THB Thermometer

April 2020

Foreign Exchange Market Update

Recap : March

The month of March featured a new episode of dramatic asset liquidation, oil price war, stock-market circuit breaker hits, emergency rate cuts, liquidity support and fiscal stimulus measures triggered by concerns over the global economic fallout from the intensifying coronavirus crisis.

€ Performance — *Slight Appreciation*

- The euro closed out an extremely volatile month modestly firmer as risk sentiment saw a rollercoaster ride while global policymakers attempted to guard the economies against a full-blown meltdown. In a drastic move, the European Central Bank introduced EUR750 billion asset buying program and said it would not apply the limits for any individual countries.

€ Outlook — Moderate Appreciation

- With many European cities still in lockdowns, the Eurozone economy will get worse before it gets better. Over the longer term, we expect the euro to trend gradually stronger assuming initial signs that the COVID-19 spread is contained by mid-2020. In addition, the Federal Reserve's unlimited QE will serve to weaken the dollar over time.

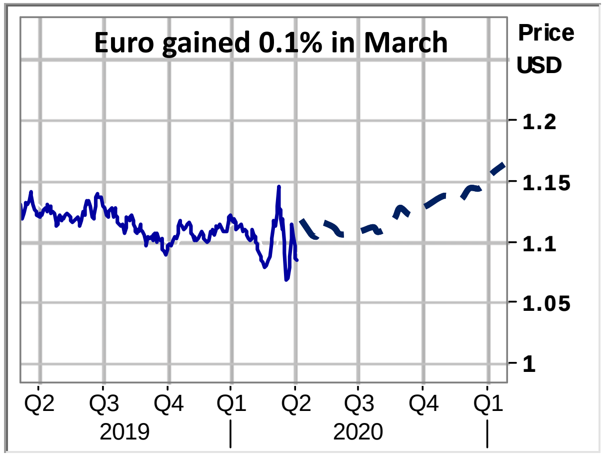
¥ Performance — *Slight Appreciation*

- The yen fluctuated widely before ending a touch stronger. While an abrupt dollar funding squeeze broadly supported the greenback, concerns eased to a certain degree following liquidity enhancement facilities and other monetary easing measures provided by the Fed.

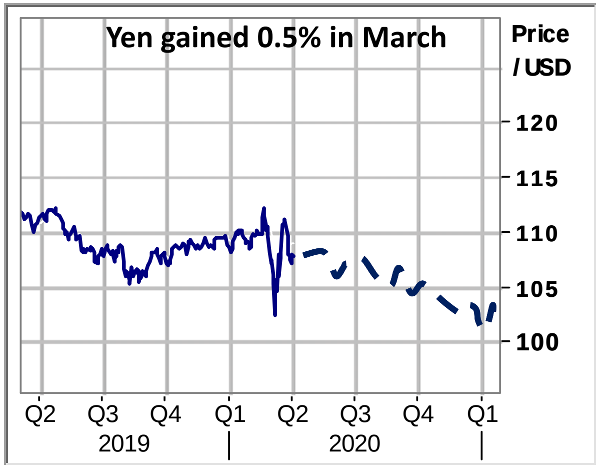
¥ Outlook — Moderate Appreciation

- As the global economy is inevitably heading toward recession, overseas yields look set to remain low for longer, pointing to further yen strength. COVID-19 headlines will continue to dominate sentiment for now alongside the risks that the situation in the U.S. will worsen.

EUR/USD



USD/JPY



Refinitiv

Foreign Exchange Market Update

Recap : March

Baht Depreciation

- The Thai baht reversed all of its 2019 gains while portfolio outflows from emerging markets accelerated in the wake of coronavirus crisis, sending the local currency to the weakest level since November 2018. Fears mounted over the economic damage particularly the broader meltdown in domestic demand following the closure of shopping malls and various venues in Bangkok and several other provinces to help contain the spread of the virus. The Monetary Policy Committee voted unanimously to cut rates by 25bps to a fresh low of 0.75% in an unscheduled meeting on Mar. 20. The MPC, however, left rates steady on Mar. 25.
- USD5.4 billion current account surplus in February
- THB78.4 billion net foreign selling in SET-listed shares in March
- THB98.5 billion* record net foreign selling in Thai government bonds in March

** Based on outright trading value. The accumulated net buying value may double count the trading value of rollovers.*

USD/THB

Refinitiv

Historical Performance

	THB vs USD	THB vs JPY
1 month	-3.8%	-4.1%
3 months	-9.3%	-11.2%
12 months	-3.2%	-6.4%

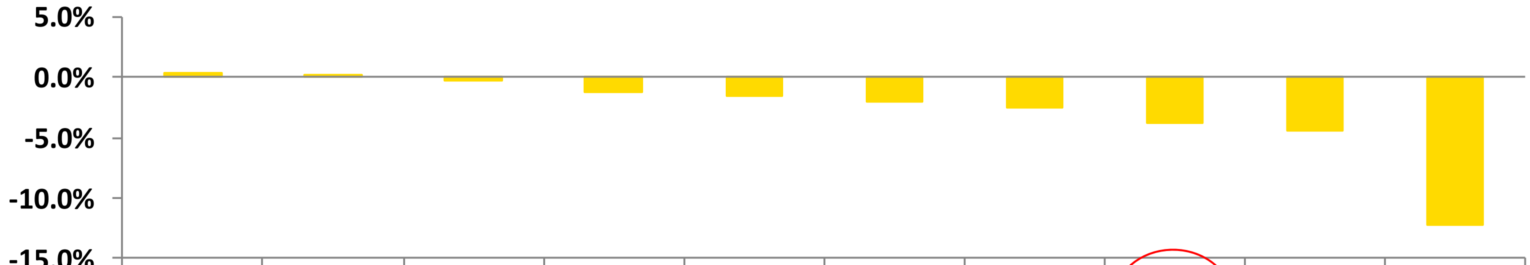
As of March 31, 2020, "-" indicates THB depreciation

Outlook: Eventual Appreciation

The level of uncertainty associated with the pandemic situation remains high, suggesting volatility will stay elevated although the scale of panic selling in emerging market assets like that seen in March is less likely. We expect the baht to continue to price in the negative economic impact from the COVID-19 in the coming months before turning stronger upon initial signs of stabilization.

Foreign Exchange Market Update

Monthly Performance

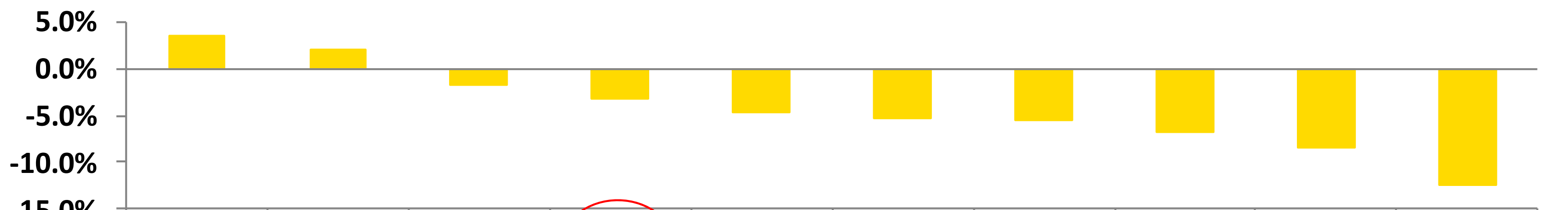


	PHP	TWD	KRW	CNY	VND	SGD	MYR	THB	INR	IDR
vs USD	0.4%	0.2%	-0.3%	-1.3%	-1.6%	-2.0%	-2.5%	-3.8%	-4.5%	-12.2%

Appreciation

Depreciation

Yearly Performance



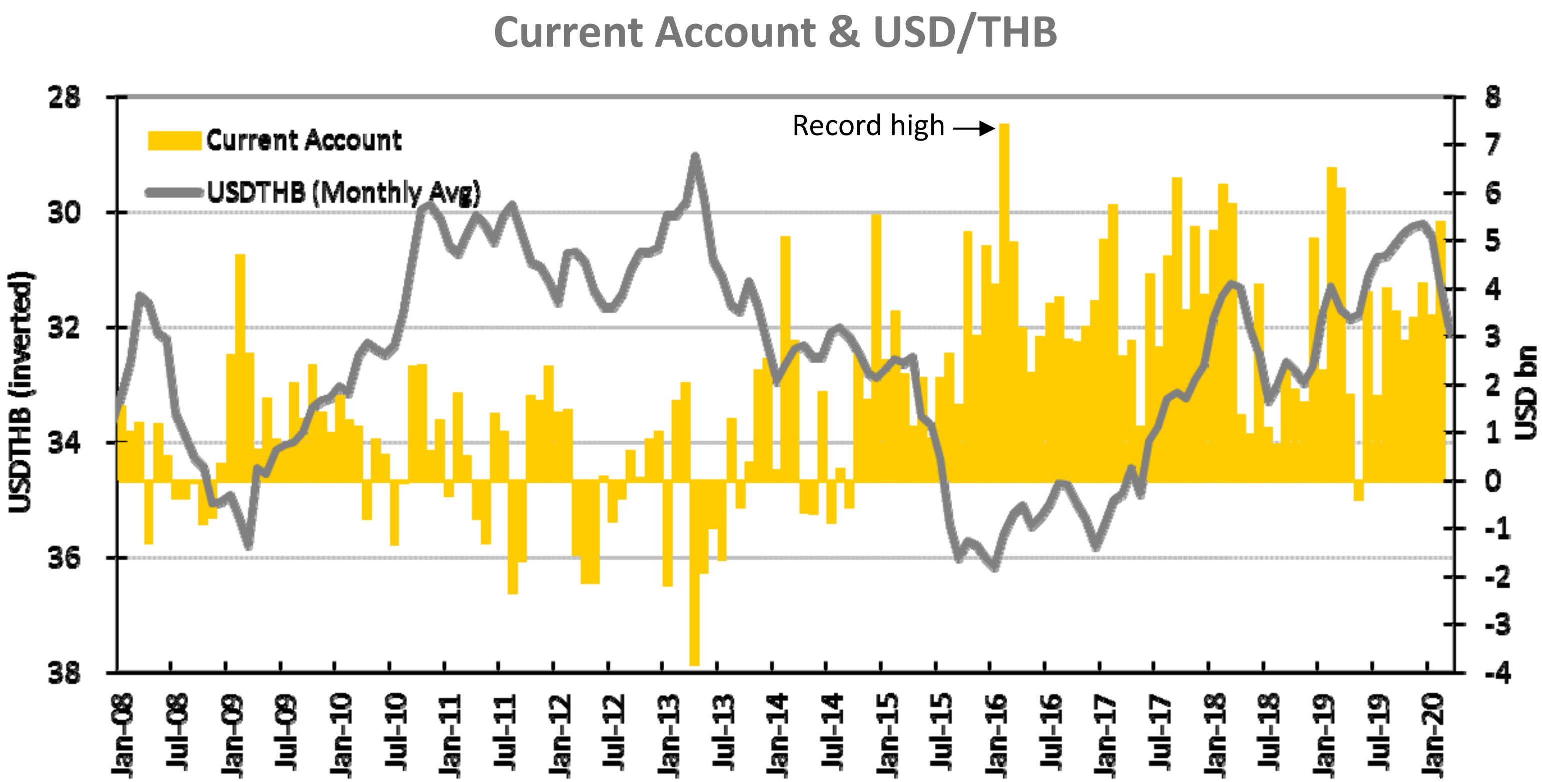
	PHP	TWD	VND	THB	SGD	CNY	MYR	KRW	INR	IDR
vs USD	3.6%	1.9%	-1.8%	-3.2%	-4.7%	-5.2%	-5.5%	-6.8%	-8.5%	-12.5%

Appreciation

Depreciation

Bloomberg, data as of March 31, 2020, "-" indicates currency depreciation against USD

Thailand: External Accounts



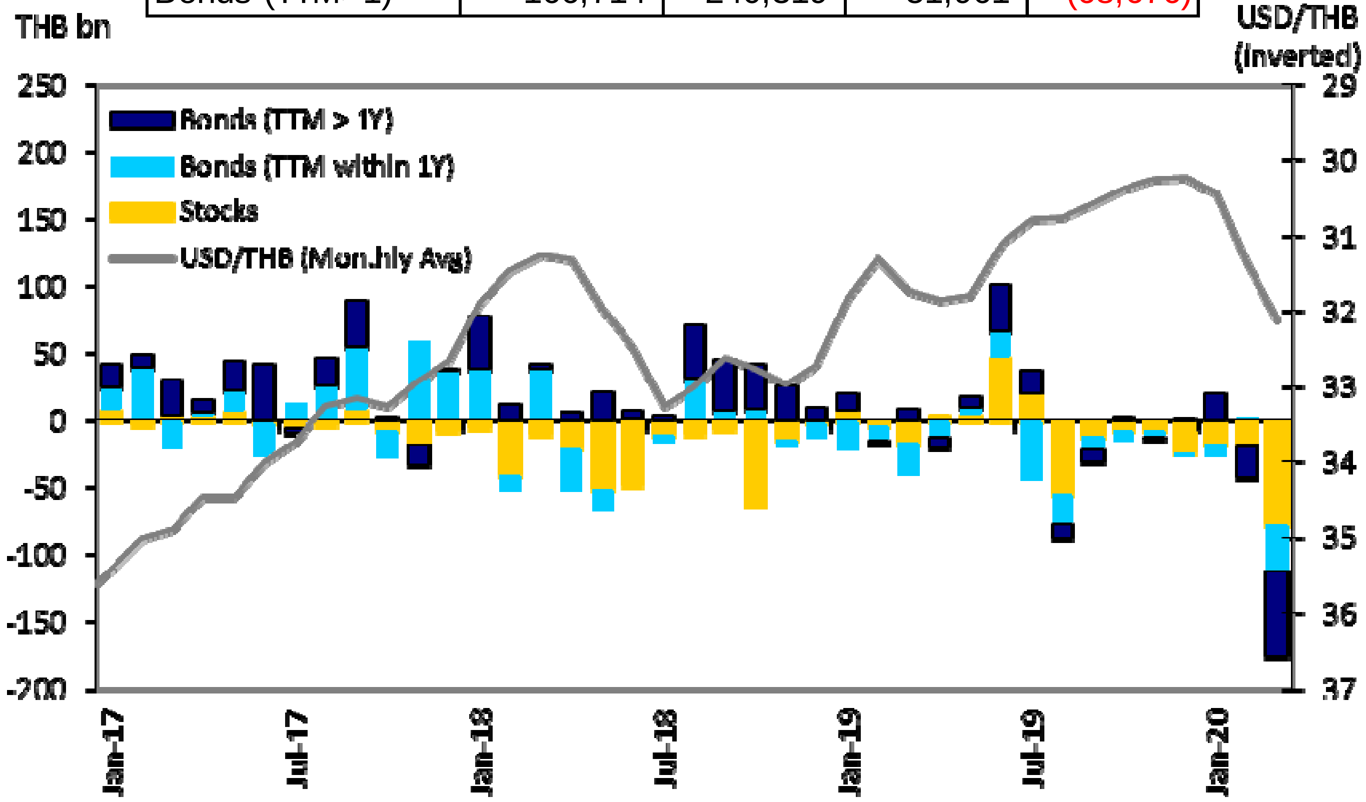
	Exports % y-o-y	Imports % y-o-y	Trade Balance USD bn	Current Account USD bn	Reserves* USD bn
Feb-20	3.6	-7.8	5.39	5.38	261.24
Jan-20	-3.5	-0.1	0.38	3.44	263.40
Dec-19	-1.7	1.8	1.89	4.11	259.05

*Bank of Thailand, * including net forward position*

Thailand: Foreign Portfolio Flows

Net Foreign Position & USD/THB

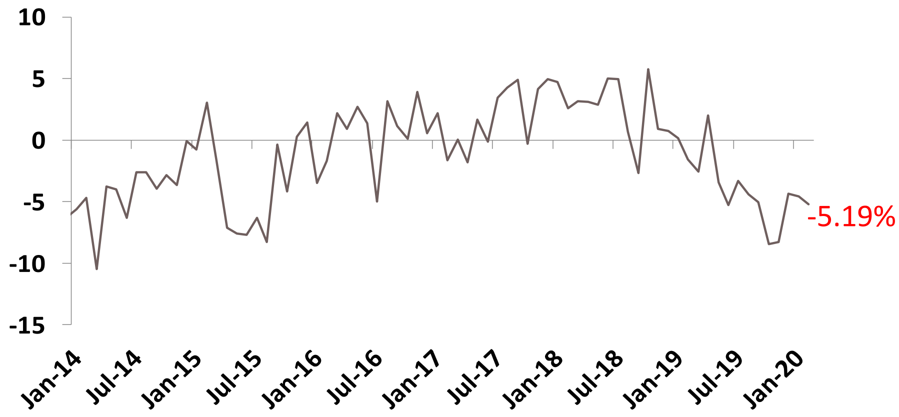
THB mn	2017	2018	2019	3M2020
Stocks	(25,752)	(287,740)	(45,243)	(115,354)
Bonds (Net Flows)*	216,140	122,120	(79,279)	(109,703)
Bonds (TTM>1)	166,714	240,319	51,961	(68,676)



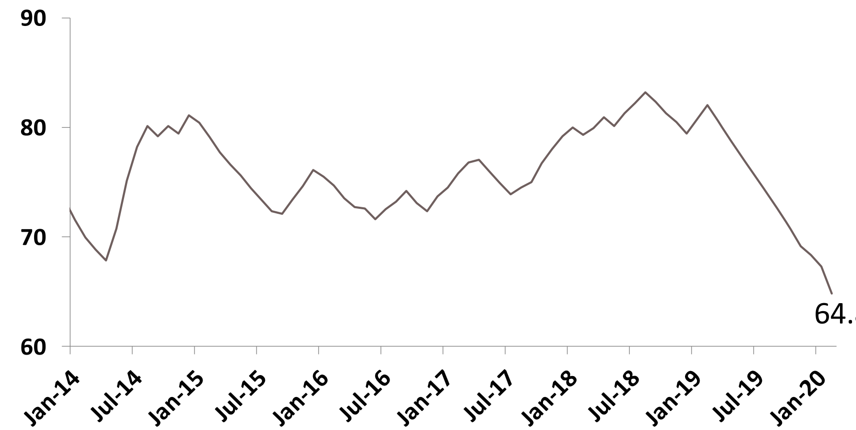
Thai Bond Market Association (based on outright trading value; the accumulated net buying value may double count the trading value of rollovers), Stock Exchange of Thailand, Bank of Thailand, last data points: March 2020*

Thailand: Domestic Economy

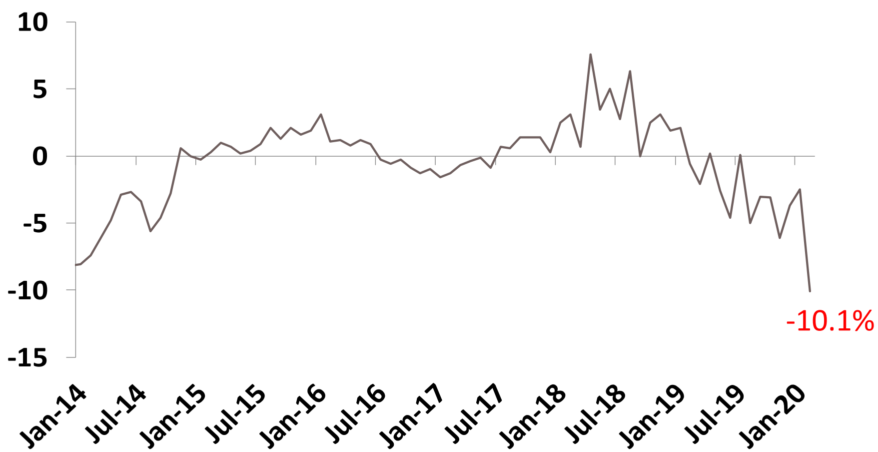
Manufacturing Production (% y-o-y)



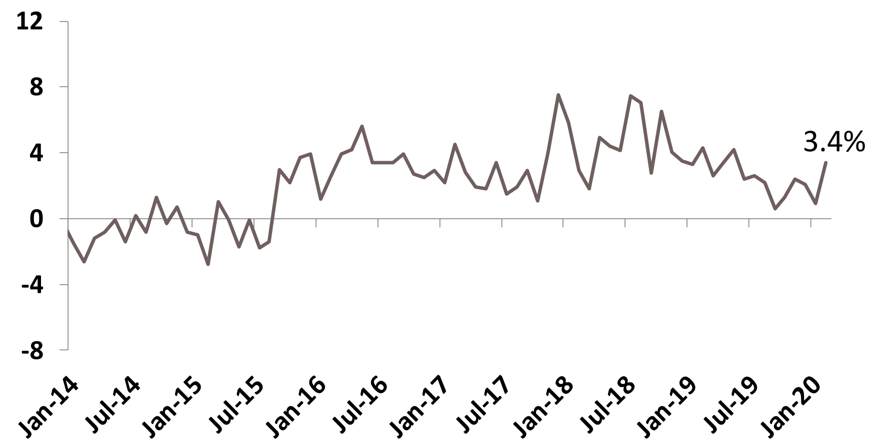
Consumer Confidence



Private Investment (% y-o-y)

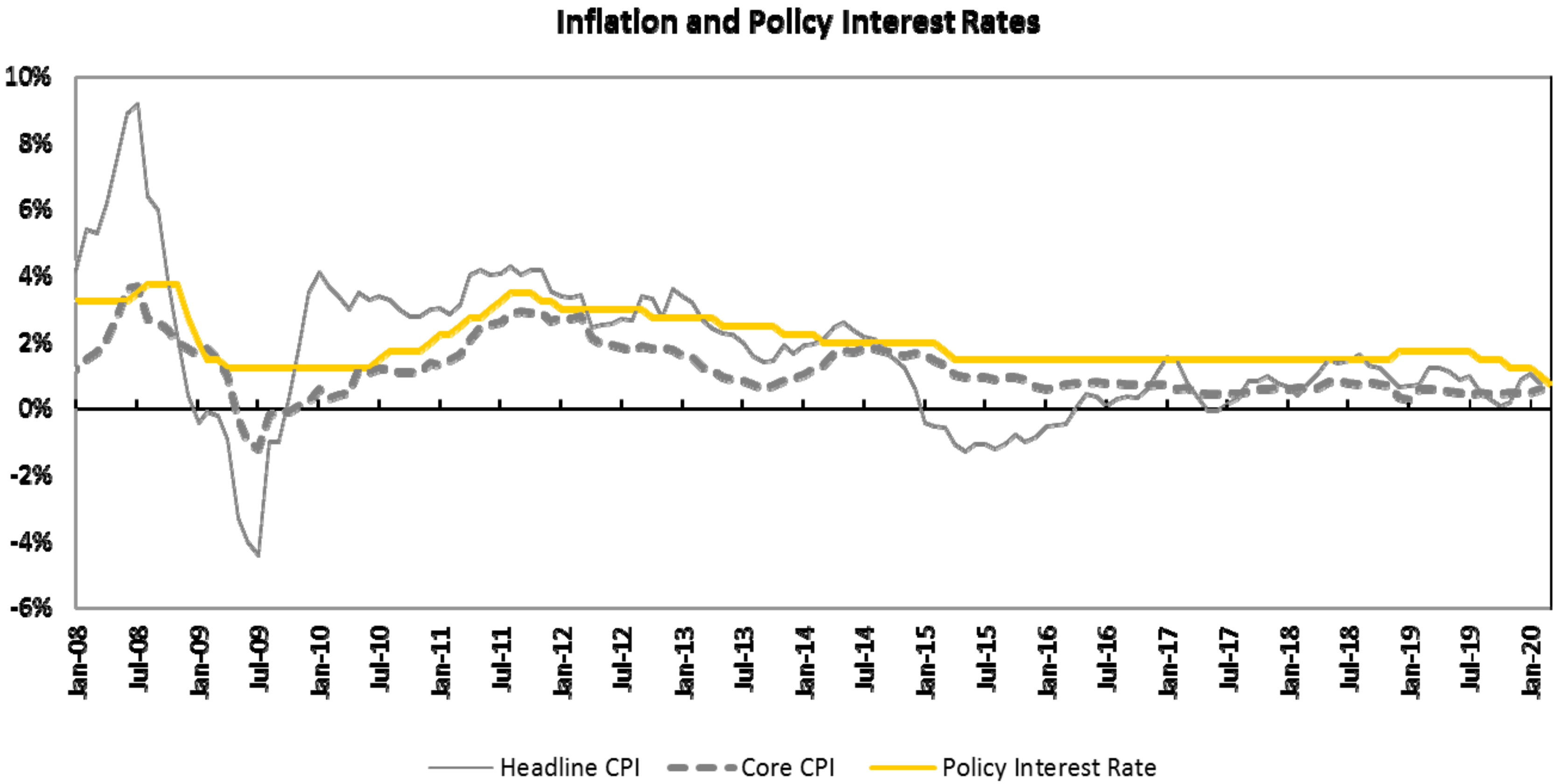


Private Consumption (% y-o-y)



Bank of Thailand, UTCC, last data points: February 2020

Thailand: Inflation



year-on-year change	Headline CPI	CPI Excluding Raw Food & Energy
Feb-20	0.74% ▼	0.58% ▲
Jan-20	1.05% ▲	0.47% ▼
Dec-19	0.87 % ▲	0.49% ▲

Ministry of Commerce, Bank of Thailand

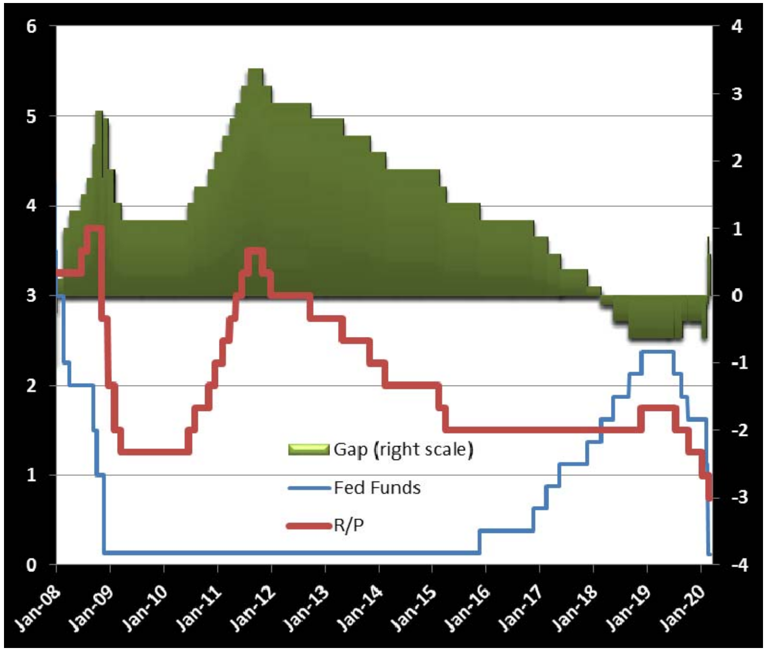
Interest Rate Market Update

A "Whatever It Takes" Response

• Ahead of the schedule to meet on Mar. 17-18, the FOMC announced on Mar. 3 to cut rates by 50bps followed by another 100bps on Mar. 15, taking the funds rate to a target range of 0% to 0.25% for the second time since the financial crisis of 2008. As the COVID-19 pandemic is severely disrupting economic activities, the Fed, in an unprecedented move, will support purchases of corporate bonds, backstop direct loans to companies, introduce a program to secure credit to small and medium-sized firms, and committed to enhance asset buying by as much as needed to stabilize markets. Earlier, the Fed opened swap lines with Australia, New Zealand, South Korea, and Singapore, among others, to ease USD funding stress.

• UST yields collapsed and the curve steepened with long-dated yields undergoing extreme volatility. On the fiscal front, U.S. President Trump signed a massive USD2.2 trillion coronavirus relief package. However, the crash in oil prices in March despite the bounce in early April will act as a deflationary force, potentially capping yield upside for the time being.

US Federal Funds and Thai Policy Rates (%)



end of period	Sep-19	Dec-19	Feb-20	Mar-20
USD6MLIBOR	2.05563%	1.91213%	1.39725%	1.17525%
THBFIX6M	1.35916%	1.15797%	0.74273%	1.02511%
Diff	0.69647%	0.75416% ▲	0.65452% ▼	0.15014% ▼

Refenitiv

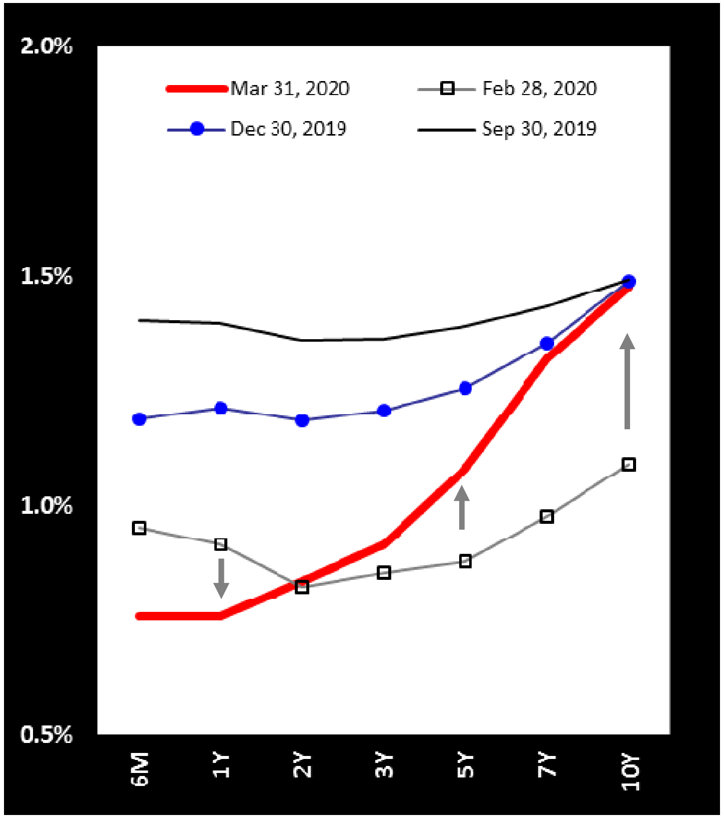
Interest Rate Market Update

Emergency but Limited Rate Ammo

• The MPC joined the emergency rate-cutting club, voting unanimously to slash the one-day repurchase rate by 25bps to a new record low of 0.75% on Mar. 20. In the interim, the authorities also introduced measures to provide liquidity support for the bond market which recently faced with stress while some funds were forced to sell good assets. At the scheduled meeting on Mar. 25, however, the MPC voted 4-2 to stand pat. The Committee expressed concerns over the severe economic impact from the COVID-19 crisis but acknowledged stability in the overall financial system following the latest liquidity enhancement measures taken in the bond market. The BoT downgraded 2020 GDP forecast to indicate a contraction rate of 5.3%.

• Government bond yields spiked across the curve by mid-March on selling spree by both offshore and onshore money managers as investors rushed to hoard cash amid the acute virus uncertainty. The bond market saw relative calm after the BoT stepped in directly and indirectly. Looking ahead, we could not agree more with the MPC about the need for fiscal policy to take a critical role in alleviating the virus-hit economy. While the monetary policy bullet is running out fast, we still see scope for a cut to 0.50% alongside targeted measures down the road given the protracted disruption in business activities and job losses. Volatility is likely to remain high until the dust settles. While yields should drift lower thereafter the downside could be somewhat limited by the planned fiscal stimulus financing.

Thai Govt Yield Curve



Refinitiv

Forecast

Factors in Focus

In Sickness and in Health. Again, we revised our forecast profile to reflect the deepening economic losses from the pandemic. Lockdowns, travel restrictions and curfews have been enforced under the Emergency Decree. This is undoubtedly wiping out income of the private sector while the effectiveness of the fiscal boost is yet to be seen. Evolving developments on the trend of infections and vaccines will remain influential to price actions for now.

Shock Absorption Ability. Over the coming weeks, markets will get to scrutinize the beginning of dire economic numbers globally relative to expectations so as to see whether the unprecedented policy steps by central banks and governments are sufficient. Assuming the pandemic situation is relatively contained by the middle of the year, we remain of the view that the dollar will trend weaker upon the aggressive monetary easing adopted by the Fed.

FOMC Meeting: Apr 28-29. With the Fed having fired a slew of bazooka shots last month, the focus will be on the central bank's economic assessment.

FX	USD/THB	USD/JPY	JPY/THB
Mar 31, 2020	32.85	107.55	30.46
Q2/20F	32.75	107	30.61
	31.75-33.75	105.00-111.00	29.00-31.75
Q3/20F	32.5	105	30.95
	31.50-33.50	103.00-109.00	29.20-32.00
Q4/20F	32	104	30.77
	31.00-33.00	102.00-108.00	29.00-32.00
Q1/21	31.75	102	31.13
	30.75-32.75	100.00-107.00	29.20-32.20

*JPY/THB is per 100 yen, * USD/THB based on Bangkok closing rate, USD/JPY, JPY/THB based on New York close*

Policy Interest Rates	Current	end-Q1/21F
USD Fed Funds	0-0.25%	0-0.25%
EUR Deposit Facility Rate	-0.50%	-0.50%
JPY O/N Call	-0.10%	-0.10%
THB 1-day R/P	0.75%	0.50%

As of April 3, 2020

Economic Projection

	2019A	2020F	2021F
Real GDP growth	2.4%	-5.3%	3.0%
Private Consumption growth	4.5%	-1.5%	2.1%
Private Investment growth	2.8%	-4.3%	2.2%
Public Consumption growth	1.4%	2.6%	2.2%
Public Investment growth	0.2%	5.8%	8.1%
Export Value growth	-3.2%	-8.8%	0.2%
Import Value growth	-5.4%	-15.0%	-0.4%
Current Account (USD bln)	37.3	19.4	19.2
Headline CPI Inflation	0.7%	-1.0%	0.3%

Bank of Thailand, as of March 25, 2020

Contact Persons
Global Markets Research and Analysis Section
Roong Sanguanruang
Roong.Sanguanruang@krungsri.com
Pitchaporn Sriphanomsak
Pitchaporn.Sriphanomsak@krungsri.com

Bank of Ayudhya Public Company Limited
(A member of MUFG, a global financial group)
<Head Office>
1222 Rama Ⅲ Road, Bang Phongphang Yan Nawa, Bangkok 10120 Thailand
<Global Markets Group>
550 Ploenchit Road, Lumphini, Pathumwan, Bangkok 10330 Thailand

Thank you