

KBank Daily Update

27 October 2017

- **Market highlight:** The dollar will likely be supported today, as the euro will likely remain under pressure on account of the latest ECB meeting results. However, the US GDP release will be closely watched today.
- **FX market mover:** EUR/USD dropped by 1.38% to 1.1650. The euro weakened against the dollar as the ECB signaled no hurry to tighten monetary policy.
- **USD/THB** increased by 0.145 to 33.24. The baht weakened in line with other regional currencies.
- **Factors to watch today:** US GDP

Thai Stock Market				25-Oct		Change		US Market			26-Oct		Change	
SET Index				1,708.84		7.03		Dow Jones			23,400.86		71.40	
Market Turnover (Bt mn)				46,459.72		-3,303.18		S&P 500			2,560.40		3.25	
Foreign Net Position (Bt mn)				-1,743.53		-2,114.70		Dollar Index			94.61		0.0096	
Thai Bond Market				25-Oct		Change		US 10 yr T-note (%)			2.45		1.00	
Total Return Index				274.73		-0.28		US 2yr T-note (%)			1.62		1.20	
Total Market Turnover (Bt mn)				1,321,122.65		114,035.60		NYMEX crude (\$/b			52.64		0.46	
TGB Yield Curve		1m	3m	6m	1yr	2yr	3yr	5yr	7yr	10yr	12yr	14yr	18yr	
25-Oct		1.14	1.20	1.35	1.41	1.45	1.57	1.85	2.12	2.45	2.56	2.71	2.78	
Change (bps)		-0.25	-0.60	-0.11	-0.16	0.76	1.55	3.25	1.57	1.81	3.91	4.40	3.22	
Interbank Rates		27-Oct		25-Oct		BIBOR			1w	1m	2m	3m	6m	1yr
Overnight (%)		1.50		1.50		25-Oct			1.51164	1.52687	1.54317	1.56862	1.70019	1.96363
Repurchase Rates		1-day	7-day	14-day	1m	Spot Gold (\$ /oz)			change					
25-Oct		1.50	1.50	1.50	1.50	26-Oct			1266.73		-10.28			
THBFX (pm)		1m	3m	6m	1yr	LIBOR			1m	3m	6m			
25-Oct		1.25721	1.30121	1.37811	1.59403	26-Oct			1.24166	1.37796	1.56447			
SWAP (THB/THB, Rates)			1yr	2yr	3yr	4yr	5yr	7yr	10yr					
27-Oct			Bid/Ask	1.4/1.43	1.54/1.57	1.68/1.71	1.835/1.865	1.98/2.01	2.165/2.215	2.37/2.42				
KBank counter rate (against THB)		Sight Bill		Buying T/T		Selling T/T		Premium (1 month) Export/Import						
USD		33.04		33.14		33.44		-1.8 / 1.36						
EUR		38.22		38.32		39.06		0.71 / 9.97						
GBP		43.07		43.22		44.11		0.53 / 7.26						
JPY		0.2871		0.2880		0.2958		0.9419 / 5.6207						
KBank Technical Analysis		27-Oct	26-Oct	Support		Resistance		Trend		Strategy				
USD/THB (Onshore)		33.28	33.21	33.20		33.40		Sideway Up		Buy USD/THB near resistance				
USD/JPY		114.14	113.97	113.80		114.60		Sideway Up		Buy USD/JPY near resistance				
EUR/USD		1.1632	1.1650	1.16		1.17		Sideway Down		Sell EUR/USD near support				
EUR/THB		38.70	38.82	38.40		39.00		Sideway Down		Sell EUR/THB near support				
JPY/THB		0.2916	0.2881	0.2880		0.2950		Sideway		Neutral				

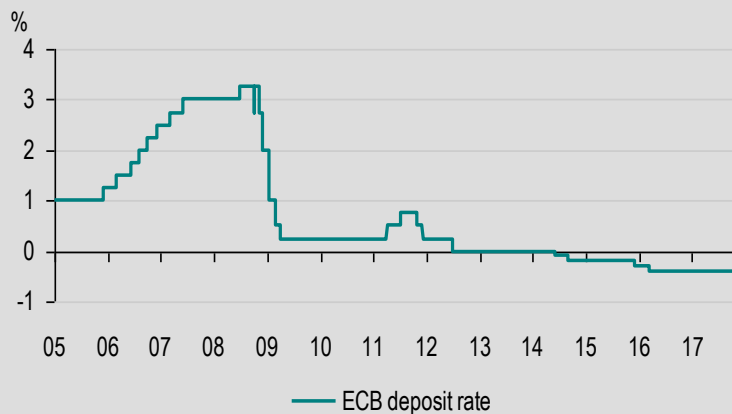
Source: Reuters (ex counter rates); For latest counter rates: www.kasikornbank.co/EN/RatesAndFees/ForeignExchange/Pages/ForeignExchange.aspx

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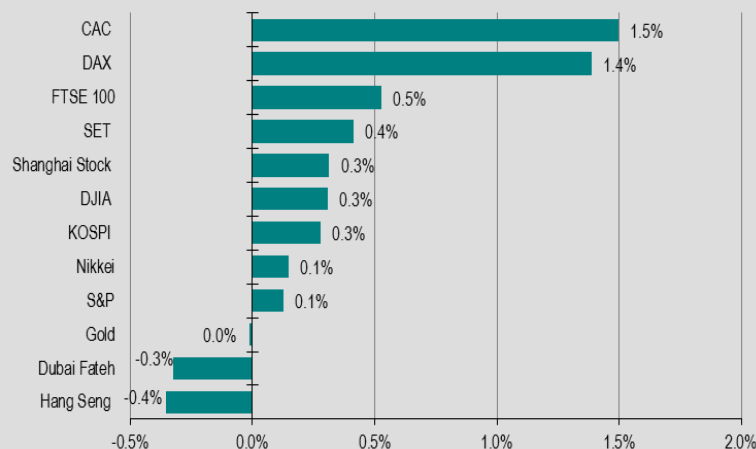
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Macro & Fixed Income Market

ECB maintains interest rate



Daily performance



Macro update:

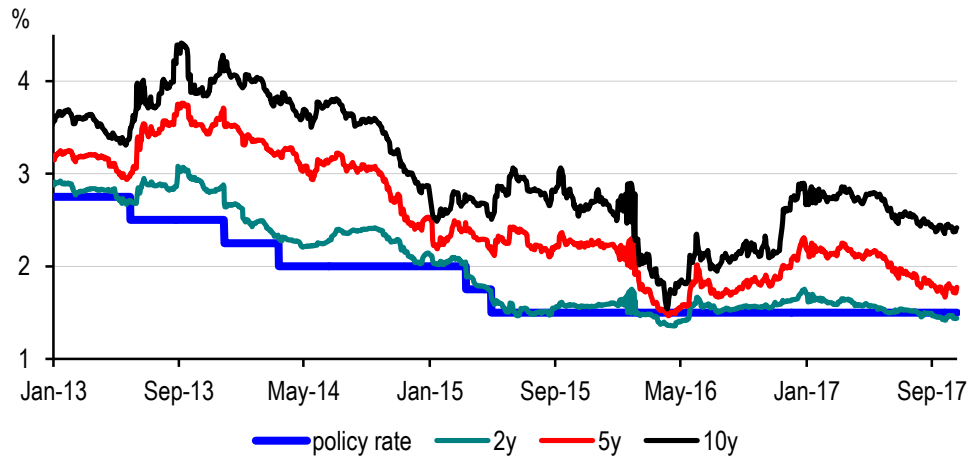
- **The European Central Bank (ECB) announced changes in its asset purchase program.** In their meeting yesterday, the ECB decided to keep their key interest rates unchanged. However, changes in their asset purchase program were announced. The monthly asset purchase will be cut to EUR 30 bn from January 2018 to September 2018. The current asset purchase program of EUR 60 bn purchases per month will expire in December 2017. Regardless of these changes, the ECB did not signal any end date for their asset purchase program, while also stating that they could make changes to the program depending on economic outcome. Furthermore, the central bank also signaled that they will be keeping interest rates at the current low level for "an extended period of time" and beyond the termination of the asset purchase program. Overall, the ECB did not send any clear signal of confidence in the Eurozone's recovery. As such, investors interpreted this move as a dovish move given that the ECB did not signal the need to raise rates, while also extending its QE program.
- **Initial jobless claims data continue to confirm the US labor market's health.** Initial jobless claims totaled to 233,000 last week, lower than the market's estimate of 235,000. As such, the four week average dropped to 239,500 from an earlier reading of 248,500. Overall, initial jobless claims continue to remain low and suggest that the US labor market continues to remain robust.

Fixed income market:

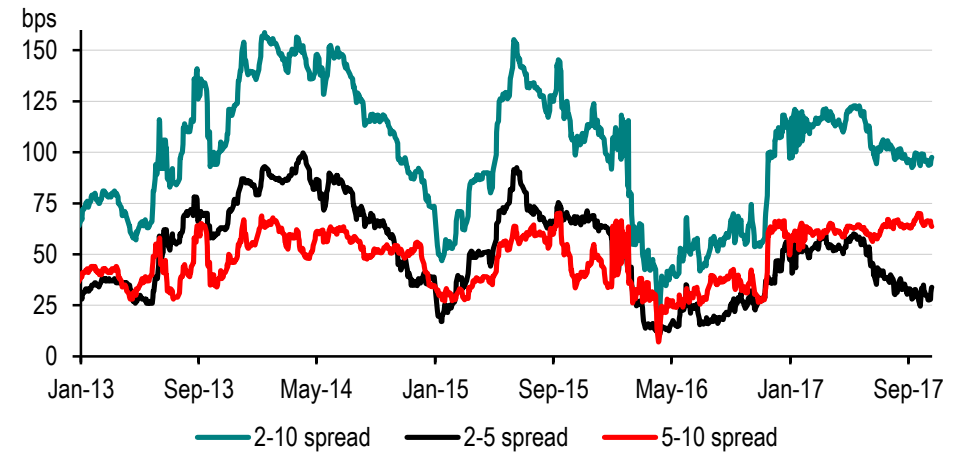
- **US treasury yields increased on talks about US tax reform plans.** The 10-yr treasury yield closed 3bps higher at 2.46%, while the 2-yr treasury yield increased by 2bos to 1.62%.

Bond Market Indicators

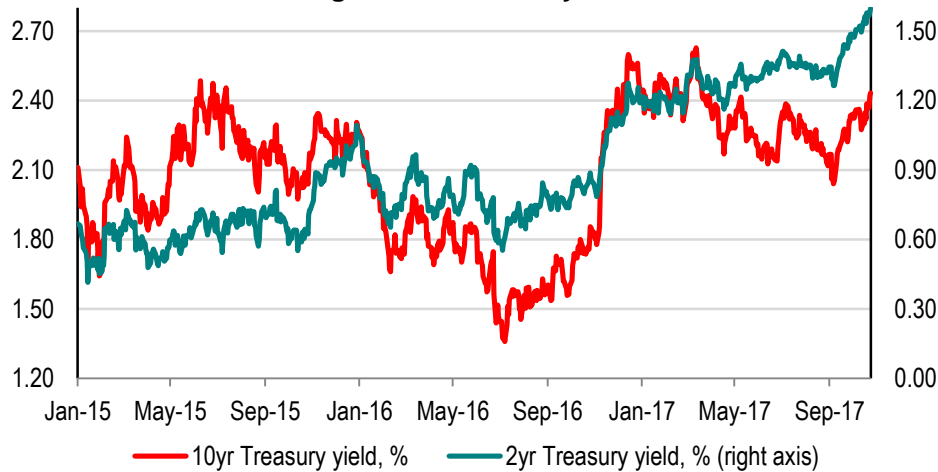
Thai government bond yields



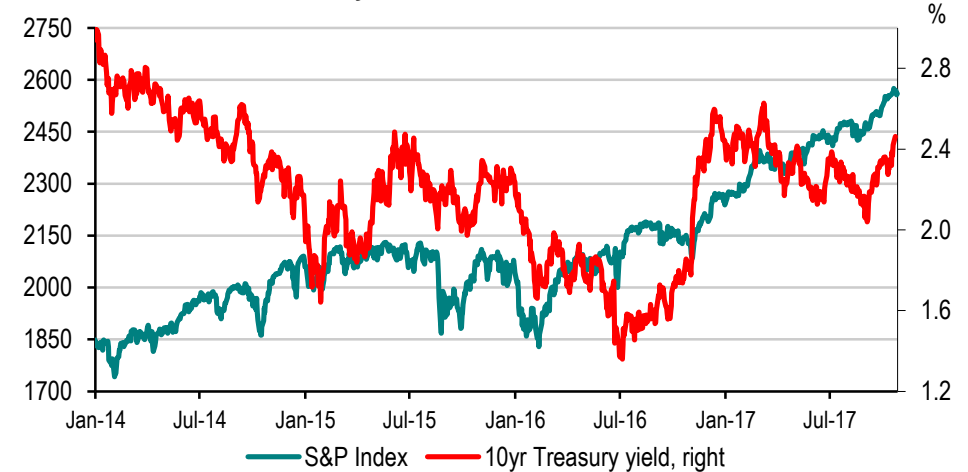
Thai government bond yields spreads



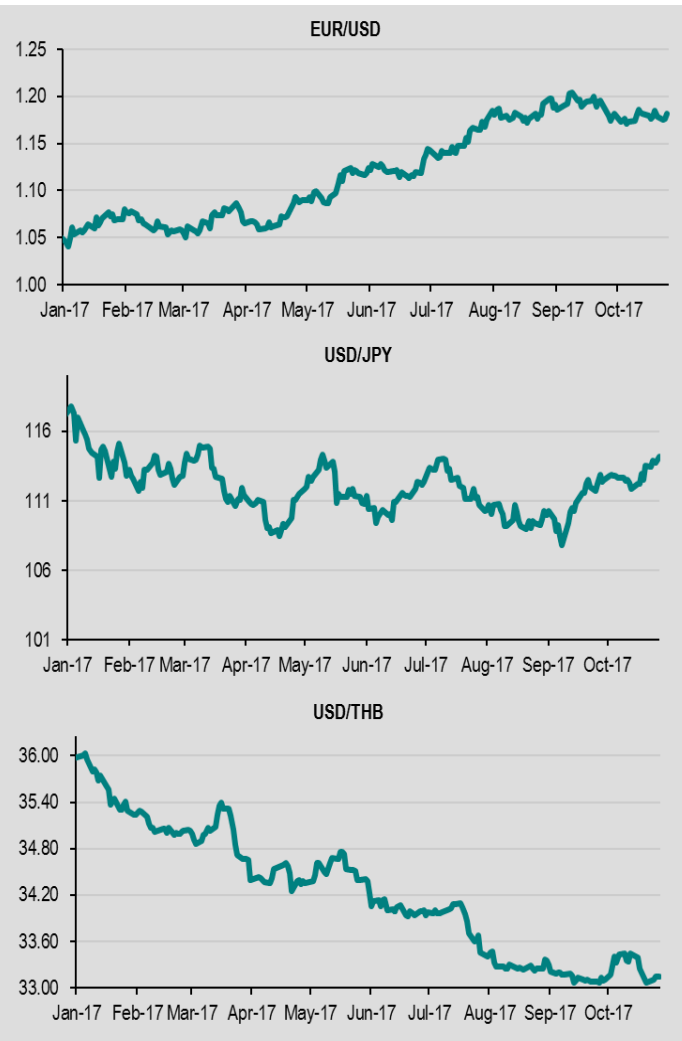
US government bond yields



10-yr UST vs. S&P 500



FX Market



Current trend: The market is waiting for an update on the next Fed's chairman and US president Donald Trump said that he will announce his selection soon. The name of the next Fed's chairman will lead the Fed's monetary policy direction for the next 4 years. This clearer progress is expected to support the dollar as the recent quantitative tightening program has not yet strengthened the dollar. On the Thai monetary policy front, the BOT is expected to stay on pat as domestic demand remains weak. As for the USD/THB, the high current account surplus will likely slowdown the rise in the USD/THB

- **EUR/USD** dropped by 1.38% to 1.1650. In their yesterday's meeting, the ECB decided to extend their QE program till the end of September 2018. However, the euro weakened against the dollar as the ECB signaled no hurry to tighten monetary policy.
- **USD/JPY** increased by 0.21% to 113.98. The yen weakened as the dollar received a boost from talks about the US tax reform plan.
- **GBP/USD** dropped by 0.75% to 1.3162. The pound weakened in line with other currencies as the dollar strengthened yesterday.
- **Most Asian currencies** depreciated against the dollar. The dollar gained on increased confidence in the US government's ability to implement tax reforms. This was due to news that the House had passed a budget resolution that could help with tax reforms. Furthermore, the dollar also gained on reports that Ms Janet Yellen is now not being considered to lead the Fed after her term's expiration. Ms Yellen is seen as a dovish monetary policy maker, and hence this news supported the dollar. Lastly, US data released overnight (such as the initial jobless claims) was better than the market's expectations. As such, the dollar index rose by around 0.7%, touching it's highest level since July, yesterday. **USD/CNY** increased by 0.18% to 6.645.
- **USD/THB** increased by 0.145 to 33.24. The baht weakened in line with other regional currencies.

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Currency Movement

	Morning Spot	Closing rates		Daily % Change	Consensus forecast	
		26-Oct-17	25-Oct-17		4Q2017	1Q2018
USD/THB**	33.31	33.24	33.20	0.14	33.50	33.50
USD/JPY	114.20	113.98	113.74	0.21	113.00	114.00
EUR/USD	1.1628	1.1650	1.1813	-1.38	1.18	1.18
GBP/USD	1.3126	1.3162	1.3262	-0.75	1.32	1.31
USD/CNY	6.649	6.645	6.633	0.18	6.650	6.670
USD/SGD	1.3692	1.3673	1.3605	0.50	1.3600	1.3600
USD/IDR	13,640	13,648	13,577	0.52	13,405	13,460
USD/MYR	4.24	4.23	4.24	-0.04	4.22	4.22
USD/PHP	51.89	51.98	51.74	0.46	51.40	51.50
USD/KRW	1,131	1,128	1,128	0.05	1,144	1,147
USD/TWD	30.31	30.23	30.26	-0.12	30.35	30.50
AUD/USD	0.764	0.77	0.770	-0.56	0.78	0.78
USD/CHF	1.00	1.00	0.99	0.81	0.97	0.98
JPY/THB	29.17	29.17	29.18	-0.07	29.65	29.39
EUR/THB	38.73	38.73	39.21	-1.24	39.53	39.53
GBP/THB	43.72	43.75	44.02	-0.61	44.22	43.89
CNY/THB	5.01	5.00	5.00	-0.03	5.04	5.02
Source: Bloomberg and KBank**						

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KBank THB NEER index



As of 9th October, 2017

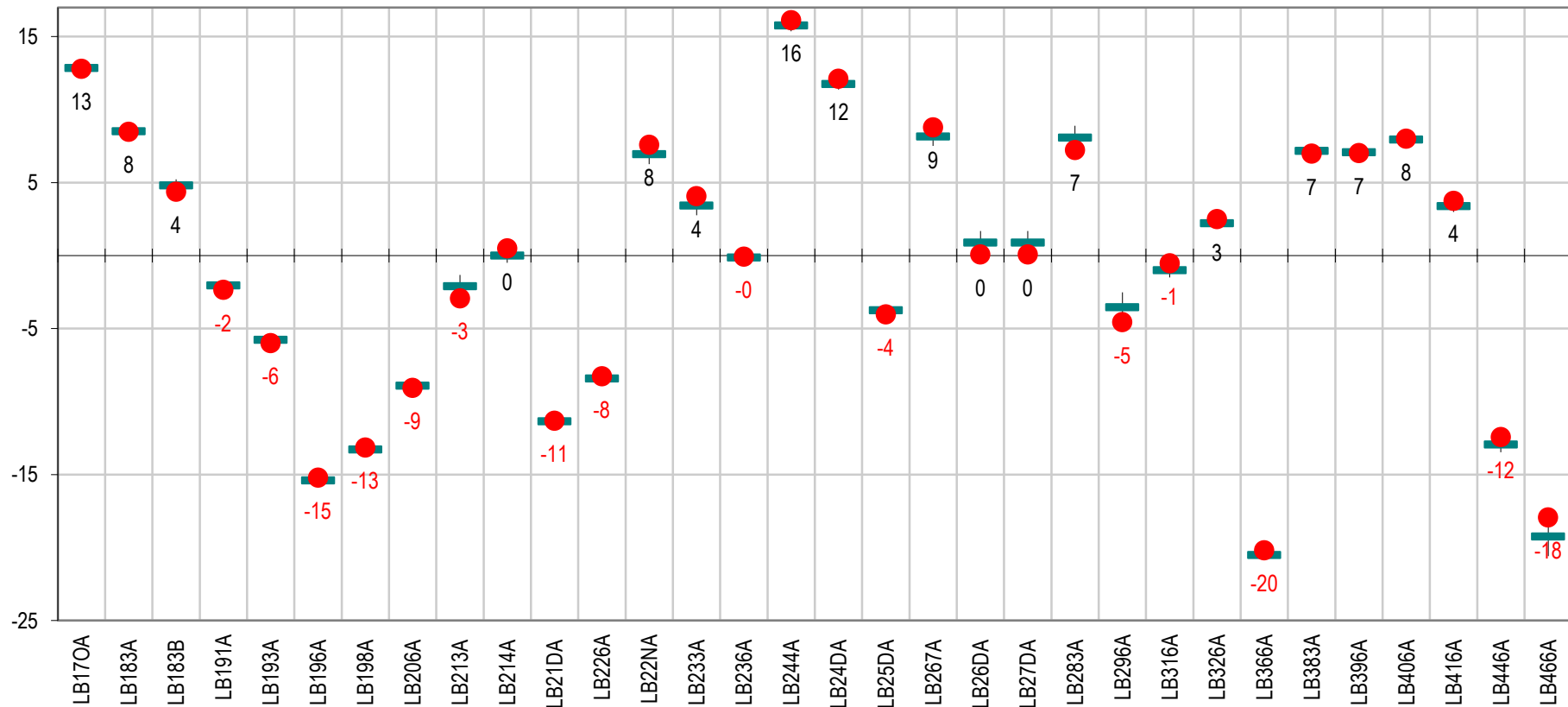
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KBank Rich / Cheap Model

bps (actual YTM vs model)

— 3 mth avg

● Now



As of 9th October, 2017

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Fixed Income Auctions for October 2017

Unit: million baht					
Monday	Tuesday	Wednesday	Thursday	Friday	Total
2	3 CB18104B : 30,000 CB18405A : 30,000	4	5	6 CB17O24A : 20,000	80,000
9	10 CB18111B : 30,000 CB18412A : 30,000 CB18906A : 55,000	11 LB26DA : 14,000	12	13	129,000
16	17 CB18118B : 30,000 CB18419A : 30,000	18 LB446A : 12,000	19 BOT198A : 50,000	20 BOT202A : 15,000	137,000
23	24 CB18125B : 30,000 CB18426A : 30,000	25 LB316A : 12,000	26	27	72,000
30	31 CB18201B : 30,000 CB18503A : 30,000				60,000
Total					478,000

Note: Auction schedule is based on information from PDMO and BOT; may be subject to changes.

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