

FOREIGN EXCHANGE OUTLOOK

18 - 22 November 2019



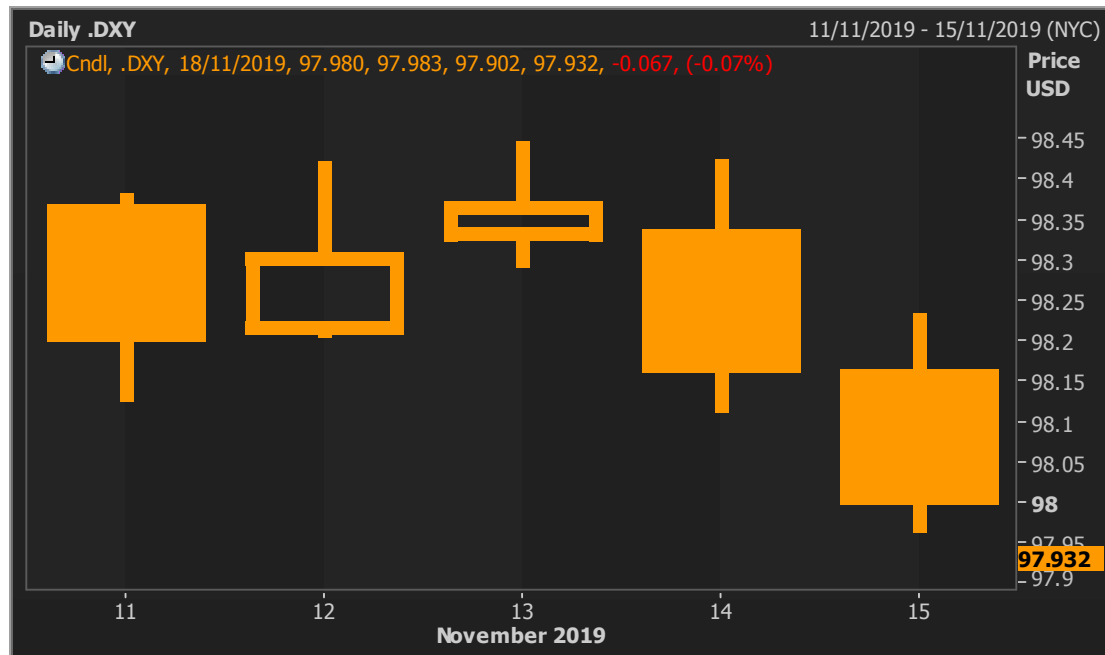
USD

Highlight

The DXY underperformed last week on mixed economic data, while upbeat comments on trade negotiation between the US and China boosted the risk asset-US indices. This week, focus will be on Fed minutes for direction of the policy.

The USD underperformed against its major counterparts during the end of last week on two fundamental developments. First, Fed Chair Jerome Powell’s testimony offering favorable economic outlook and maintained current policy. Then the upbeat comments on progress in the US-China Phase 1 trade negotiations, which helped lifted the US indices on Friday (15/11). For economic data last week; the retail sales came out better than expectations and rose 0.3% in October, while industrial production declined 0.8% in October. During last week, the USD moved in a range of 97.964 – 98.447 and closed at 97.99 on Friday.

Graph



Comment

This week, the key event is FOMC minutes from October monetary policy meeting on Wednesday (20/11) which could depreciate slightly if the report reiterates about how current benchmark rates are appropriate despite the improving outlook on the economy. While the US-China trade talks will be in focus as US President Trump has shown unwillingness about unwinding tariffs against his Chinese counterpart Xi Jinping. Moreover, the trade sentiment remains subdued as Hong Kong protests might dim optimism surrounding the US-China phase one deal.



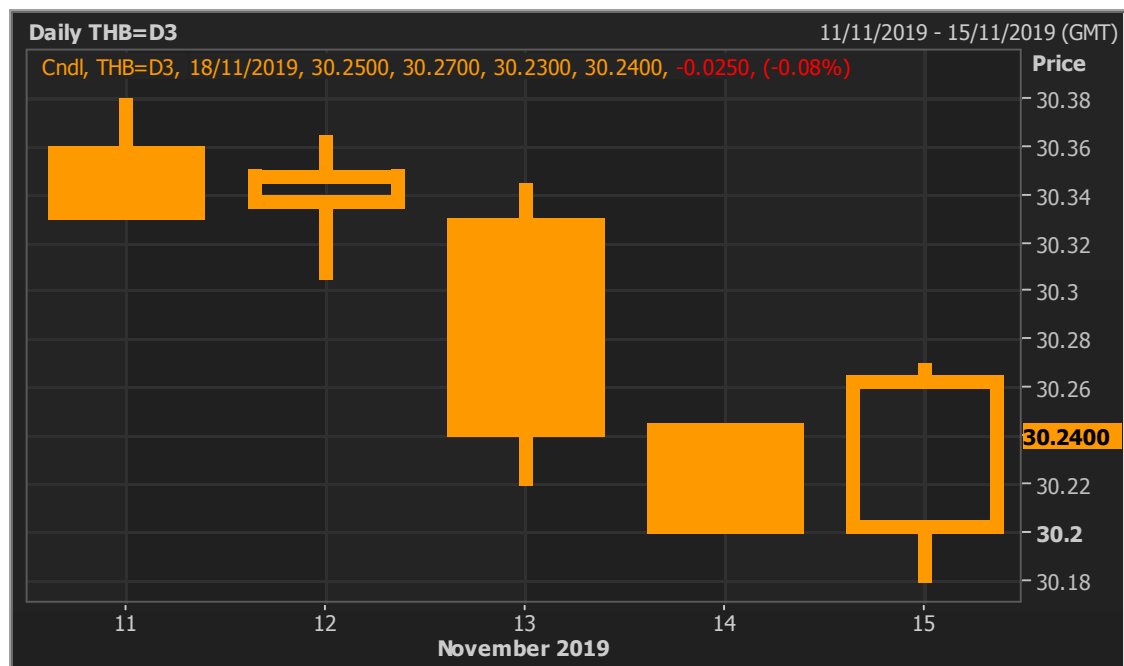
THB

Highligh

THB slightly depreciated late last week on China’s economy slowdown. This week, the focus will be on trade negotiation between the US and China, and the UK election campaign.

The THB last week strengthened against the USD despite the BOT’s attempt to rein in surging baht as it hit its strongest in 6 years. The Bank of Thailand (BOT) cut its benchmark interest rate for the second time in three months on November 6 which should ease rules on outflows to curb a surging currency. However, the baht still strengthened on the strong backing of large current surplus. During the end of the week, the THB depreciated slightly on weak economic data from China; the industrial activity in October came out at 4.7%, worse than expectation of 5.4%. The data shows a loss of momentum and spark concern whether the China’s economy is slowing and pressured the CNY and currency in region. Last week, the baht was moving between 30.18 – 30.38 THB/USD and closed on Friday (15/11) at 30.26/28 THB/USD.

Graph



Comment

This week, investors will be watching UK election campaign ahead of the December 12 polling day and the FOMC meeting minutes on Wednesday (20/11). While any noticeable changes in trade situation will be main factor for the currency movement. This week economic data will be Thailand Q3 GDP which is expected to come out at 2.7%. This week the THB is expected to move in a range of 30.20 – 30.40 THB/USD.



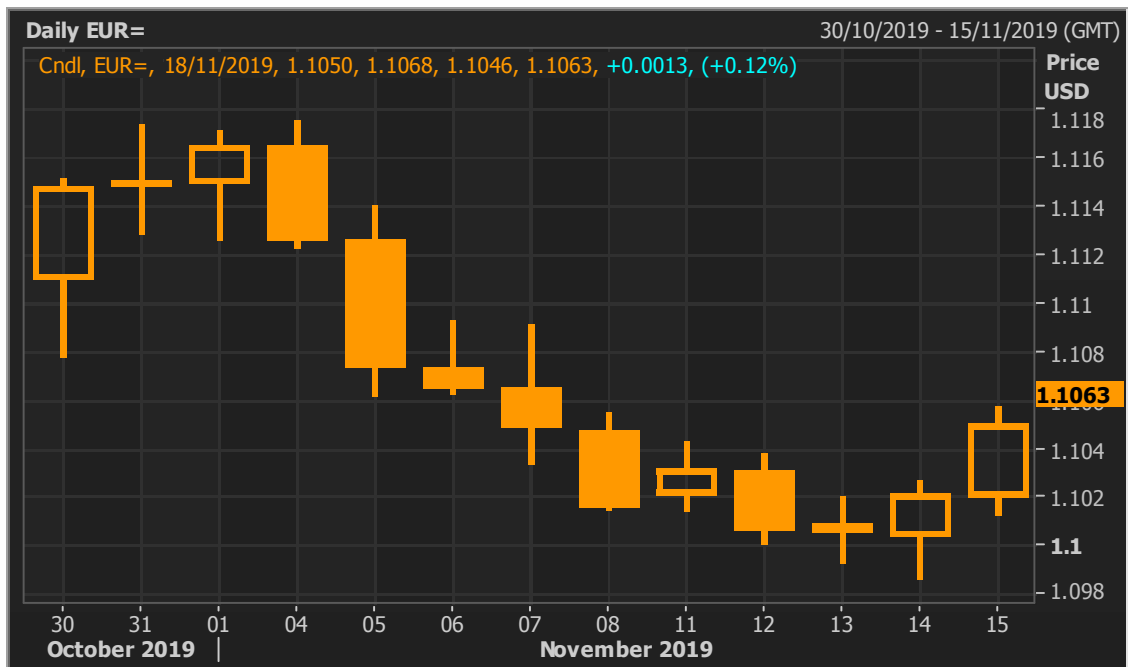
EUR

Highlight

The euro hit the lowest point of the week at 1.0987 USD/EUR as the economic data was still downbeat. Moreover, there is uncertainty whether Donald Trump will impose the tariff on US car import or not.

The euro opened on Monday (11/11) at 1.1020/24 USD/EUR, weakened from previous Friday's close (8/8) at 1.1030/35 USD/EUR. The euro continued its drop from the previous week since the U.S. dollar getting stronger against its pairs from U.S.-China trade optimism. In addition, the markets are concerned whether U.S. President Donald Trump would delay imposing tariffs on cars and auto parts imported from the European Union scheduled this weekend. The euro touched its lowest point during the week at 1.0987 USD/EUR but it could slightly recover on Thursday (14/11) after Germany has narrowly avoided a technical recession, after the latest figures showed the country's economy grew by 0.1% in the third quarter which exceeded -0.1% contraction expected by analysts. Moreover, the euro gained after ECB Vice President Luis De Guindos said on Thursday(14/11) that Europe faced only a "very low" risk of recession even Europe's growth remained below potential. During last week, the euro moved between 1.0987– 1.1029 USD/EUR, and closed on Friday (15/11) at 1.1016/17 USD/EUR.

Graph



Comment

Although the euro rebounded since last Thursday (14/11), the currency was still on pressured as the inflation figures still slowed. Moreover, automakers in the European Union are awaiting a decision from the US President over whether or not he will impose up to 25% tariffs on US car and auto imports. Next week, investors will also wait for Germany GDP Q3, PMI and Eurozone PMI which all released on Friday (22/11). We expect the euro will move between 1.0950-1.1150 USD/EUR.



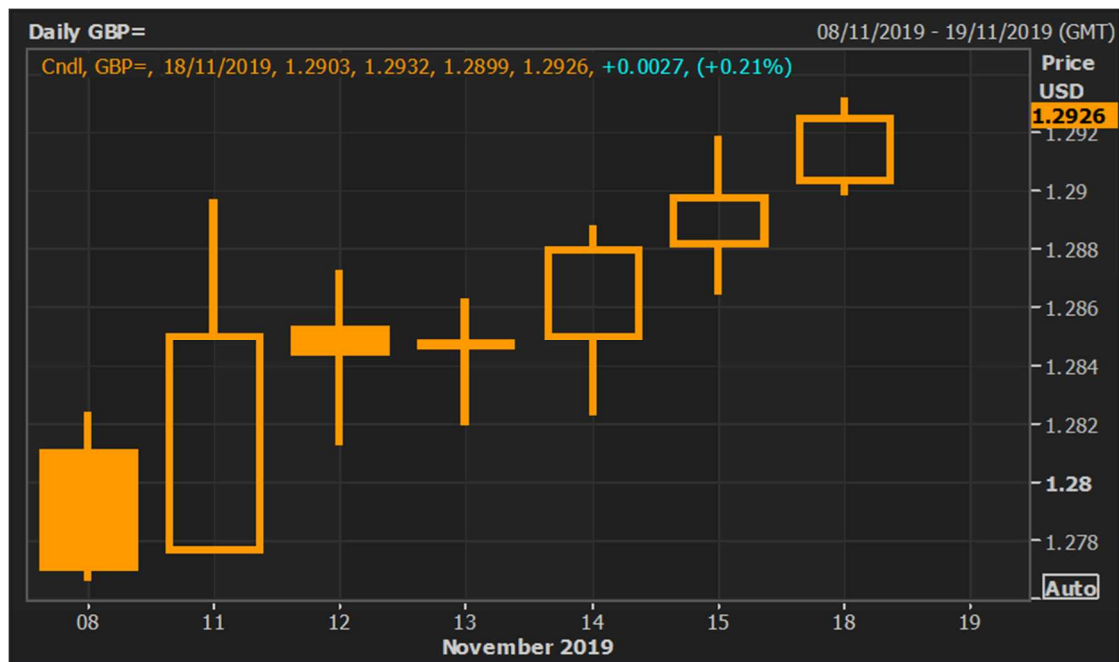
GBP

Highlight

The pound sterling gained after the risk of a hung parliament in UK elections eased slightly amid the release of worse-than-expected economic data.

The pound sterling opened on Monday (11/11) at 1.2773/75 USD/GBP, slightly gained from the previous Friday closing level (8/11) at 1.2770/72 USD/GBP. The pound edged up after the data showed that the economy grew by 0.3%, QoQ higher than -0.2% of the Conservative Party gaining the majority at the votes and it could clear the way for the Conservatives in the second quarter but lower than the expectation of 0.4%. Meanwhile, the economy grew 0.1% YoY, the lowest rate since the first quarter of 2010. Moreover, the pound was supported as the risk of a hung parliament in UK elections eased slightly after Nigel Farage, head of Brexit Party, said that his party would not contest any seats currently held by the Conservative Party at the General Election on 12 December. As the result, increased the chances to the Conservative Party gaining a majority at the voted and it could clear the way for the Conservatives to pass their Brexit withdrawal deal. However, the pound moved in a narrow range on Tuesday (12/11) after the UK average earnings figure, which gained by 3.6% in the three months to September, lower than expectation of a 3.8% gain while the UK Unemployment Rate in September was at 3.8%, as expected. The Pound struggled to gain against the dollar following the release of October's UK inflation figure; the headline inflation in the UK gained by 1.5% in October, lower than the expectation of 1.6% while the UK retail sales fell by -0.1% in October, compared with expectation at 0.0%

Graph



Comment

This week, investors are focusing on the releases of CBI Industrial Order Expectations on 19 November. We expected the sterling to move in a range of 1.2850 – 1.300 USD/GBP.



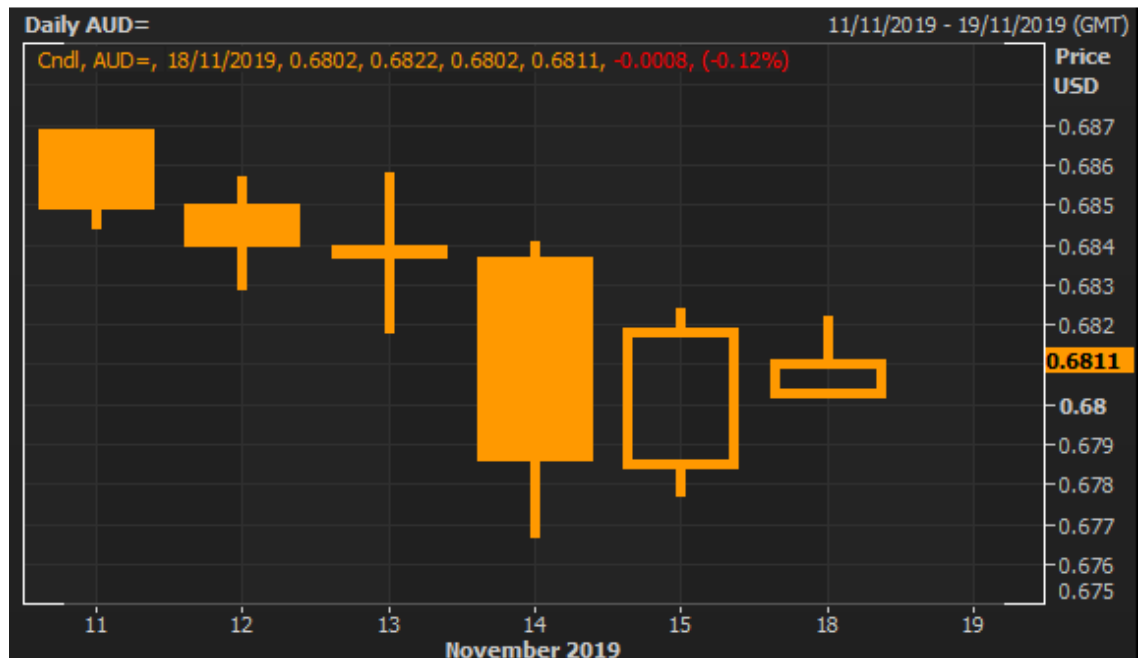
AUD

Highlight

Last week the Australian Dollar depreciated against the US dollar as it moved in a range of 0.6767 – 0.6869 USD/AUD. The main reason that effect the Australian Dollar was the concern over of US-China trade war.

The Australian Dollar opened at 0.6869/71 USD/AUD had initially appreciated from last Friday's closing level of 0.6859/61 USD/AUD before dropped for the whole week. The key issue which pressured the Aussie was the pessimistic of US-China trade tensions. The Aussie continuously weakened, as it is china's main trade partner, after the report showed that the US and China might face the problem to sign their trade agreements after the US president Donald Trump disagreed on the "Phase one" agreement about agricultural products. Nevertheless, Trump said that the phase one agreement with China could be reached soon but he will accept only it is a good deal for the US. The trade talk between the US and China will be continued on next Friday without an exact deadline for the final agreement. However, another report shown that the business confidence rose to 2 points in October from stable in the previous month. Last Friday the market closed at 0.6819/21 USD/AUD.

Graph



Comment

This week, the market will focus on the US-China trade war situation and it could lead to a weakening of the Australian dollar on the concern over it. For this week, we expect the Aussie could move in the range of 0.6700 – 0.6850 USD/AUD.

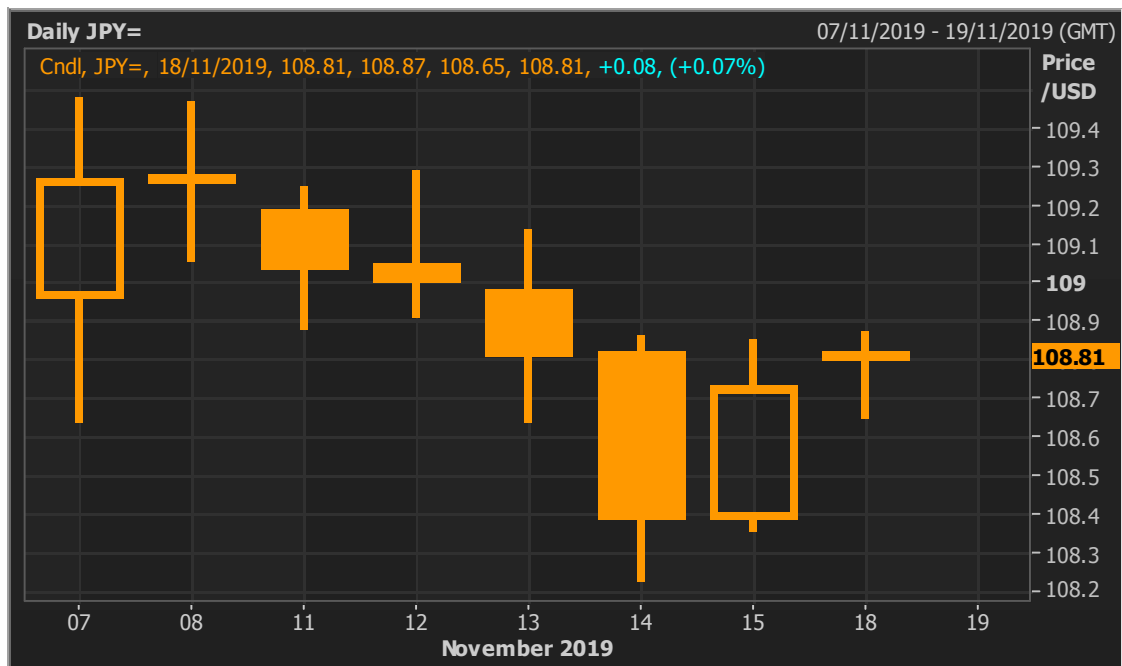


Highligh

Last week, the yen had gained as risk-off sentiment rattled financial markets. The investors remained wary about U.S.-China trade tensions. This week, the market will focus on the releases of Japan Trade Balance on Wednesday (20/11), Japan Core CPI and Flash Manufacturing PMI on Friday (22/11)

Last week, the yen opened at 109.19/21 JPY/USD on Monday (11/11), slightly appreciated from the previous week closing level of 109.27/29 JPY/USD, underpinned by safe-haven demand as market participants reacted to the violent response to protests in Hong Kong, where police fired live rounds at protesters and at least one person was wounded. Moreover, doubts that securing a trade agreement between the United States and China is far from a done deal helped to lift safe-haven currencies such as the yen. On Monday (11/11), the Bank of Japan showed the summary of the Oct. 30-31 meeting that some in the BOJ's nine-member board insisted on the need to communicate to markets the central bank would maintain loose monetary policy given the time need to accelerate inflation to its 2% price goal. On Thursday (14/11), the Japan Government showed that Japan's economy grew an annualised 0.2% in Q3, slowing sharply from a revised 1.8% expansion in Q2, as the U.S.-China trade war and soft global demand knocked exports, keeping pressure on policymakers to ramp up stimulus to bolster a fragile recovery. During last week, the yen moved between 108.23-109.29 JPY/USD and closed on Friday (15/11) at 108.73/75 JPY/USD.

Graph



Comment

This week, the yen would fall against the U.S. dollar as hopes of a U.S.-China trade deal undercut the yen. Moreover, investors will keep an eye on developments in Hong Kong. The yen is expected to move between 107.80-109.80 JPY/USD.

Economic Calendar

Last week

Date		Event	Period	Survey	Actual	Prior
11-Nov	JN	Core Machine Orders MoM	Sep	0.90%	-2.90%	-2.40%
11-Nov	JN	BoP Current Account Balance	Sep	¥1710.0b	¥1612.9b	¥2157.7b
11-Nov	IT	Industrial Production MoM	Sep	-0.40%	-0.40%	0.30%
11-Nov	UK	GDP QoQ	3Q P	0.40%	0.30%	-0.20%
11-Nov	UK	GDP YoY	3Q P	1.10%	1.00%	1.30%
11-Nov	UK	Industrial Production MoM	Sep	-0.10%	-0.30%	-0.60%
11-Nov	UK	Manufacturing Production MoM	Sep	-0.20%	-0.40%	-0.70%
12-Nov	UK	Jobless Claims Change	Oct	--	33.0k	21.1k
12-Nov	UK	ILO Unemployment Rate 3Mths	Sep	3.90%	3.80%	3.90%
12-Nov	GE	ZEW Survey Current Situation	Nov	-22.3	-24.7	-25.3
12-Nov	GE	ZEW Survey Expectations	Nov	-13	-2.1	-22.8
13-Nov	JN	PPI YoY	Oct	-0.30%	-0.40%	-1.10%
13-Nov	GE	CPI MoM	Oct F	0.10%	0.10%	0.10%
13-Nov	GE	CPI YoY	Oct F	1.10%	1.10%	1.10%
13-Nov	UK	CPI MoM	Oct	-0.10%	-0.20%	0.10%
13-Nov	UK	CPI YoY	Oct	1.60%	1.50%	1.70%
13-Nov	UK	CPI Core YoY	Oct	1.70%	1.70%	1.70%
13-Nov	UK	PPI Output NSA MoM	Oct	0.00%	-0.10%	-0.10%
13-Nov	US	MBA Mortgage Applications	Nov-08	--	9.60%	-0.10%
13-Nov	US	CPI MoM	Oct	0.30%	0.40%	0.00%
14-Nov	JN	GDP SA QoQ	3Q P	0.20%	0.10%	0.30%
14-Nov	JN	GDP Annualized SA QoQ	3Q P	0.90%	0.20%	1.30%
14-Nov	JN	Tertiary Industry Index MoM	Sep	1.10%	1.80%	0.40%
14-Nov	GE	GDP SA QoQ	3Q P	-0.10%	0.10%	-0.10%
14-Nov	FR	CPI YoY	Oct F	0.70%	0.80%	0.70%
14-Nov	UK	Retail Sales Inc Auto Fuel MoM	Oct	0.20%	-0.10%	0.00%
14-Nov	EC	GDP SA YoY	3Q P	1.10%	1.20%	1.10%
14-Nov	EC	GDP SA QoQ	3Q P	0.20%	0.20%	0.20%
14-Nov	US	PPI Final Demand MoM	Oct	0.30%	0.40%	-0.30%
14-Nov	US	PPI Ex Food and Energy MoM	Oct	0.20%	0.30%	-0.30%
14-Nov	US	Initial Jobless Claims	Nov-09	215k	225k	211k
14-Nov	US	Continuing Claims	Nov-02	1683k	1683k	1689k
15-Nov	JN	Industrial Production MoM	Sep F	--	1.70%	1.40%
15-Nov	JN	Industrial Production YoY	Sep F	--	1.30%	1.10%
15-Nov	EC	CPI YoY	Oct F	0.70%	0.70%	0.70%
15-Nov	IT	CPI EU Harmonized YoY	Oct F	0.20%	0.20%	0.20%
15-Nov	EC	CPI MoM	Oct F	0.20%	0.10%	0.20%

This week

Date		Event	Period	Survey	Actual	Prior
18-Nov	TH	GDP YoY	3Q	2.70%	2.40%	2.30%
18-Nov	TH	GDP SA QoQ	3Q	0.10%	0.10%	0.60%
18-Nov	CH	Foreign Direct Investment YoY CNY	Oct	--	7.40%	3.80%
18-Nov	US	NAHB Housing Market Index	Nov	71	70	71
19-Nov	US	Net Long-term TIC Flows	Sep	--	\$49.5b	-\$41.1b
19-Nov	US	Total Net TIC Flows	Sep	--	-\$37.6b	\$70.5b
19-Nov	IT	Industrial Sales MoM	Sep	--	--	-0.30%
19-Nov	IT	Industrial Orders NSA YoY	Sep	--	--	-10.00%
19-Nov	IT	Industrial Orders MoM	Sep	--	--	1.10%
19-Nov	US	Housing Starts	Oct	1320k	--	1256k
19-Nov	US	Building Permits	Oct	1385k	--	1387k
20-Nov	JN	Trade Balance	Oct	¥229.3b	--	-¥123.0b
20-Nov	US	MBA Mortgage Applications	Nov-15	--	--	9.60%
21-Nov	US	FOMC Meeting Minutes	Oct-30	--	--	--
21-Nov	TH	Customs Exports YoY	Oct	-3.60%	--	-1.39%
21-Nov	TH	Customs Imports YoY	Oct	-5.90%	--	-4.24%
21-Nov	TH	Customs Trade Balance	Oct	\$400m	--	\$1275m
21-Nov	JN	All Industry Activity Index MoM	Sep	1.50%	--	0.00%
21-Nov	US	Philadelphia Fed Business Outlook	Nov	6	--	5.6
21-Nov	US	Initial Jobless Claims	Nov-16	218k	--	225k
21-Nov	US	Continuing Claims	Nov-09	1683k	--	1683k
21-Nov	US	Leading Index	Oct	-0.20%	--	-0.10%
21-Nov	EC	Consumer Confidence	Nov A	-7.3	--	-7.6
21-Nov	US	Existing Home Sales	Oct	5.49m	--	5.38m
22-Nov	JN	Jibun Bank Japan PMI Mfg	Nov P	--	--	48.4
22-Nov	GE	GDP SA QoQ	3Q F	0.10%	--	0.10%
22-Nov	TH	Foreign Reserves	Nov-15	--	--	\$221.9b
22-Nov	FR	Markit France Manufacturing PMI	Nov P	50.9	--	50.7
22-Nov	FR	Markit France Services PMI	Nov P	53	--	52.9
22-Nov	GE	Markit Germany Manufacturing PMI	Nov P	42.8	--	42.1
22-Nov	GE	Markit Germany Services PMI	Nov P	52	--	51.6
22-Nov	EC	Markit Eurozone Manufacturing PMI	Nov P	46.4	--	45.9
22-Nov	EC	Markit Eurozone Services PMI	Nov P	52.4	--	52.2
22-Nov	EC	Markit Eurozone Composite PMI	Nov P	50.9	--	50.6
22-Nov	UK	Markit UK PMI Manufacturing SA	Nov P	48.8	--	49.6
22-Nov	US	Markit US Services PMI	Nov P	51	--	50.6
22-Nov	US	Markit US Manufacturing PMI	Nov P	51.4	--	51.3
22-Nov	US	Markit US Composite PMI	Nov P	--	--	50.9
22-Nov	US	U. of Mich. Sentiment	Nov F	95.7	--	95.7