

Fed meeting minutes, US budget deficit grows fast, Thai exports unexpectedly expand

Fed meeting minutes, US budget deficit grows fast, trade disputes, Thai exports unexpectedly expand

Against the dollar, Thai baht on the previous trading day closed stronger at 30.78.

Fed's FOMC July-meeting minutes were released. There existed wide divergence of views: 50-bps cut, 25-bps cut, and holding rates unmoved. Such standpoint diversity in addition to market expecting extra cuts could be considerably challenging for Fed Chair Powell at the next FOMC meeting in September. The previous 25-bps cut was preventative and considered recalibration or mid-cycle adjustment, i.e. further sequential cuts are not necessary the case. And, tariffs became a persistent headwind to economic outlook. Meanwhile, the US economy was solid in general.

Trade disputes are ongoing with not only US-China but also US-Japan and US-EU. As the US heavily relies on rare-earth minerals imported from China, President Trump, seemingly impractically, said that he was keen to buy Denmark's Greenland as the island is expected to possess 39 million tons of rare earth elements, while the rest of the world totals 120 million tons. However, Denmark's PM said the island is not for sale. Trump then cancelled the upcoming meeting with her. Besides, amid Trump back to threaten the EU on car tariffs, US-Japan trade talks are currently being held in Washington for two days. The US wants Japan to reduce tariffs on beef and pork, whereas Japan desires the US to diminish tariffs on auto parts and industrial goods. A US-Japan trade deal is nonetheless unlikely to conclude before Trump-Abe meeting in late September.

US budget deficit is expanding faster than projected. The deficit would reach USD 960 billion for the 2019 fiscal year, which ends 30 September. That gap would enlarge to USD1 trillion for the 2020 fiscal year. In May, the US Congressional Budget Office expected a deficit of USD 896 billion for 2019 and USD 892 billion for 2020.

After the EU rejected UK PM Johnson's alternative proposal on the Irish backstop, PM Johnson met with German Chancellor Merkel and both were still optimistic towards a Brexit resolution. Nonetheless, French President Macron said that a no-deal Brexit became the likeliest scenario.

Thailand's BoT MPC August-meeting minutes explain that the surprised 25-bps rate reduction was to enhance economic expansion and boost subdued inflation in light of intensifying external uncertainties. In addition, Thailand's July exports growth was unexpectedly above market predictions, +1.55% yoy, or +4.28% yoy with special items (i.e. energy and gold related), vs -2.3% expectations. However, year-to-date (ytd) growth, January-July, still remains in the negative territory, approximately -2%. Meanwhile imports grew +1.67% yoy, -4.8% ytd, and the trade balance showed a surplus, USD 0.11 billion, USD 4.1 billion ytd.

Moving around 30.77-30.80 this morning, USDTHB could be between 30.74-30.84 today.

US 10-year-2-year spread briefly inverts again, Germany fails to issue 30-year zero-coupon bonds

Thai benchmark government bond yield (LB28DA, 9.3 years) on the previous trading day was 1.52%, -0.82 bps. Meantime, the latest closed Thai and US 10-year bond yields were 1.52%, -2.35 bps, and 1.59%, +4 bps, respectively.

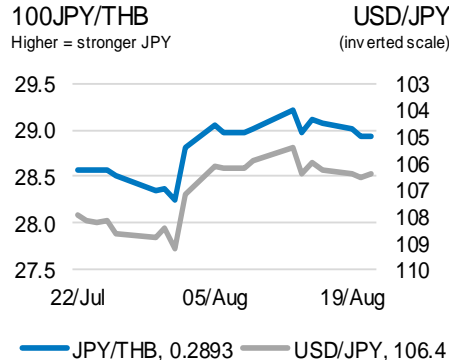
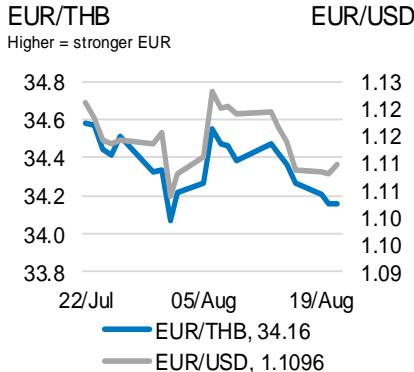
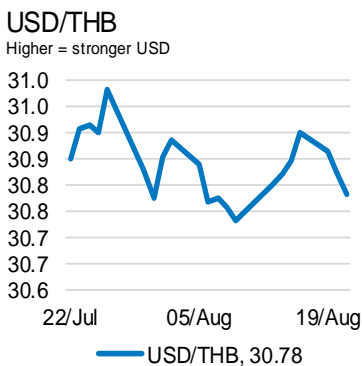
Amid the release of FOMC July-meeting minutes, US treasury yields rebounded, while 10-year-2-year treasury spread was briefly negative again, implying that the Fed's easing was possibly inadequate as markets were expecting.

Germany failed to issue newly introduced 30-year zero-coupon bonds, auctioned at -0.110% yield. Out of EUR 2 billion being offered, only 40% were sold in markets, while as high as 60% were unprecedentedly purchased by Bundesbank.

On yield spreads between long- and short-dated bonds, US 10-year-3-month spread inversion has been existing for 69 days in 2019 (average days of 10y3m inversion ahead of a recession: 207 days). 10-year: 1.59% v 3-month: 1.97%, spread: -38 bps; while, US 10-year-2-year treasury spread: +3 bps. Thai 10-year-2-year government yield spread was 7.27 bps.

Thai benchmark government bond yield (LB28DA, 9.3 years) could be between 1.51-1.53% today.

SET Index 1,638.2	S&P500 2,924.4	10Y UST 1.59%	Brent 59.9	Gold 1,499.7
21-Aug ▲ 0.78%	21-Aug ▲ 0.82%	21-Aug ▲ 4.0 bps	20-Aug ▲ 0.15%	21-Aug ▼ -0.20%
USD/THB 30.78	EUR/THB 34.16	JPY/THB 0.2893		
Daily ▼ -0.13%	Daily ▼ 0.00%	Daily ▲ 0.02%		
Weekly ▼ -0.20%	Weekly ▼ -0.60%	Weekly ▼ -0.62%		
Monthly ▼ -0.21%	Monthly ▼ -1.24%	Monthly ▲ 1.24%		
Falling Trend	Falling Trend	Sideways Trend		



Sources: TMB Analytics, TMB Treasury, CEIC, ThaiBMA, Bloomberg, CNBC, BBC, Reuters, Bangkokbiznews, FX data: BoT's daily closing rates

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Currency Market

Currency	1M History	Last	% Chg (1D)	% Chg (1W)	% Chg (1M)	1M Range	
						Min	Max
Dollar Index		98.19	-0.2%	0.4%	1.4%	96.82	98.87
EUR/USD		1.1096	0.1%	-0.6%	-1.5%	1.1041	1.1260
USD/JPY		106.40	-0.1%	0.0%	-1.1%	105.43	109.20
USD/CHF		0.9784	-0.3%	0.3%	-0.4%	0.9712	0.9966
GBP/USD		1.2168	0.3%	0.9%	-3.1%	1.2053	1.2551
USD/CAD		1.3302	-0.2%	0.6%	2.1%	1.3028	1.3331
AUD/USD		0.6781	0.3%	-0.1%	-4.0%	0.6724	0.7066
NZD/USD		0.6410	0.0%	-0.7%	-5.4%	0.6410	0.6778
ASEAN Dollar		106.70	-0.1%	-0.2%	1.5%	105.13	107.07
USD/THB		30.78	-0.1%	-0.1%	0.1%	30.73	30.98
USD/SGD		1.3839	-0.1%	-0.1%	2.0%	1.3567	1.3888
USD/MYR		4.1702	-0.2%	-0.4%	1.5%	4.1072	4.1927
USD/IDR		14,136	0.0%	-0.2%	1.9%	13,868	14,228
USD/PHP		52.20	-0.2%	0.1%	2.7%	50.78	52.47
USD/CNY		7.0592	0.0%	0.3%	2.6%	6.8744	7.0769
USD/HKD		7.8386	0.0%	-0.1%	0.4%	7.8022	7.8471

FX Swap Market and BoT's Reserves

USTH FX Sp	1M History	Last	%Chg(1D)
1-month		-2.25	0.20
3-month		-6.75	0.25
6-month		-12.63	0.38

Reserves (\$mn)	3M History	Last	\$mn Chg(1W)
Total		221,265	2175
Gold		7,406	280
SDR		1,356	3
IMF Reserves		837	2
Foreign Ccy		211,668	1891
Net Fwd Position		31,921	142

Last update: 9/8/2019

Foreign Fund Flows (THB.mn)

Date	Equity	Bond	Total
21/8/2019	753	-7,473	-6,720
20/8/2019	-2,991	-8,138	-11,129
19/8/2019	-4,113	-2,548	-6,661
16/8/2019	-5,069	-1,668	-6,737
15/8/2019	-11,946	-4,442	-16,388
Last 5 days	-23,365	-24,270	-47,635
Period-to-date	Equity	Bond	Total
Month	↓ -46,840	↓ -20,448	↓ -67,288
Quarter	↓ -26,786	↓ -45,554	↓ -72,340
Year	↑ 13,863	↑ 12,796	↑ 26,659

Money Market

THB BIBOR	1M Hist	Last	1M Range		THB Implied	1M Hist	Last	1M Range		USD LIBOR	1M Hist	Last	1M Range	
			Min	Max				Min	Max				Min	Max
ON		1.50	1.50	1.75	ON		1.35	0.79	1.71	ON		2.09	2.09	2.36
1W		1.52	1.52	1.77	1W		1.28	1.18	1.53	1W		2.14	2.14	2.38
1M		1.55	1.55	1.80	1M		1.25	1.20	2.22	1M		2.20	2.19	2.33
2M		1.58	1.58	1.83	2M		1.26	1.20	1.44	2M		2.19	2.18	2.33
3M		1.63	1.63	1.87	3M		1.21	1.19	1.43	3M		2.17	2.16	2.32
6M		1.72	1.72	1.96	6M		1.16	1.10	1.36	6M		2.08	2.03	2.23
12M		1.95	1.95	2.20	12M		1.21	1.15	1.48	12M		2.03	1.97	2.24

Last Updated: 20/8/2019

Last Updated: 14/8/2019

Note: D=d=day; M=mth=month; Y=year; %chg = percentage change; chg = change; USTH FX Sp = USD/THB FX Swap point; \$mn=million US dollar; THB.mn= Thai baht million; Hist=history; THB implied = Thai baht rate that are calculated by FX forward rate; ASEAN Index = value average ASEAN FX Jan2008=100

Fixed Income Market

Fixed Income	1M History	YTM (%) spread (bps)	Bps Chg (1D)	Bps Chg (1W)	Bps Chg (1M)	1M Range	
						Min	Max
UST10y		1.590	4.00	0.00	-49.00	1.52	2.08
Gilt 10y		0.522	-51.49	-51.49	-26.18	0.52	1.04
Bund 10y		-0.670	-2.00	-6.00	-34.00	-0.71	-0.30
JGB 10y		-0.236	-0.50	0.10	-9.80	-0.24	-0.13
TGB 1y		1.490	0.14	2.78	-26.36	1.44	1.76
TGB 2y		1.447	0.37	2.36	-27.57	1.41	1.73
TGB 5y		1.450	0.55	2.17	-29.44	1.40	1.79
TGB 7y		1.484	0.91	3.48	-33.07	1.41	1.86
TGB 10y		1.519	-2.35	-0.49	-43.46	1.48	2.02
AAA Spread		50.32	0.00	-0.46	1.91	48.41	51.33
AA Spread		88.18	-0.04	-0.90	4.50	83.13	89.30
A Spread		93.05	0.37	0.92	3.21	89.67	93.05
BBB Spread		226.44	-0.04	-0.25	0.18	223.67	229.40

Note: UST = US Treasury; Gilt = UK Government Bond; JGB = Japanese Government bond; Bund = German Government Bond; TGB = Thai government Bond; tenors of the bonds are put after their name; bps=basis point; Corporate spreads are Thai and reported in basis points over government bond for the tenors between 3yrs to 5yrs;

Commodity Market

Commodity	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
Brent Crude		59.88	0.2%	-2.3%	-5.6%	56.88	65.18
London Gold		1499.7	-0.2%	0.0%	5.8%	1,406.4	1,527.2

Note: Unit of Brent crude oil price is \$/barrel; unit of gold price is \$/ounce

Equity Market

Equity Index	1M History	Last	%Chg (1D)	%Chg (1W)	%Chg (1M)	1M Range	
						Min	Max
S&P500 (US)		2,924.4	0.8%	3.0%	-2.7%	2,840.6	3,025.9
STOXX (EU)		361.7	0.0%	1.5%	-5.5%	354.8	383.7
FTSE All-Share(UK)		3,946.7	1.1%	1.1%	-4.3%	3,865.5	4,186.2
DAX (DE)		11,651.2	-0.5%	-0.8%	-5.2%	11,412.7	12,522.9
CAC All-Tradable(FR)		4,210.1	1.7%	3.5%	-3.1%	4,050.4	4,346.7
TOPIX (JP)		1,497.5	-0.6%	-0.1%	-3.8%	1,483.9	1,577.9
Shanghai (CH)		3,017.4	0.0%	2.5%	-0.7%	2,900.3	3,092.4
Hang Seng (HK)		26,270.0	0.1%	3.8%	-7.7%	25,281.3	28,765.4
ASX 200 (AU)		6,483.3	-0.9%	-1.7%	-3.6%	6,405.5	6,845.1
SET (TH)		1,638.2	0.8%	1.2%	-5.6%	1,604.0	1,735.1
SET50 (TH)		1,080.5	1.0%	1.4%	-5.9%	1,056.3	1,147.9
Straits Times (SG)		3,122.6	-0.4%	-0.8%	-7.6%	3,115.0	3,381.3
FTSE Malay (MY)		1,594.6	-0.5%	-0.4%	-3.8%	1,592.9	1,658.2
JSX Index (ID)		6,253.0	-0.7%	-0.2%	-2.4%	6,119.5	6,456.5
PSE Index (PH)		7,886.9	-0.6%	1.3%	-4.6%	7,766.8	8,272.2
Vn Index (VN)		994.4	1.0%	2.6%	0.5%	964.6	997.9

19 August 2019	20 August 2019	14 January 1900	22 August 2019	23 August 2019
(JP) Exports YoY JUL A-1.6% P-6.6% C-2.2%, Balance of Trade JUL A¥-249.6B P¥589.5B C¥-200B; (EA) Core Inflation Rate YoY Final JUL A0.9% P1.1% C0.9%; Inflation Rate YoY Final JUL A1% P1.3% C1.1%; (DE) Bundesbank Monthly	(AU) RBA Meeting Minutes	(CA) Inflation Rate YoY JUL A2% P2% C1.7%; (US) Existing Home Sales MoM JUL A2.5% P-1.3% C2.5%; Existing Home Sales JUL A5.42M P5.27M C5.4M	(US) FOMC Minutes, Jackson Hole Economic Policy Symposium; (DE) Markit Manufacturing PMI Flash AUG P43.2 C43.1; (EA) Markit Manufacturing PMI Flash AUG P46.5 C46.2, Consumer Confidence Flash AUG P-6.6 C-7	(JP) Inflation Rate YoY JUL P0.7% C0.5%; (MX) GDP Growth Rate YoY Final Q2 P1.2% C-0.7%; (US) New Home Sales MoM JUL P7% C-0.2%; Fed Chair Powell Speech

Note: A = actual, P = previous; C = consensus

Sources: TMB Analytics, CEIC

Important Disclosures

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