

FOREIGN EXCHANGE OUTLOOK

2 - 6 September 2019



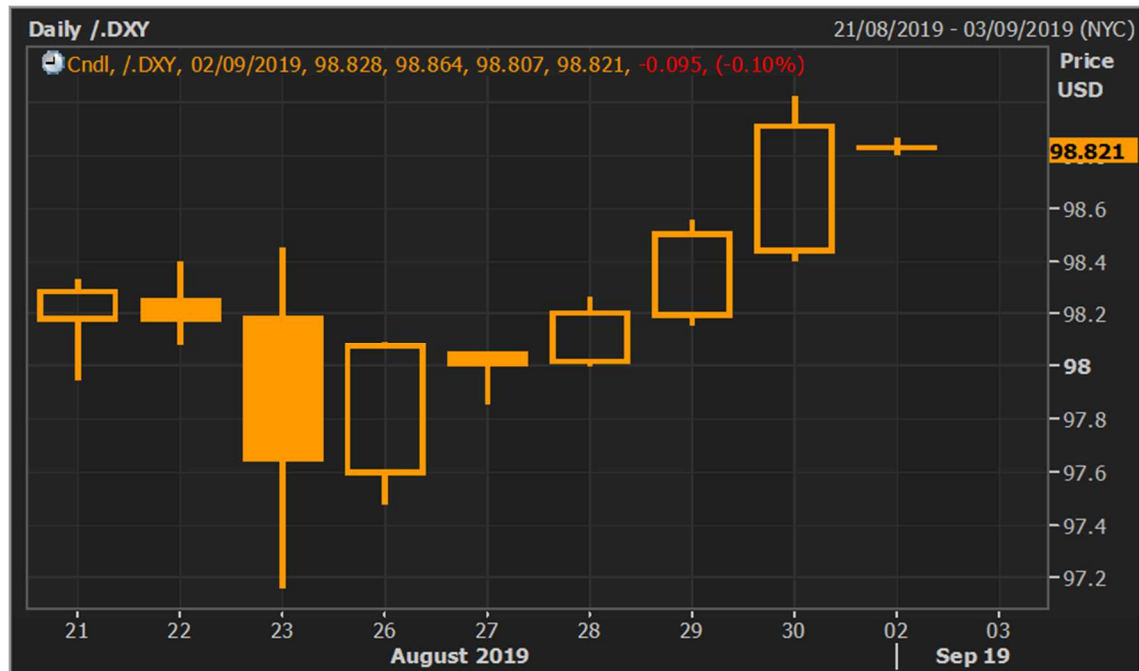
USD

Highligh

The investors are likely to shift money from stocks to less risky assets, such as debt, gold and safe-haven currencies. This week, the market will focus on the releases of U.S. ISM Manufacturing PMI on Tuesday (3/9), Trade Balance on Wednesday (4/9), U.S. Non-Manufacturing PMI, Crude Oil Inventories and the weekly jobless claims on Thursday (5/9), U.S. Nonfarm payrolls and Unemployment rate on Friday (6/9)

At the beginning of last week, the U.S. dollar gained after some signs of rapprochement between Washington and Beijing soothed investors' nerves. Moreover, the U.S. dollar rose on Wednesday (28/8), but the moves were small and range-bound as a deepening inversion of the U.S. yield curve stoked investor anxiety about a recession just days before U.S. and Chinese retaliatory tariffs on each other's imports are set to go into effect. On Thursday (29/8), the government confirmed that U.S. economic growth slowed in the second quarter, but the strongest consumer spending in 4-1/2 years amid a solid labor market. Moreover, the Labor Department reported Initial claims for state unemployment benefits rose 4,000 to a seasonally adjusted 215,000 for the week ended August 24.

Graph



Comment

The United States slapped 15% tariffs on a variety of Chinese goods on Sunday (1/9) - including footwear, smart watches and flat-panel televisions - while China imposed new duties on U.S. crude oil. U.S. President Donald Trump said the sides would still meet for talks later this month, but hopes for a resolution to the trade war have diminished.



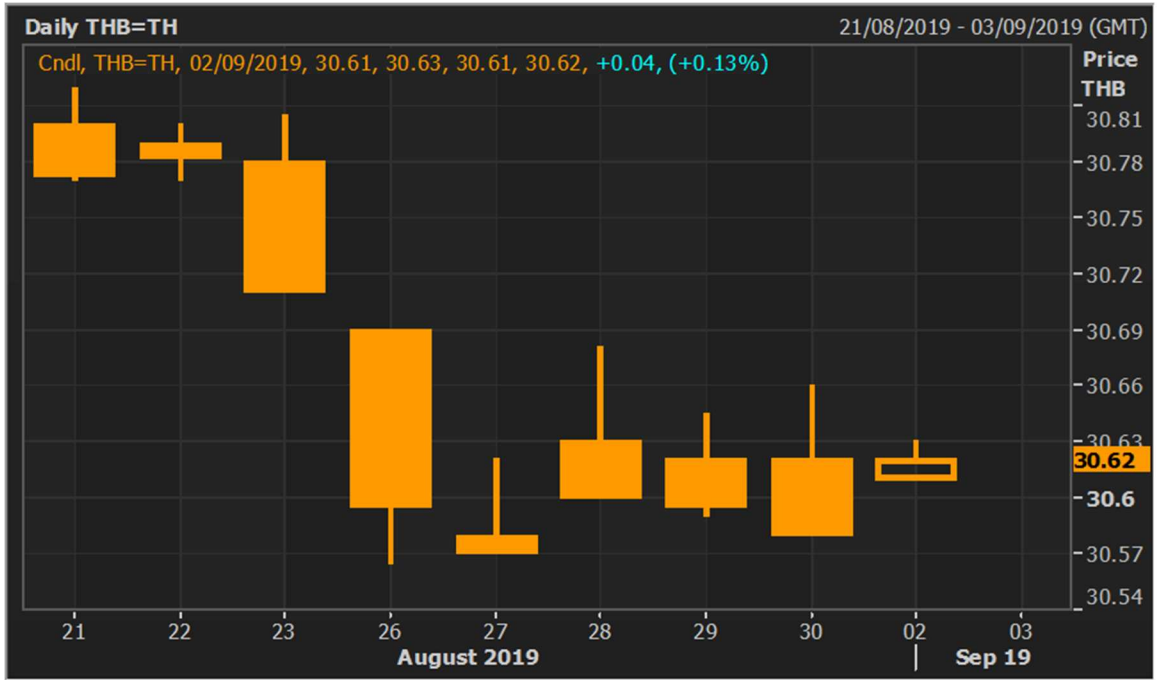
THB

Highligh

Last week, the bank of Thailand (BOT) announced that July exports rose 3.8% and Imports in July increased 0.9. July trade surplus was \$1.69 billion. This week, the market will focus on the released of Thailand consumer confident on Thursday (5/9). Moreover, the market will pay attention on U.S.-China trade negotiations.

Last week, the baht opened on Monday (26/8) at 30.69/71 THB/USD, slightly appreciated from the previous week's (23/8) closing level at 30.71/73 THB/USD. During last week, the baht moved in the narrow range. On Tuesday (27/8), the Office of Industrial Economics (OIE) reported that Thailand's manufacturing production index (MPI) in July dropped 3.23% from a year earlier, dragged down by lower production of cars, petroleum and steel. That compares with a forecast of 3.05% decline, and June's revised 5.3% contraction. However, the tourism ministry reported that number of foreign tourist rose at 4.72% to 3.33 million tourists in July and they spent about 167.3 billion baht (\$5.47 billion), up 3.11% from a year earlier. On Friday (30/8), the bank of Thailand (BOT) announced that Thailand's July current account was a surplus of \$1.77 billion, after June's surplus of \$3.92 billion. July exports rose 3.8% from a year earlier and Imports in July increased 0.9% from a year earlier. July trade surplus was \$1.69 billion. During last week, the baht moved in the range of 30.57-30.68 THB/USD and closed on Friday (30/8) at 30.58/60 THB/USD.

Graph



Comment

This week, we expect that the Thai Baht will volatile in the range of 30.50 - 30.70 THB/USD. Moreover, the investors focus on the U.S.-China trade negotiations. Moreover, Thailand's trade-reliant economy is likely to grow less than 3% this year, due to intensifying global trade tensions.

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EUR

Highlight

This week eyes on Markit PMI data from Italy, France and Eurozone.

The euro opened on Monday (26/8) at 1.1148/50 USD/EUR, seemed stable from Friday's close (23/8) at 1.1144/46 USD/EUR. Last week, the euro remained in narrow range as investors still concern over political uncertainty in Italy. On Wednesday (28/8), the M5S and the center-left PD have reached a deal for a new government, with Conte as prime minister. However, the shared currency was unable to gather strength from the headline and remained under selling pressure as markets still expect that the European Central Bank (ECB) is preparing to announce a monetary stimulus in September; including a potential reduction of interest rates and a potential of restart QE program. Coupled with a modest pickup in the USD, despite the inverted US bond yield curve concern and the US president's latest criticism on the Fed. During last week, the Euro was trading in a range of 1.0963 - 1.1164 USD/EUR and closed on Friday (30/8) at 1.0963/65 USD/EUR.

Graph



Comment

The downside seems to be limited for some time as investors wait for a fresh clue for directional move. The EUR is expected to remain in range of 1.0900 – 1.1100 USD/EUR this week. Investors will focus on the ECB monetary policy meeting in September as they have already priced in that the ECB will try to do the same (stimulus) as other central banks around the world which keep inflation under control to keep economy rolling. Meanwhile, the political issue in Italy will remain in concern. This week brings PMI data from Italy, German, France, and Eurozone.

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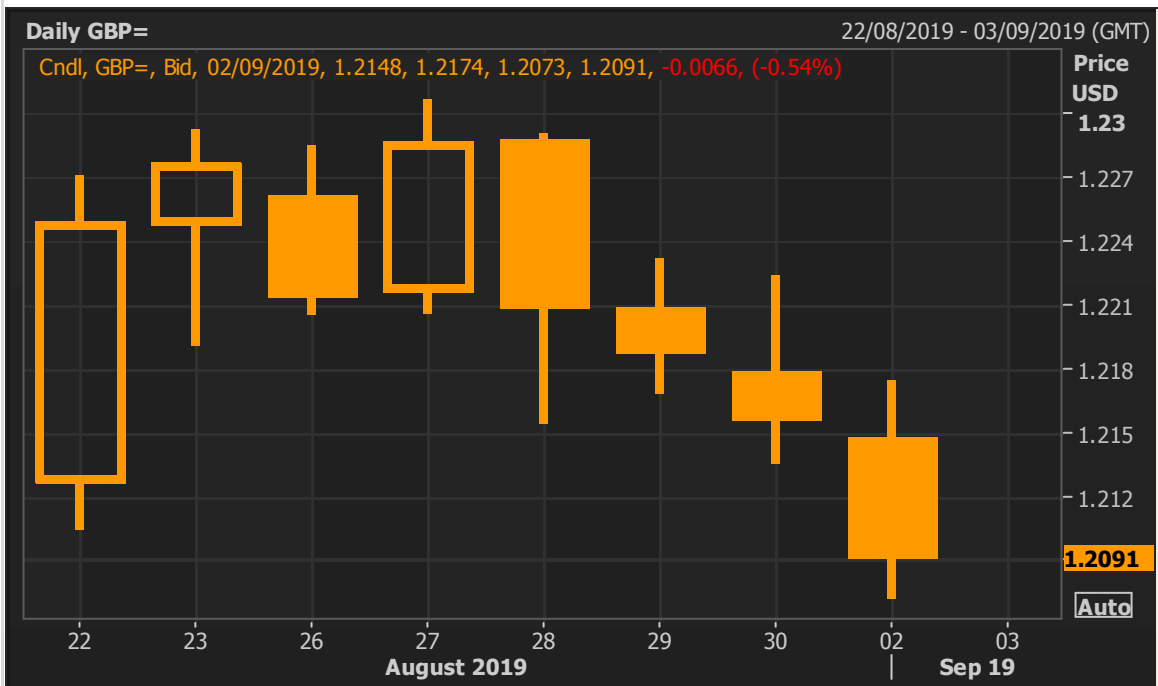
GBP

Highlight

The British Pound Sterling has still been pressured by the No-Deal Brexit situation.

Last week, the pound opened on Monday (26/8) at 1.2262/64 USD/GBP, depreciated from the previous week closing level on Friday (23/8) at 1.2277/79 USD/GBP. The pound slightly fell after British Prime Minister, Boris Johnson, was expected to tell European Council President Donald Tusk that the UK would only pay £9 billion instead of £39 billion liability agreed by former Prime Minister, Theresa May under the no-deal Brexit. However, on Tuesday (27/8) PM Johnson told President Tusk at the G-7 summit in France that Britain would be leaving the European Union on October 31 whatever the circumstances while he would seek a deal with the EU as well as to be willing to discuss further with the EU and the member states. Meanwhile, the sterling rallied on Wednesday (28/8) after Britain's opposition Labour Party leader Jeremy Corbyn said he would do everything necessary to prevent the Britain from leaving the European Union without a divorce deal. However, the pound dropped on Friday (30/8) as the looming prospect of a no-deal Brexit after the Queen agreed to suspend the parliament on any day between September 9 and September 12 until October 14 while the U.K. is set to leave the European Union on October 31. Thus would limit the time opponents have to derail a disorderly Brexit. Last week, the pound moved in a range of 1.2155 - 1.2307 USD/GBP before it closed on Friday (30/8) at 1.2174 USD/GBP.

Graph



Comment

The pound is continually under pressure as consensus Brexit negotiation continues with PM Johnson's movement to set the tone for Brexit plan. Moreover, the markets are focusing on Manufacturing PMI on Monday (2/9) and Services PMI on Wednesday (4/9). We expect the sterling to move in a range of 1.2100-1.2200 USD/GBP



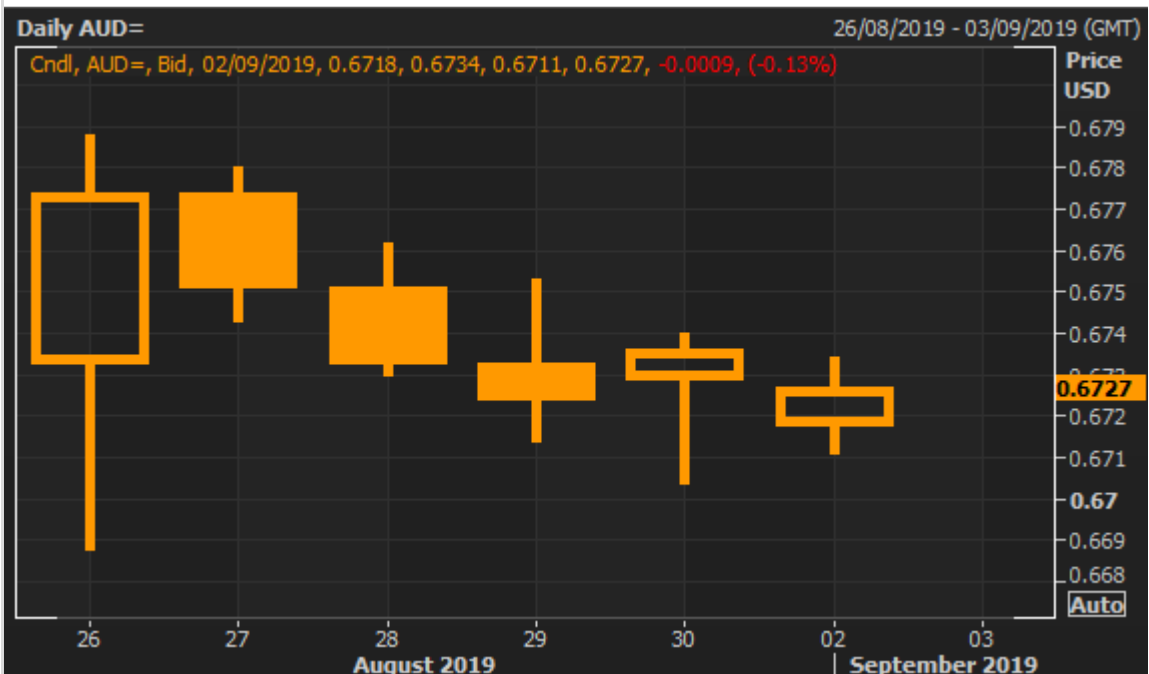
AUD

Highligh

Last week the Australian Dollar depreciated against the US dollar. It moved in the range of 0.6688 – 0.6788 USD/AUD. The main reason that effect the Australian Dollar was the US-China trade war.

The Australian Dollar began the week with an appreciation from the last week closing level before it dropped in volume throughout the week. However, it depreciated for the whole week. The Aussie opened strengthened after the positive comment from China Vice Premier Liu He as he said China was looking for a calm negotiation to resolve its trade dispute with the US. Nonetheless, the conflict comments between US and China pressured the Aussie. Moreover, the real construction spending, weighting on GDP, fell 3.8% in the second quarter which led to the economic concern. Another factor that weaken the Aussie was the comment from RBA Deputy Governor Guy Debelle as he said that it was a possible that the interest rate could fall to as low as zero in order to achieve the RBA's objectives. According to the economists' polls, the probability of the RBA to keep theirs interest rate unchanged at 1% at their meeting on 3rd September stood at 88.52%.

Graph



Comment

This week, the market will focus on the Reserve Bank of Australia Monetary Policy Meeting. The Australian dollar may continue to drop on the concern over US-China trade tensions.



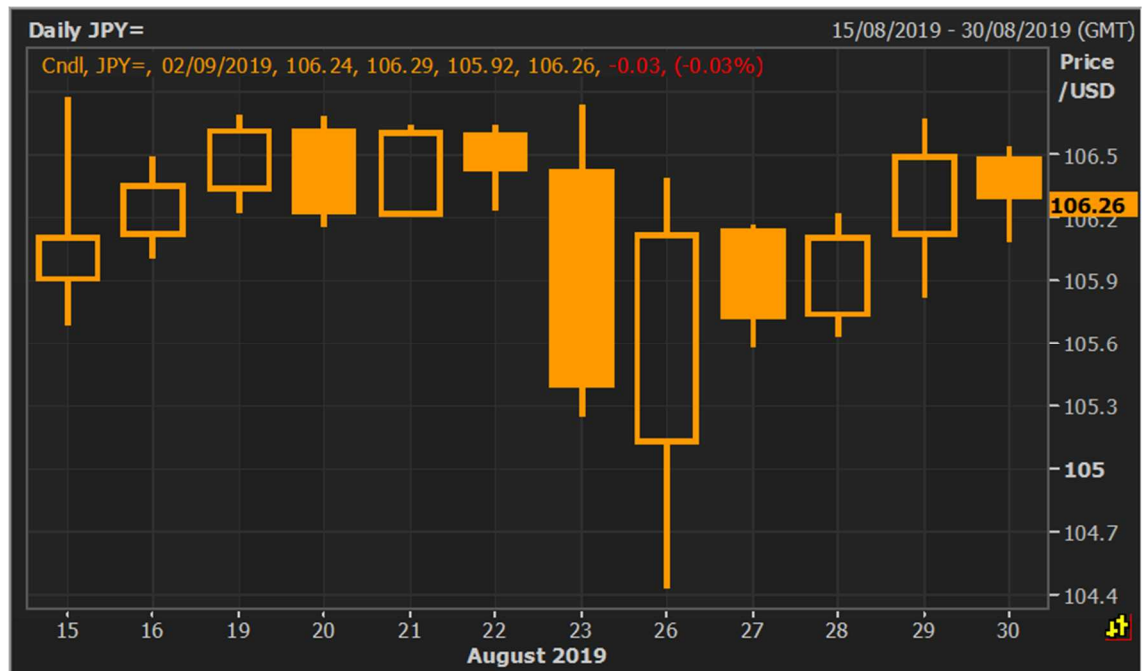
JPY

Highligh

The yen made the lowest level of the week at 104.50 JPY/USD since Sino-U.S. trade war sharply escalated. However, when tensions between China and the U.S. seemingly eased somewhat, it gradually depreciated back to the level above 106.00 JPY/USD.

The Yen opened on Monday (26/8) at 105.29/30 JPY/USD, significantly appreciated from the previous Friday closing level at 106.63/65 JPY/USD. The Yen was supported as one of the safe-haven asset and gained to the most appreciated level of the week since the opening session at 104.50 JPY/USD after on late Friday(23/8) the Sino-U.S. trade war sharply escalated, threatening to inflict more damage on the world's largest economies and weigh further on global growth. U.S. President Donald Trump announced an additional duty on some \$550 billion of targeted Chinese goods, hours after China unveiled retaliatory tariffs on \$75 billion worth of U.S. goods. Moreover, during last week, the main measure of the yield curve briefly deepened its inversion— with the yield on the 10-year Treasury note extending its drop below the yield on the 2-year note — underlining investor worries over a potential recession. For the economic figure, on Friday (30/8), Japan's jobless rate dipped to its lowest level in 27 years in July, bucking forecasts, while retail sales dropped at the fastest rate in more than three years. However, the yen gradually depreciated back to the level above 106.00 JPY/USD at the end of the week as tensions between China and the U.S. seemingly eased somewhat. On Thursday (29/8), Gao Feng, spokesman for China's Foreign Ministry, said China is willing to negotiate with the U.S. on trade issues "with calm attitude," adding that Beijing will not retaliate against U.S.'s latest tariff moves for now. To sum up the yen moved between 104.50-106.65 JPY/USD and closed on Friday (30/8) at 106.41/43 JPY/USD.

Graph



Comment

We believe the yen will move depend on the story of China-U.S.A. trade talks and the concern over recession due to the invert yield curve. Next week, the expected range of the JPY is 105.00-170.00 with the strong resistance level is at around 106.60 JPY/USD. Moreover, the manufacturing (2/9) and service PMI (4/9) will be also in focus.

Economic Calendar

Last week

Date		Event	Period	Survey	Actual	Prior
26-Aug	GE	IFO Business Climate	Aug	95.1	94.3	95.7
26-Aug	GE	IFO Expectations	Aug	91.8	91.3	92.2
26-Aug	US	Durable Goods Orders	Jul P	1.20%	2.10%	1.90%
26-Aug	US	Durables Ex Transportation	Jul P	0.00%	-0.40%	1.00%
27-Aug	GE	GDP SA QoQ	2Q F	-0.10%	-0.10%	-0.10%
27-Aug	FR	Consumer Confidence	Aug	102	102	102
27-Aug	FR	Manufacturing Confidence	Aug	101	102	101
27-Aug	US	Richmond Fed Manufact. Index	Aug	-4	1	-12
27-Aug	US	Conf. Board Consumer Confidence	Aug	129	135.1	135.7
28-Aug	EC	M3 Money Supply YoY	Jul	4.70%	5.20%	4.50%
28-Aug	IT	Consumer Confidence Index	Aug	112.7	111.9	113.4
28-Aug	IT	Manufacturing Confidence	Aug	99.6	99.7	100.1
28-Aug	IT	Economic Sentiment	Aug	--	98.9	101.2
28-Aug	US	MBA Mortgage Applications	Aug-23	--	-6.20%	-0.90%
29-Aug	FR	GDP YoY	2Q F	1.30%	1.40%	1.30%
29-Aug	GE	Unemployment Change (000's)	Aug	4.0k	4.0k	1.0k
29-Aug	EC	Consumer Confidence	Aug F	-7.1	-7.1	-7.1
29-Aug	GE	CPI YoY	Aug P	1.50%	1.40%	1.70%
29-Aug	US	GDP Annualized QoQ	2Q S	2.00%	2.00%	2.10%
29-Aug	US	Personal Consumption	2Q S	4.30%	4.70%	4.30%
29-Aug	US	GDP Price Index	2Q S	2.40%	2.40%	2.40%
29-Aug	US	Wholesale Inventories MoM	Jul P	0.20%	0.20%	0.00%
29-Aug	US	Initial Jobless Claims	Aug-24	214k	215k	209k
30-Aug	JN	Jobless Rate	Jul	2.30%	2.20%	2.30%
30-Aug	JN	Industrial Production MoM	Jul P	0.30%	1.30%	-3.30%
30-Aug	GE	Retail Sales MoM	Jul	-1.30%	-2.20%	3.50%
30-Aug	GE	Retail Sales NSA YoY	Jul	3.30%	4.40%	-1.60%
30-Aug	FR	CPI YoY	Aug P	1.00%	1.10%	1.10%
30-Aug	TH	Foreign Reserves	Aug-23	--	\$220.5b	\$220.2b
30-Aug	TH	Exports YoY	Jul	--	3.80%	-2.10%
30-Aug	TH	Imports YoY	Jul	--	0.90%	-9.60%
30-Aug	TH	Trade Balance	Jul	--	\$1692m	\$4401m
30-Aug	TH	BoP Current Account Balance	Jul	\$2000m	\$1768m	\$3923m
30-Aug	IT	CPI EU Harmonized YoY	Aug P	0.50%	0.50%	0.30%
30-Aug	IT	GDP WDA YoY	2Q F	0.00%	-0.10%	0.00%
30-Aug	US	Personal Spending	Jul	0.50%	0.60%	0.30%
30-Aug	US	U. of Mich. Sentiment	Aug F	92.4	89.8	92.1

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This week

Date		Event	Period	Survey	Actual	Prior
02-Sep	JN	Capital Spending YoY	2Q	1.70%	1.90%	6.10%
02-Sep	JN	Jibun Bank Japan PMI Mfg	Aug F	--	49.3	49.5
02-Sep	CH	Caixin China PMI Mfg	Aug	49.8	50.4	49.9
02-Sep	TH	CPI YoY	Aug	0.70%	0.52%	0.98%
02-Sep	TH	CPI Core YoY	Aug	0.44%	0.49%	0.41%
02-Sep	EC	Markit Eurozone Manufacturing PMI	Aug F	47	47	47
02-Sep	UK	Markit UK PMI Manufacturing SA	Aug	48.4	47.4	48
03-Sep	EC	PPI YoY	Jul	0.20%	--	0.70%
03-Sep	US	Markit US Manufacturing PMI	Aug F	50	--	49.9
03-Sep	US	ISM Manufacturing	Aug	51.2	--	51.2
03-Sep	US	Construction Spending MoM	Jul	0.30%	--	-1.30%
04-Sep	CH	Caixin China PMI Services	Aug	51.7	--	51.6
04-Sep	IT	Markit Italy Composite PMI	Aug	50.6	--	51
04-Sep	FR	Markit France Composite PMI	Aug F	52.7	--	52.7
04-Sep	GE	Markit/BME Germany Composite PMI	Aug F	51.4	--	51.4
04-Sep	EC	Markit Eurozone Composite PMI	Aug F	51.8	--	51.8
04-Sep	EC	Retail Sales YoY	Jul	2.00%	--	2.60%
04-Sep	US	MBA Mortgage Applications	Aug-30	--	--	-6.20%
04-Sep	US	Trade Balance	Jul	-\$53.5b	--	-\$55.2b
05-Sep	US	U.S. Federal Reserve Releases Beige Book				
05-Sep	TH	Consumer Confidence	Aug	--	--	75
05-Sep	GE	Factory Orders MoM	Jul	-1.40%	--	2.50%
05-Sep	US	ADP Employment Change	Aug	146k	--	156k
05-Sep	US	Nonfarm Productivity	2Q F	2.20%	--	2.30%
05-Sep	US	Initial Jobless Claims	Aug-31	215k	--	215k
05-Sep	US	Factory Orders	Jul	1.00%	--	0.60%
05-Sep	US	Durable Goods Orders	Jul F	2.10%	--	2.10%
05-Sep	US	ISM Non-Manufacturing Index	Aug	54	--	53.7
06-Sep	GE	Industrial Production SA MoM	Jul	0.40%	--	-1.50%
06-Sep	UK	Halifax House Prices MoM	Aug	0.20%	--	-0.20%
06-Sep	TH	Foreign Reserves	Aug-30	--	--	\$220.5b
06-Sep	IT	Retail Sales MoM	Jul	--	--	1.90%
06-Sep	IT	Retail Sales YoY	Jul	--	--	1.30%
06-Sep	EC	GDP SA QoQ	2Q F	0.20%	--	0.20%
06-Sep	EC	GDP SA YoY	2Q F	1.10%	--	1.10%
06-Sep	US	Change in Nonfarm Payrolls	Aug	158k	--	164k
06-Sep	US	Unemployment Rate	Aug	3.70%	--	3.70%
06-Sep	US	Average Hourly Earnings MoM	Aug	0.30%	--	0.30%