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开泰银行 KASIKORNBANK

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KBank Daily Update

2 November 2018

- **Market highlight:** US stocks traded in the green territory in response to Trump's discussion with China on trades which was moving along nicely. The US treasury yields, however, dropped across the curve. On economic release, US manufacturing PMI missed the market consensus. On domestic front, Thailand's October inflation came in at +1.23%YoY.
- **FX market mover:** The dollar index was lower as investors increased risk appetite at the back of easing trade tensions between US and China. The yuan was significantly stronger outlook on trade talk.
- **USD/THB** The baht strengthened in-line with regional currencies.
- **Factors to watch:** US change in nonfarm payrolls and unemployment rate in October, US durable goods orders in September, Eurozone manufacturing PMI in October, Thailand foreign reserves October 26

	1-Nov	Change
SET Index	1,667.55	-1.54
Market Turnover (Bt mn)	50,927.21	-3,368.29
Foreign Net Position (Bt mn)	-1,578.07	-1,080.80

US Market	1-Nov	Change
Dow Jones	25,380.74	264.98
S&P 500	2,740.37	28.63
Dollar Index	96.28	-0.88%
US 10yr T-note (%)	3.14	-1.5 bps
US 2yr T-note (%)	2.86	-2 bps
NYMEX crude ($/b)	63.69	-1.62

Thai Bond Market	1-Nov	Change
Total Return Index	272.99	0.16
Total Market Turnover (Bt mn)	870,186	-21,022

TGB Yield Curve	1m	3m	6m	1yr	2yr	3yr	5yr	7yr	10yr	12yr	14yr	18yr
1-Nov	1.30	1.54	1.75	1.80	1.99	2.13	2.41	2.62	2.83	3.08	3.22	3.27
Change (bps)	-0.20	-0.74	-0.28	-0.59	-1.25	-0.77	-0.97	-0.66	-0.91	-1.30	-1.41	-2.11

Interbank Rates	2-Nov	1-Nov
Overnight (%)	1.50	1.50

BIBOR	1w	1m	2m	3m	6m	1yr
1-Nov	1.51989	1.54900	1.57341	1.61507	1.75597	2.00000

Repurchase Rates	1-day	7-day	14-day	1m
1-Nov	1.30	1.39	1.39	1.43

Spot Go		%change
2-Nov	1232.21	-0.05

THBFIX (pm)	1m	3m	6m	1yr
1-Nov	1.57735	1.22618	1.28445	1.48328

LIBOR	1m	3m	6m
1-Nov	2.31356	2.58150	2.81650

SWAP (THB/THB, Rates)		1yr	2yr	3yr	4yr	5yr	7yr	10yr
2-Nov	Bid/Ask	1.45/1.48	1.72/1.75	1.93/1.96	2.09/2.12	2.205/2.235	2.39/2.44	2.585/2.635

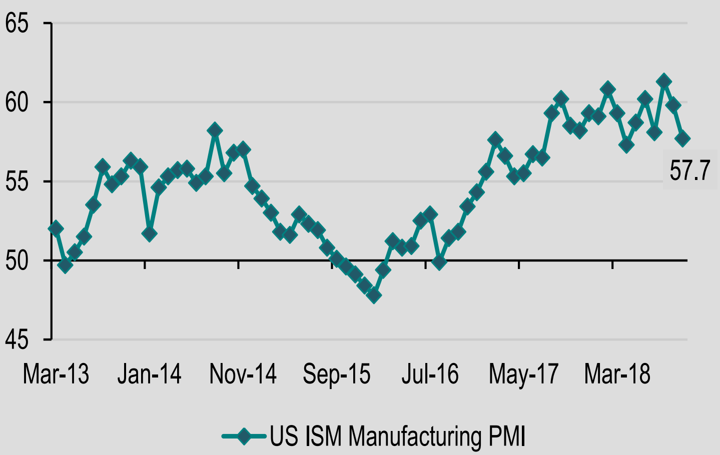
KBank counter rate (against THB)	Sight Bill	Buying T/T	Selling T/T	Premium (1 month) Export/Import
USD	32.65	32.75	33.05	-5.46 / 4.23
EUR	37.03	37.13	37.86	-4.92 / 28.14
GBP	42.17	42.32	43.20	-8.01 / 22.26
JPY	0.2871	0.2880	0.2958	-1.6252 / 18.3273

KBank Technical Analysis	2-Nov	1-Nov	Support	Resistance	Trend
USD/THB (Onshore)	32.91	32.97	32.80	33.10	Sideway
USD/JPY	112.76	112.70	112.40	113.20	Sideway Down
EUR/USD	1.14	1.14	1.1357	1.1440	Sideway Up
JPY/THB	29.18	29.18	28.90	29.50	Sideway Up
EUR/THB	37.50	37.50	37.200	37.80	Sideway Down

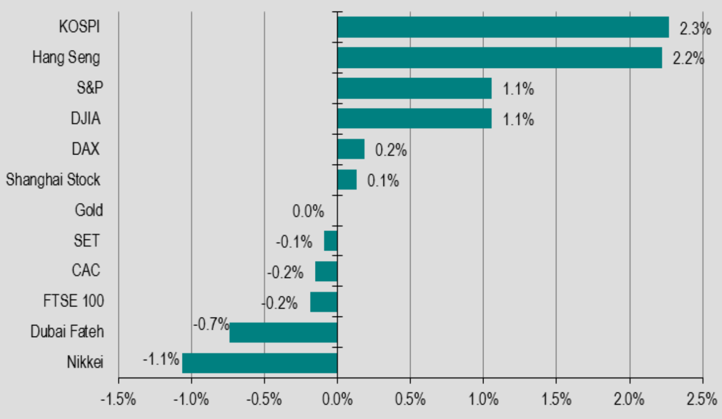
Source: Reuters (ex counter rates); For latest counter rates:www.kasikornbank.co/EN/RatesAndFees/ForeignExchange/Pages/ForeignExchange.aspx

Macro & Fixed Income Market

US ISM PMI



Daily performance



Macro update:

- **The yuan rallied as Trump's trade discussions with China were moving along nicely** ahead of the G-20 meeting in Argentina in November 30. The Whitehouse economic adviser said that both nations might solve conflicts if they can reach deal on China's intellectual property. The yuan offshore rallied by as much as 0.82% on Thursday following the comments.
- **US ISM manufacturing PMI missed consensus in October.** The number came in at 57.7, down from 59.8 and lower than expectation of 59.0. The economic activity in manufacturing sector eased as new orders index fell below 60.0 for the first time since April 2017 to 57.4, in line with softer growth in production and employment. Some of the respondents addressed having shortages and longer lead time for raw material as a results of trade tariffs. The price index recorded 71.6, a more than 4ppt increase from September, indicating higher input for 32nd consecutive month. Of the 18 manufacturing industries, 13 reported growth in October.
- **The Bank of England (BoE) kept policy rate on hold as expected at 0.75%** and maintain the asset purchases program at GBP 435 billion. Taken together with lowest unemployment rate since 1970, the committee viewed that momentum in household spending became more prominent but business investment has been more subdued than previously assessed on Brexit uncertainty. The committee viewed economic outlook to be largely subjective to the outcomes of EU withdrawal, particularly trade arrangement and transition nature.
- **Thai headline inflation was 1.23%YoY in October 2018.** This was below previous reading and expectation of 1.33%YoY. The major drag was -1.48%YoY contraction in raw food prices, mainly by falling fresh vegetable and fruit prices from increased supply during harvest season. In contrast, energy price continued positively contribute to inflation, rising 8.11%YoY. This brought the year-to-date inflation remain within the BOT's target range of 2.5%±1.5% at 1.15%YoY. Core inflation came in at 0.75%YoY, lower than the prior reading at 0.80%YoY.

Fixed income market:

- **Thai government bond yields fell.** The 2-yr yield dropped 2 bps to 1.99% and the 10-yr yield fell 1 bp to 2.83%. This was due to a **fall in US treasury yields to 2.85% for the 2-yr yield and to 3.13% for the 10-yr yield.**

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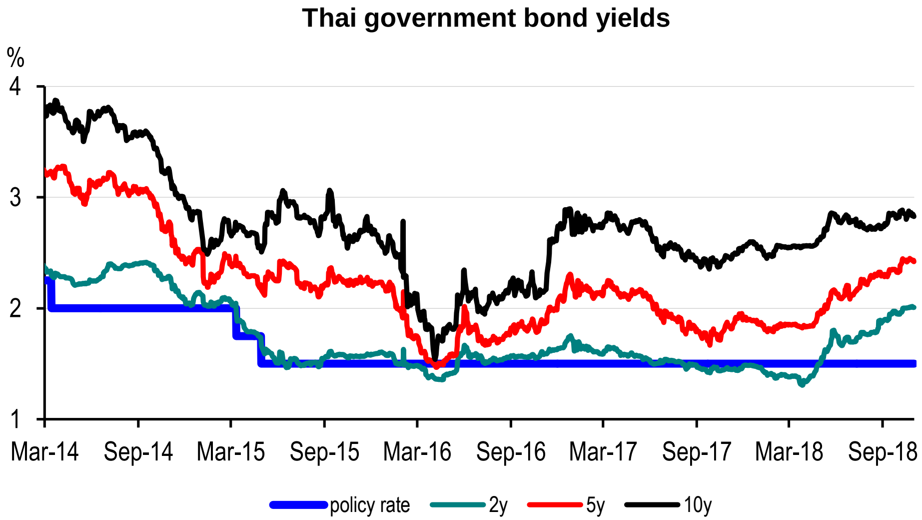
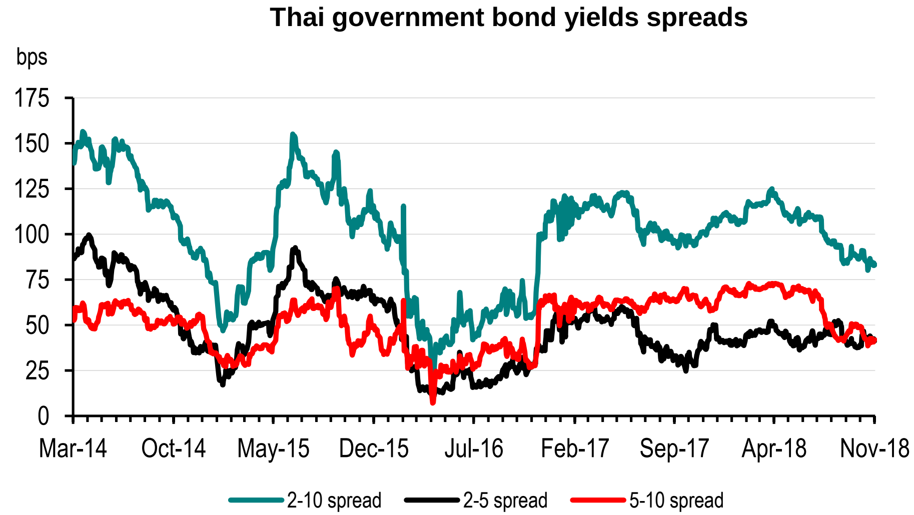
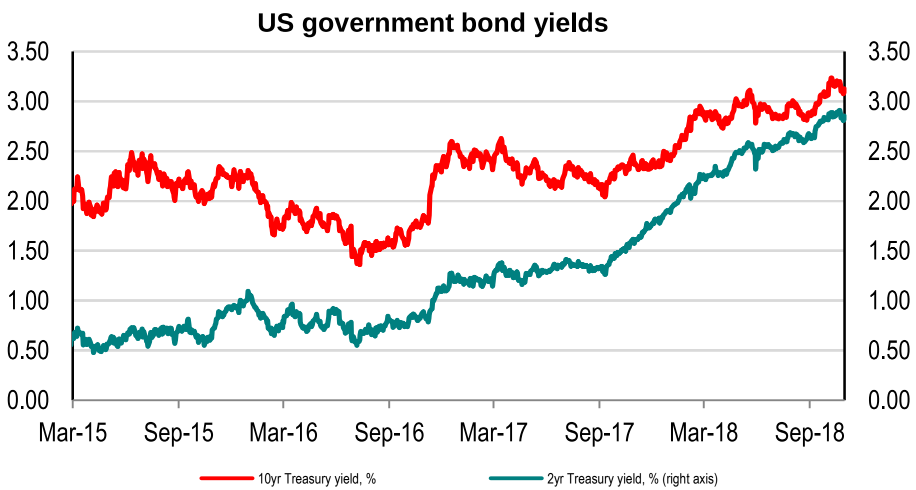
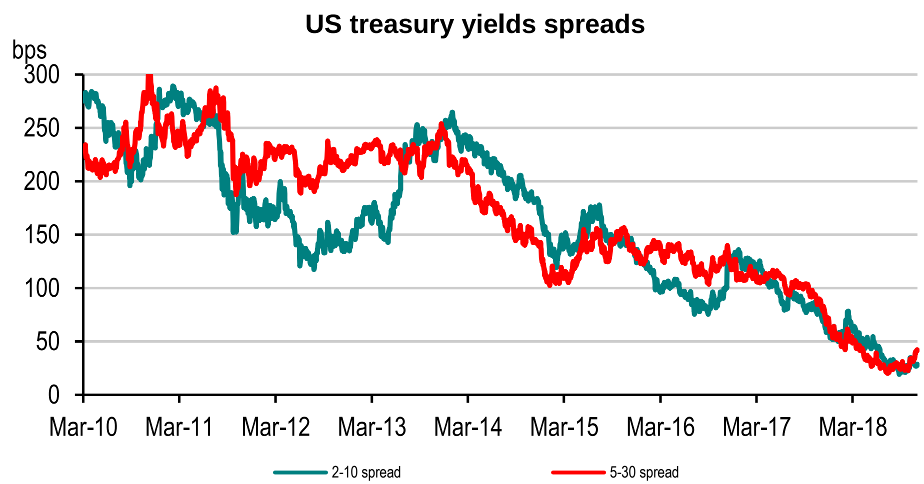
Bond Market Indicators









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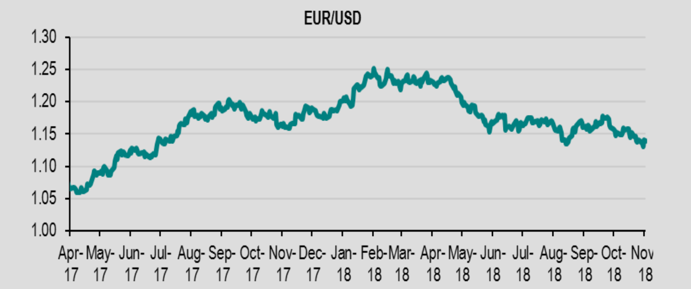
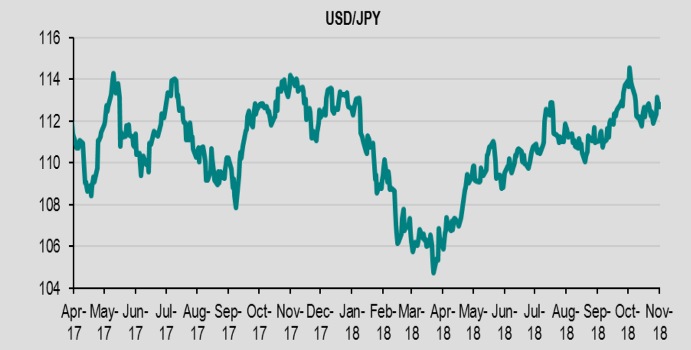
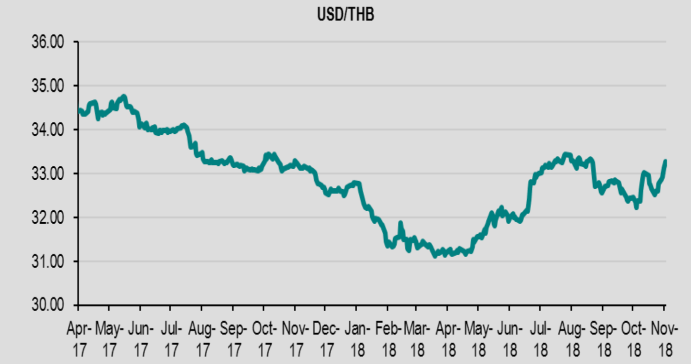
FX Market







Current trend: Thai monetary policy front, the BOT kept the policy rate unchanged but the possibility of policy rate normalization has increased. This is likely to put downward pressure on USD/THB. Concerns over the trade conflict and risk surrounding Emerging Market Economies have caused sold off from risky assets. The dollar index tends to appreciate against most currencies. On the economic fundamentals, the USD sentiment has been relatively more positive on the US economic outlook than other advanced economies. Geopolitical risk may have impact on the foreign exchange market volatility throughout the year.

- **EUR/USD** surged 0.85% to 1.1408. The euro appreciated on the back of weaker dollar sentiment as investors increased risk appetite. The market focused on political events due to an ease of trade tension as President Trump said that trade discussions with China were "moving along nicely". In Europe, the Italian Prime Minister Giuseppe Conte said on Thursday that he was "confident" about reaching a deal with the European Commission on the budget deficit plan.
- **USD/JPY** edged lower by 0.19% to 112.72. The yen continued to gain on a dollar.
- **GBP/USD** increased 1.93% to 1.3012. The cable traded higher. The BOE kept its policy rate unchanged at 0.75% while revised up inflation projection slightly, suggesting more hawkish sentiment over the rate increase in the future. Besides, the pound gained from UK's Brexit minister Dominic Rabb's expression to see Brexit deal to be reached by November 21.
- **USD/CNY** fell 0.75% to 6.923. The yuan was significantly stronger outlook on trade talk between the US and China has become more positive.
- **Asian currencies** appreciated against the dollar. The Singaporean dollar was the outperformers relative to peers, appreciated by 0.67% at 1.3764.
- **USD/THB** was lower by 0.58% to 32.96. The baht firmed against dollar in-line with regional currencies.

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Currency Movement

	Morning Spot	Closing rates 1-Nov-18	31-Oct-18	Daily % Change	Consensus forecast 4Q2018	1Q2019
USD/THB**	**32.90**	**32.96**	**33.16**	**-0.58**	**33.00**	**31.80**
USD/JPY	112.81	112.72	112.94	-0.19	112.00	112.00
EUR/USD	1.1403	1.1408	1.1312	0.85	1.16	1.18
GBP/USD	1.2999	1.3012	1.2766	1.93	1.30	1.33
USD/CNY	6.923	6.923	6.976	-0.75	6.900	6.900
USD/SGD	1.3764	1.3764	1.3857	-0.67	1.3800	1.3700
USD/IDR	15,128	15,128	15,203	-0.49	15,100	15,200
USD/MYR	4.17	4.18	4.18	-0.15	4.16	4.16
USD/PHP	53.54	53.54	53.54	0.00	54.30	54.40
USD/KRW	1,127	1,138	1,140	-0.15	1,120	1,130
USD/NTD	30.92	30.92	30.97	-0.15	30.85	30.90
AUD/USD	0.721	0.72	0.707	1.88	0.72	0.73
USD/CHF	1.00	1.00	1.01	-0.63	0.99	0.98
JPY/THB	29.16	29.24	29.36	-0.39	29.46	28.39
EUR/THB	37.52	37.60	37.50	0.26	38.28	37.52
GBP/THB	42.77	42.89	42.33	1.34	42.90	42.29
CNY/THB	4.75	4.76	4.75	0.17	4.78	4.61

*Source:Bloomberg and KBank***

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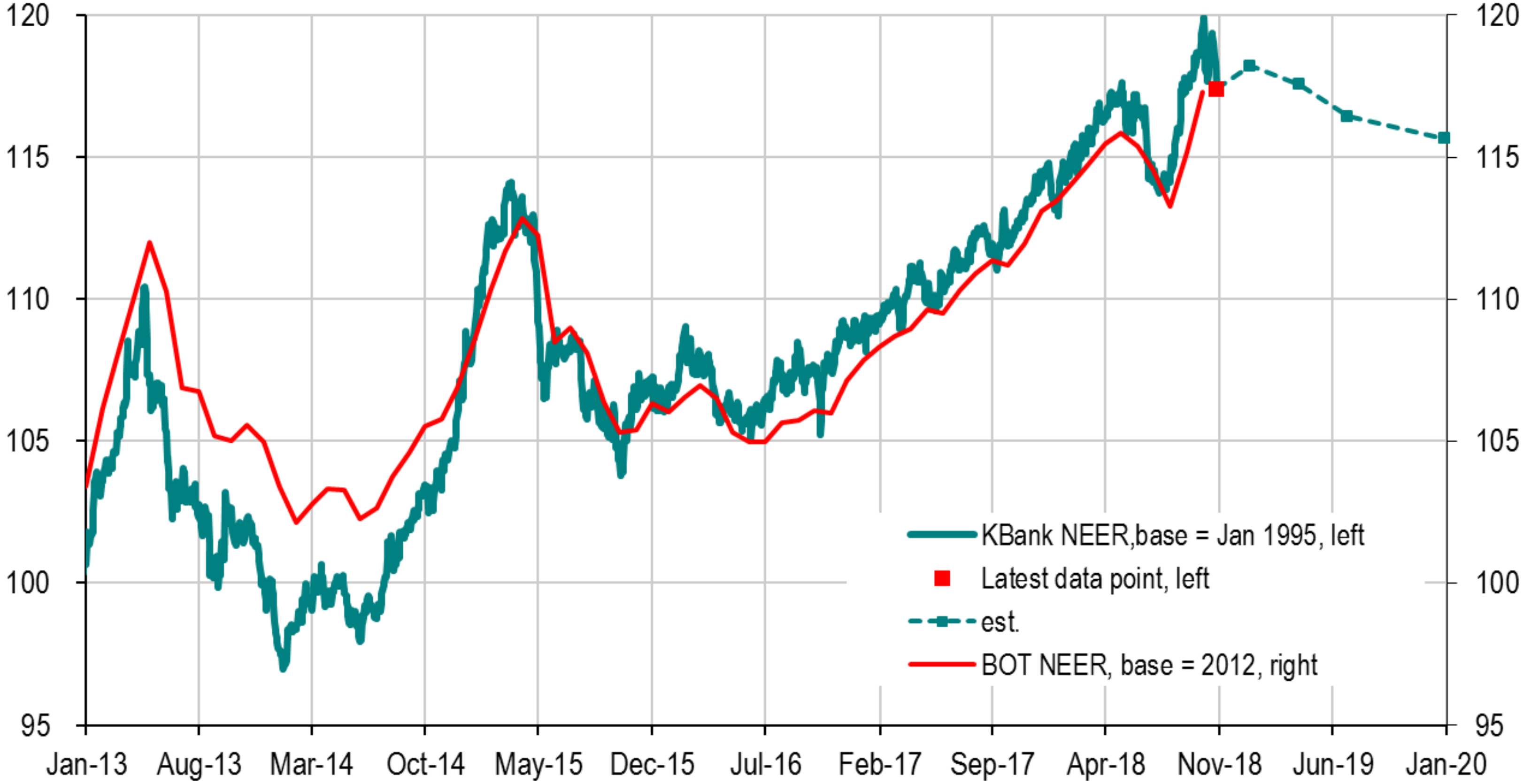
KBank THB NEER index



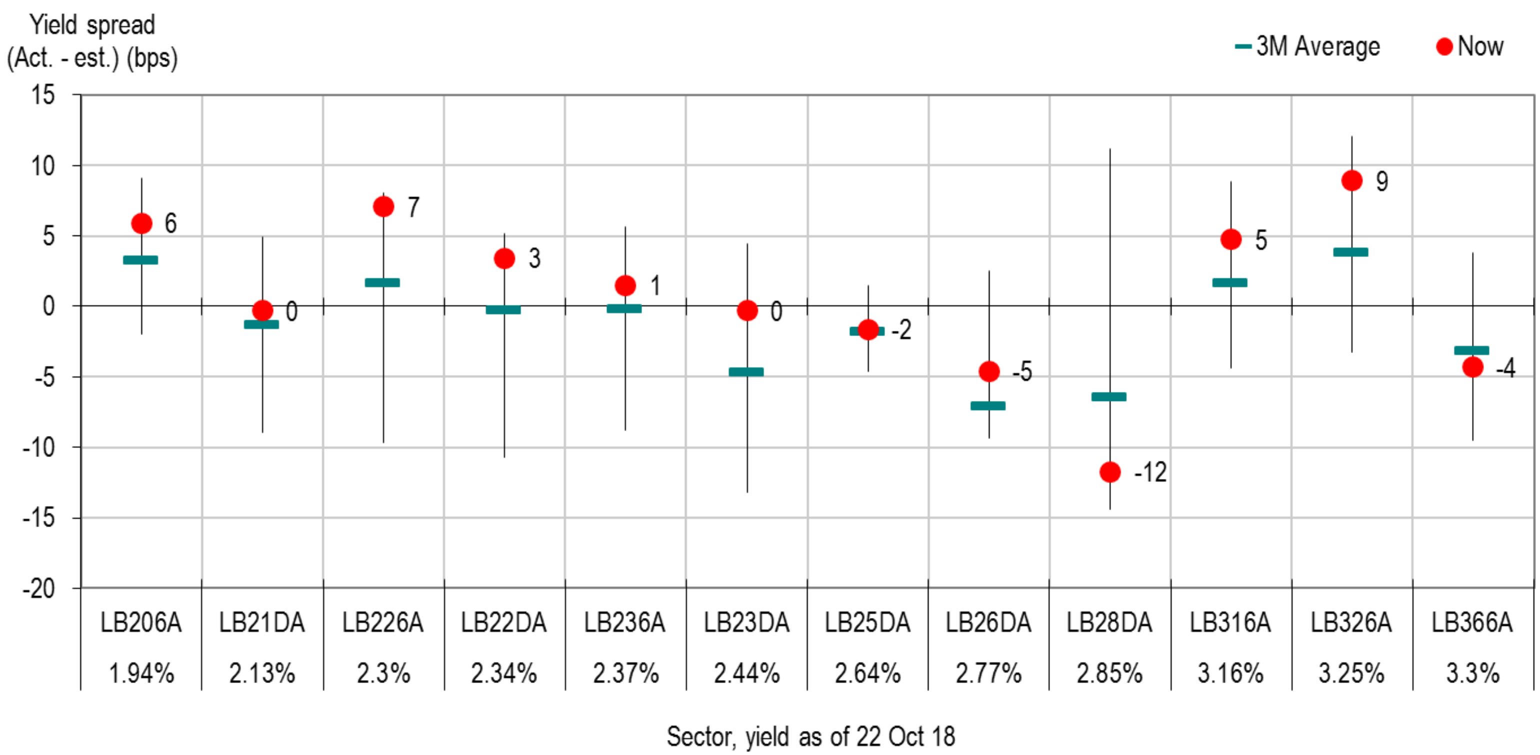
Source: BOT and KBank calculation as of Oct 29, 2018

Non-Resident Inflows

FOREIGN ACTIVITY IN THAI FIXED INCOME MARKETS Unit: THB mn	26/10/2018	29/10/2018	30/10/2018	31/10/2018	01/11/2018	change D/D	change W/W
Trading Transaction: Evening (T-1): Buy (Thailand)	422.7	768.6	1,247.5	1,975.5	3,124.3		
Trading Transaction: Evening (T-1): Sell (Thailand)	630.6	292.0	902.2	548.8	790.0		
Trading Transaction: Evening (T-1): Net (Thailand)	-207.9	476.7	345.3	1,426.7	2,334.4		
Trading Transaction: Morning (T): Buy (Thailand)	893.6	824.0	5,777.3	1,800.4	3,698.1		
Trading Transaction: Morning (T): Sell (Thailand)	248.8	208.9	542.2	8.6	1,195.6		
Trading Transaction: Morning (T): Net (Thailand)	644.9	615.1	5,235.2	1,791.8	2,502.5		
Trading Transaction: Afternoon (T): Buy (Thailand)	114.3	767.6	2,098.0	987.0	2,309.5		
Trading Transaction: Afternoon (T): Sell (Thailand)	574.9	623.8	941.1	135.0	1,388.2		
Trading Transaction: Afternoon (T): Net (Thailand)	-460.5	143.8	1,156.9	852.1	921.3		
Total Net Trade: Short-Term (TTM <= 1Y) (Thailand)	-624.8	-191.9	4,956.7	2,500.1	2,507.0		
Total Net Trade: Long-Term (TTM > 1Y) (Thailand)	601.2	1,427.5	1,780.6	1,570.5	3,251.1		
Total Net Trade: Total (Thailand)	-23.5	1,235.6	6,737.4	4,070.6	5,758.2		
Expired Bond (T) (Thailand)	**0.0**	**0.0**	**0.0**	**2.0**	**0.0**		
Net Flow (Thailand)	**-23.5**	**1,235.6**	**6,737.4**	**4,068.6**	**5,758.2**		
Short-Term Holding (T) (Thailand)	**176,109.8**	**175,916.0**	**180,931.3**	**183,484.9**	**186,038.4**	2,553.5	9,928.6
Long-Term Holding (T) (Thailand)	**792,645.3**	**794,058.3**	**795,831.1**	**797,362.8**	**800,589.0**	3,226.2	7,943.7
Total Holding (Thailand)	**968,755.1**	**969,974.3**	**976,762.4**	**980,847.7**	**986,627.4**	5,779.7	17,872.3
Expired Bond on Next Day (T+1) (Thailand)	0.0	0.0	2.0	0.0	0.0		

Source: CEIC and KBank

Rich / cheap model



Note: The red dot is the spread between current and estimated bond yield in each sector. The green line is an average bond yield during the last 3 months. The vertical line represented the yield movement during the past 3 months. Investors who do not have a solid view on yield curve outlook may use this model for short-term investment by buying an undervalued bond, whose yield above the average (red dot above green line), and selling an overvalued bond, whose yield below average (red dot below).Under an assumption of mean reversion, we expect the current yields will convert their average value in the next 3 months.
Source: KBank

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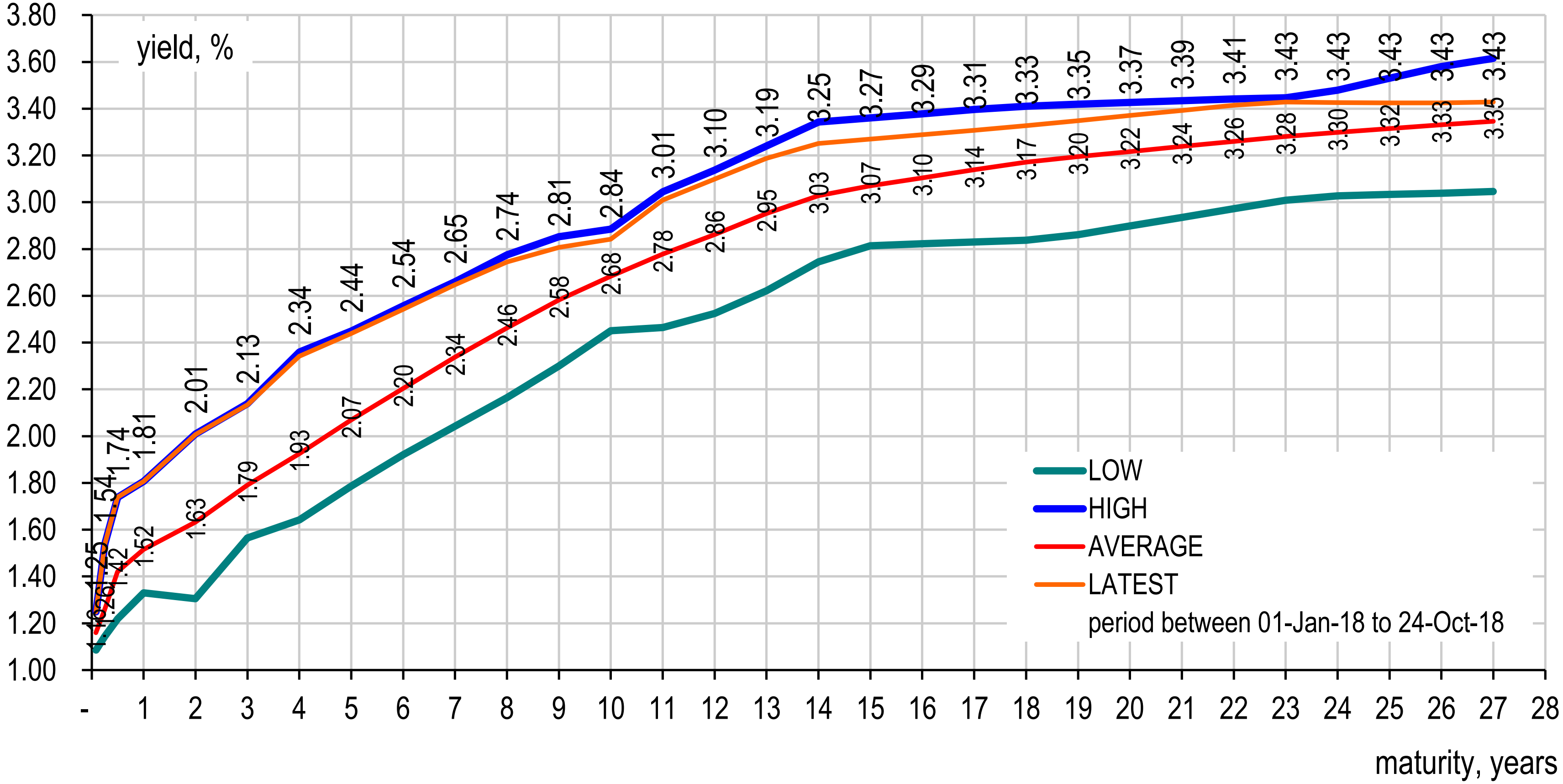
Fixed Income Auctions for NOVEMBER 2018

Unit: million baht

Monday	Tuesday	Wednesday	Thursday	Friday	Total
			1	2	
5	6 CB19207B: 40,000 CB19905A : 25,000 CB19509A : 30,000	7	8 BOT219A : 20,000	9	**115,000**
12	13 CB19214B : 40,000 CB19516A : 30,000	14	15	16	**70,000**
19	20 CB19221B : 40,000 CB19523A : 30,000	21 LB326A : 18,000	22 BOT20NA : 20,000	23	**108,000**
26	27 CB19228B : 40,000 CB19530A : 30,000	28 LB23DA : 40,000 LB676A : 5,000	29	30	**115,000**
				Total	408,000

Source: PDMO and BOT; Note: may be subject to changes.

Thai yield curve stats



Source: Bloomberg and KBank

Effective date of TFRS 9 has now been moved to 1 January 2020

Financial Instruments Accounting Roadmap in Thailand

ชื่อย่อ	ชื่อมาตรฐาน/การตีความ	วันที่เผยแพร่	มีผลบังคับใช้	สถานะ
ร่าง TFRS 9	เครื่องมือทางการเงิน	19 ธ.ค. 2559	1 ม.ค. 2562	รอวันประกาศใช้
ร่าง TFRS7	การเปิดเผยข้อมูลสำหรับเครื่องมือทางการเงิน	20 ธ.ค. 2559	1 ม.ค. 2562	รอวันประกาศใช้
ร่าง TAS32	การแสดงรายการสำหรับเครื่องมือทางการเงิน	9 .ค. 2559	1 ม.ค. 2562	รอวันประกาศใช้
ร่าง TFRS 16	การป้องกันความเสี่ยงของเงินลงทุนสุทธิในหน่วยงานต่างประเทศ	26 ธ.ค. 2560	1 ม.ค. 2562	รอวันประกาศใช้
ร่าง TFRIC 19	การชำระหนี้สินทางการเงินด้วยตราสารทุน	26 ธ.ค. 2560	1 ม.ค. 2562	รอวันประกาศใช้

Source: *fap.or.th*

TFRS 9 in 2020

- Thailand Federations of Accounting Professions ("FAP") has originally planed to implement Thai Financial Reporting Standard 9: *Financial Instruments* ("TFRS 9") on 1 January 2019 which will impact Public Accountable Entities (e.g. listed company, Bond issuers, insurance companies, cooperative, etc.). **Due to concern over its impact to SMEs and overall economy, FAP has decided to move the effective date of TFRS 9 to 1 January 2020**.
- Among other requirements, TFRS 9 requires derivatives to be marked to market with changes in fair value recognized in profit and loss. This will result in volatilities in profit and loss and financial ratios of the Company.
- Hedge accounting can be adopted to minimize profit and loss volatilities. However, the process can be complicated and not all derivatives, such as short option, would qualify for hedge accounting under TFRS 9.
- In addition, TFRS 16 (leases) will be effective in 2020, which requires operating leases to be recorded on balance sheet as liabilities.
- **Companies should consult their external auditors on TFRS 9 and TFRS 16 impacts**.
- For further information, refer to www.fap.or.th

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