	Exports SA MoM	Jan	-0.50%	0.00%	1.50%
03/11/2019	GE	Imports SA MoM	Jan	-0.10%	1.50%	1.20%
03/11/2019	US	Retail Sales Advance MoM	Jan	0.00%	0.20%	-1.20%
03/12/2019	UK	Trade Balance	Jan	-£3500m	-£3825m	-£3229m
03/12/2019	UK	Industrial Production MoM	Jan	0.20%	0.60%	-0.50%
03/12/2019	UK	Industrial Production YoY	Jan	-1.30%	-0.90%	-0.90%
03/12/2019	UK	Manufacturing Production MoM	Jan	0.20%	0.80%	-0.70%
03/12/2019	UK	Manufacturing Production YoY	Jan	-1.90%	-1.10%	-2.10%
03/12/2019	UK	Construction Output SA MoM	Jan	0.80%	2.80%	-2.80%
03/12/2019	UK	Construction Output SA YoY	Jan	-0.20%	1.80%	-2.40%
03/12/2019	UK	GDP (MoM)	Jan	0.20%	0.50%	-0.40%
03/12/2019	US	CPI MoM	Feb	0.20%	0.20%	0.00%
03/12/2019	US	CPI YoY	Feb	1.60%	1.50%	1.60%
03/12/2019	US	CPI Core Index SA	Feb	261.193	260.989	260.701
03/12/2019	US	CPI Index NSA	Feb	252.866	252.776	251.712
03/13/2019	JN	PPI YoY	Feb	0.70%	0.80%	0.60%
03/13/2019	JN	PPI MoM	Feb	0.10%	0.20%	-0.60%
03/13/2019	JN	Core Machine Orders MoM	Jan	-1.50%	-5.40%	-0.10%
03/13/2019	JN	Core Machine Orders YoY	Jan	-2.10%	-2.90%	0.90%
03/13/2019	EC	Industrial Production SA MoM	Jan	1.00%	1.40%	-0.90%
03/13/2019	EC	Industrial Production WDA YoY	Jan	-2.10%	-1.10%	-4.20%
03/13/2019	US	PPI Final Demand MoM	Feb	0.20%	0.10%	-0.10%
03/13/2019	US	PPI Final Demand YoY	Feb	1.90%	1.90%	2.00%
03/13/2019	US	Durable Goods Orders	Jan P	-0.40%	0.40%	1.20%
03/13/2019	US	Durables Ex Transportation	Jan P	0.10%	-0.10%	0.10%
03/13/2019	US	Construction Spending MoM	Jan	0.50%	1.30%	-0.60%
03/14/2019	UK	RICS House Price Balance	Feb	-24%	-28%	-22%
03/14/2019	GE	CPI MoM	Feb F	0.50%	0.40%	0.50%
03/14/2019	GE	CPI YoY	Feb F	1.60%	1.50%	1.60%
03/14/2019	FR	CPI MoM	Feb F	0.00%	0.00%	0.00%
03/14/2019	FR	CPI YoY	Feb F	1.30%	1.30%	1.30%
03/14/2019	US	Import Price Index MoM	Feb	0.30%	0.60%	-0.50%
03/14/2019	US	Import Price Index YoY	Feb	-1.50%	-1.30%	-1.70%
03/14/2019	US	Export Price Index MoM	Feb	0.10%	0.60%	-0.60%
03/14/2019	US	Export Price Index YoY	Feb	--	0.30%	-0.20%
03/14/2019	US	Initial Jobless Claims	Mar-09	225k	229k	223k
03/14/2019	US	Continuing Claims	Mar-02	1763k	1776k	1755k
03/14/2019	US	Bloomberg Consumer Comfort	Mar-10	--	60.8	62.1
03/14/2019	US	New Home Sales	Jan	622k	607k	621k
03/14/2019	US	New Home Sales MoM	Jan	0.20%	-6.90%	3.70%

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03/15/2019	JN	BOJ Policy Balance Rate	Mar-15	-0.10%	-0.10%	-0.10%
03/15/2019	JN	BOJ 10-Yr Yield Target	Mar-15	0.00%	0.00%	0.00%
03/15/2019	IT	Industrial Orders NSA YoY	Jan	--	-1.20%	-5.30%
03/15/2019	IT	Industrial Orders MoM	Jan	--	1.80%	-1.80%
03/15/2019	IT	General Government Debt	Jan	--	2358.0b	2316.7b
03/15/2019	EC	CPI Core YoY	Feb F	1.00%	1.00%	1.00%
03/15/2019	EC	CPI MoM	Feb	0.30%	0.30%	-1.00%
03/15/2019	EC	CPI YoY	Feb F	1.50%	1.50%	1.50%
03/15/2019	US	Industrial Production MoM	Feb	0.40%	0.10%	-0.60%
03/15/2019	US	Manufacturing (SIC) Production	Feb	0.10%	-0.40%	-0.90%
03/15/2019	US	U. of Mich. Sentiment	Mar P	95.6	97.8	93.8

This week

Date Time		Event		Survey	Actual	Prior
03/18/2019	JN	Trade Balance	Feb	¥305.1b	¥339.0b	¥1415.2b
03/18/2019	JN	Trade Balance Adjusted	Feb	¥86.0b	¥116.1b	-¥370.0b
03/18/2019	JN	Exports YoY	Feb	-0.60%	-1.20%	-8.40%
03/18/2019	JN	Imports YoY	Feb	-6.40%	-6.70%	-0.60%
03/18/2019	JN	Industrial Production MoM	Jan F	--	-3.40%	-3.70%
03/18/2019	JN	Industrial Production YoY	Jan F	--	0.30%	0.00%
03/18/2019	JN	Capacity Utilization MoM	Jan	--	-4.70%	-1.90%
03/18/2019	EC	Trade Balance SA	Jan	15.0b	--	15.6b
03/18/2019	EC	Trade Balance NSA	Jan	--	--	17.0b
03/19/2019	IT	Trade Balance Total	Jan	--	--	3658m
03/19/2019	IT	Trade Balance EU	Jan	--	--	-613m
03/19/2019	UK	Claimant Count Rate	Feb	--	--	2.80%
03/19/2019	UK	Jobless Claims Change	Feb	--	--	14.2k
03/19/2019	UK	ILO Unemployment Rate 3Mths	Jan	4.00%	--	4.00%
03/19/2019	UK	Employment Change 3M/3M	Jan	120k	--	167k
03/19/2019	EC	Construction Output MoM	Jan	--	--	-0.40%
03/19/2019	EC	Construction Output YoY	Jan	--	--	0.70%
03/19/2019	GE	ZEW Survey Current Situation	Mar	13	--	15
03/19/2019	GE	ZEW Survey Expectations	Mar	-11	--	-13.4
03/19/2019	EC	ZEW Survey Expectations	Mar	--	--	-16.6
03/19/2019	US	Factory Orders	Jan	0.30%	--	0.10%
03/19/2019	US	Durable Goods Orders	Jan F	0.40%	--	0.40%
03/20/2019	JN	Machine Tool Orders YoY	Feb F	--	--	-29.30%
03/20/2019	GE	PPI MoM	Feb	0.20%	--	0.40%
03/20/2019	GE	PPI YoY	Feb	2.90%	--	2.60%
03/20/2019	UK	CPI MoM	Feb	0.40%	--	-0.80%
03/20/2019	UK	CPI YoY	Feb	1.80%	--	1.80%
03/20/2019	UK	CPI Core YoY	Feb	1.90%	--	1.90%
03/20/2019	UK	Retail Price Index	Feb	285.1	--	283
03/20/2019	UK	PPI Input NSA MoM	Feb	0.60%	--	-0.10%
03/20/2019	UK	PPI Input NSA YoY	Feb	4.10%	--	2.90%
03/20/2019	UK	PPI Output NSA MoM	Feb	0.10%	--	0.00%
03/20/2019	UK	PPI Output NSA YoY	Feb	2.20%	--	2.10%
03/20/2019	UK	PPI Output Core NSA MoM	Feb	0.20%	--	0.40%
03/20/2019	UK	PPI Output Core NSA YoY	Feb	2.30%	--	2.40%
03/20/2019	UK	House Price Index YoY	Jan	2.40%	--	2.50%
03/21/2019	US	FOMC Rate Decision (Upper Bound)	Mar-20	2.50%	--	2.50%
03/21/2019	US	FOMC Rate Decision (Lower Bound)	Mar-20	2.25%	--	2.25%
03/21/2019	US	Interest Rate on Excess Reserves	Mar-21	2.40%	--	2.40%
03/21/2019	UK	Retail Sales Ex Auto Fuel MoM	Feb	-0.40%	--	1.20%
03/21/2019	UK	Retail Sales Ex Auto Fuel YoY	Feb	3.50%	--	4.10%
03/21/2019	UK	Retail Sales Inc Auto Fuel MoM	Feb	-0.40%	--	1.00%
03/21/2019	UK	Retail Sales Inc Auto Fuel YoY	Feb	3.30%	--	4.20%

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03/21/2019	UK	Bank of England Bank Rate	Mar-21	0.75%	--	0.75%
03/21/2019	UK	BOE Corporate Bond Target	Mar	10b	--	10b
03/21/2019	UK	BOE Asset Purchase Target	Mar	435b	--	435b
03/21/2019	US	Initial Jobless Claims	Mar-16	225k	--	229k
03/21/2019	US	Continuing Claims	Mar-09	1768k	--	1776k
03/21/2019	EC	Consumer Confidence	Mar A	-7.1	--	-7.4
03/22/2019	FR	Markit France Manufacturing PMI	Mar P	51.4	--	51.5
03/22/2019	FR	Markit France Services PMI	Mar P	50.6	--	50.2
03/22/2019	FR	Markit France Composite PMI	Mar P	50.7	--	50.4
03/22/2019	GE	Markit/BME Germany Manufacturing PMI	Mar P	48	--	47.6
03/22/2019	GE	Markit Germany Services PMI	Mar P	54.8	--	55.3
03/22/2019	GE	Markit/BME Germany Composite PMI	Mar P	52.7	--	52.8
03/22/2019	EC	Markit Eurozone Manufacturing PMI	Mar P	49.5	--	49.3
03/22/2019	EC	Markit Eurozone Services PMI	Mar P	52.7	--	52.8
03/22/2019	EC	Markit Eurozone Composite PMI	Mar P	52	--	51.9
03/22/2019	IT	Current Account Balance	Jan	--	--	4211m
03/22/2019	US	Markit US Manufacturing PMI	Mar P	53.6	--	53
03/22/2019	US	Markit US Services PMI	Mar P	55.8	--	56
03/22/2019	US	Markit US Composite PMI	Mar P	--	--	55.5
03/22/2019	US	Existing Home Sales	Feb	5.10m	--	4.94m
03/22/2019	US	Existing Home Sales MoM	Feb	3.20%	--	-1.20%