

WEEKLY FOREIGN EXCHANGE OUTLOOK
20 Jun 2022 - 24 Jun 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The Fed's new dot plot shows a median projection for a 3.25-3.50% federal funds target range at the end of this year. The FOMC also significantly cuts its outlook for 2022 economic growth, now anticipating just a 1.7% gain in GDP, down from 2.8% from March.
- The USD may see a mixed reaction over the near term.
- Powell's Congressional testimony during 22-23 June may see US Dollar volatility ahead.
- Safe-haven flows could keep the US dollar stronger for longer.
- Bank of America expects 40% chance of U.S. economy to be in recession next year.

Lower Bound	100.41	Upper Bound	105.63
Forecast	Appreciation		

Dollar News

- The dollar slipped against a basket of currencies after the Federal Reserve raised interest rates by 75 basis points to curb inflation and projected the possibility of slowing economy and rising unemployment in the months to come.
- The rate hike was the biggest move by the U.S. central bank since 1994, and was delivered after recent data showed little progress in its inflation battle.
- Fed speakers begin to dominate headlines. Minneapolis Fed Neil Kashkari said that he supported 75 bps in June and could support another in July.
- St. Louis Fed President James Bullard said a soft landing is feasible if the post-pandemic shift is done well.

Dollar Index Performance

Last Week Close	104.15	Monthly High	105.79
Week Open	104.19	Monthly Low	101.30
Week Close	103.83	30 Days Average	103.23
Weekly High	105.79	90 Days Average	100.62
Weekly Low	103.42	YTD Change	+8.82%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Existing Home Sales	May	21-Jun	5.392M	5.61M
Initial Jobless Clm	18 Jun, w/	23-Jun	225K	229K
S&P Global Mfg PMI Flash	Jun	23-Jun	56.4	57.00
S&P Global Svcs PMI Flash	Jun	23-Jun	53.60	53.40
S&P Global Comp Flash PMI	Jun	23-Jun		0.0B
U Mich Sentiment Final	Jun	24-Jun	50.2	50.20
New Home Sales-Units	May	24-Jun	585000	591000
Durable Goods	May	27-Jun		0.50%

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Thai baht weakening might be limited because exporters' "selling power" and the Bank of Thailand, which could move to control the currency's volatility.
- While a US recession in 2023 suggests that the market will by then be pricing in Fed rate cuts, the USD could be slow to give back its gains until confidence in global growth and risky assets starts to repair.
- The risk-averse market environment, rising US Treasury bond yields and hawkish Fed commentary fuel the dollar's rally ahead of the weekend.

Lower Bound Forecast	34.50	Upper Bound	35.80
	Depreciation		

Thai Baht News

- The baht has weakened on the dollar gain due to signs that the Fed would increase the rate.
- Siam Commercial Bank (SCB) on Tuesday revised its forecast for Thailand's economic growth from 2.7 per cent to 2.9 per cent, citing recovery in the tourism and service sectors. However, SCB expects inflation to hit 5.9 per cent this year, the highest in 24 years.
- The baht fluctuated throughout the week. It strengthened as the dollar declined because it was "sold on fact", after the US Federal Reserve did not signal that it would go in for a heavy interest rate increase or adjust its economic projection downwards.

Thai Baht Performance

Last Week Close	34.72 THB/USD	Monthly High	35.32 THB/USD
Week Open	34.43 THB/USD	Monthly Low	34.19 THB/USD
Week Close	35.24 THB/USD	30 Days Average	34.53 THB/USD
Weekly High	35.30 THB/USD	90 Days Average	33.76 THB/USD
Weekly Low	34.70 THB/USD	YTD Change	+5.70%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	May	22-Jun	6.00%	9.90%
Custom-Based Import Data	May	22-Jun	18.1%	21.5%
Customs-Based Trade Data	May	22-Jun	-1.63M	-1.91M


Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- We expect EUR/USD trade within a 1.0400-1.0600 range for the near-term.
- Over the medium term, we continue to expect the USD to strengthen further, notably against the EUR and GBP, built on the Fed's ongoing marked tightening compared to more measured steps at the ECB and the BOE. A slowing global economy is also likely to add further to the USD's gains.
- European Central Bank (ECB) policymaker Klaas Knot said that the ECB could opt for several 50 basis points (bps) rate hikes in case the inflation situation in the euro area were to worsen.

Lower Bound	1.0391	Upper Bound	1.0865
Forecast	Depreciation		

Euro News

- ECB left the policy rate unchanged last Thursday and expects to raise rates by 25bps in July. This news didn't support the EUR as U.S. dollar was gaining more supports especially market is expecting FED to hike rate more aggressively to curb with inflation.
- The data from showed that German Consumer Price Index (CPI) remained unchanged at 7.9% on a yearly basis in May.
- Despite rising fears of more aggressive monetary tightening causing financial market volatility, German ZEW expectations managed to climb in June, increasing by 6.3pts to -28.0pts
- The ECB called for an emergency reunion and decided that it would apply flexibility in reinvesting redemptions coming due in the pandemic emergency purchase programme portfolio, concerned about the bonds' sell-off.

Euro Index Performance

Last Week Close	1.0515 USD/EUR	Monthly High	1.0773 USD/EUR
Week Open	1.0512 USD/EUR	Monthly Low	1.0360 USD/EUR
Week Close	1.0498 USD/EUR	30 Days Average	1.0602 USD/EUR
Weekly High	1.0601 USD/EUR	90 Days Average	1.0828 USD/EUR
Weekly Low	1.0357 USD/EUR	YTD Change	-7.43%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Flash	Jun	22-Jun	-20.8	-21.1
S&P Global Mfg Flash PMI	Jun	23-Jun	54.00	54.80
S&P GBL SVC Flash PMI	Jun	23-Jun	54.50	55.00
S&P Global Comp Flash PMI	Jun	23-Jun	53.10	53.70
S&P Global Mfg Flash PMI	Jun	23-Jun	53.90	54.60
S&P Global Serv Flash PMI	Jun	23-Jun	55.50	56.10
S&P Global Comp Flash PMI	Jun	23-Jun	54.00	54.80
Ifo Business Climate New	Jun	24-Jun	92.90	93.00
Ifo Curr Conditions New	Jun	24-Jun	99.00	99.50
Ifo Expectations New	Jun	24-Jun	87.40	86.90

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The EU has announced new legal action against the UK government over its plans to scrap parts of the Northern Ireland Protocol. The UK aimed to change trade, tax and governance arrangements that disrupted trade in the kingdom. UK Prime Minister Boris Johnson's spokesman said the UK is disappointed with the EU bringing legal action over the Brexit deal.
- We expect one more 25 bps hike in August, before the MPC takes a pause and re-assesses.

Pound Sterling News

- GBP was undermined on heightened political uncertainty and dismal economic growth outlook.
- The UK unemployment rate rose to 3.8% in April from 3.7% in March, but the employment growth was still strong with 177k new payrolls in the three months to April.
- UK GDP surprised to the downside in April, fell 0.3% m-o-m, this suggested that the UK economy has not seen any growth since January. GBP was undermined by the dismal UK GDP data.
- BBC reported on Tuesday that the European Union was preparing to take legal action against the UK over changes made to post-Brexit arrangements.
- The Bank of England (BOE) announced on Thursday a new increase in the interest rate. It raised the key rate by 25 basis points to 1.25%

Pound Sterling Performance

Last Week Close	1.2314 USD/GBP	Monthly High	1.2616 USD/GBP
Week Open	1.2323 USD/GBP	Monthly Low	1.1935 USD/GBP
Week Close	1.2224 USD/GBP	30 Days Average	1.2411 USD/GBP
Weekly High	1.2406 USD/GBP	90 Days Average	1.2856 USD/GBP
Weekly Low	1.1932 USD/GBP	YTD Change	-9.60%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
CPI YY	May	22-Jun	9.10%	9.00%
Flash Composite PMI	Jun	23-Jun	52.70	53.10
Flash Manufacturing PMI	Jun	23-Jun	53.80	54.60
Flash Services PMI	Jun	23-Jun	53.00	53.40
Retail Sales MM	May	24-Jun	-0.90%	1.40%
Retail Sales Ex-Fuel MM	May	24-Jun	-1.40%	1.40%
Retail Sales YY	May	24-Jun	-4.80%	-4.90%

Lower Bound	1.2062	Upper Bound	1.2804
Forecast	Depreciation		

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 **Australian Dollar**

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- According to the latest Bloomberg survey of 24 economists, the Reserve Bank of Australia (RBA) remains on track for its first-ever consecutive 50 basis point interest-rate hikes, as they step up their efforts to contain inflation. “The RBA will raise its cash rate to 1.35% next month from a current 0.85%.”

-The AUD/USD remains weak due to falling commodity prices. Also, additional Covid-19 Chinese lockdowns loom. China’s is Australia biggest trading partner, so any slowdown in its economy would hurt the Australian dollar outlook dramatically.

Australian Dollar News

- AUD/USD keeps its recovery momentum intact from monthly lows, despite the Australian-China gloom, as the US dollar bulls take a breather.
- AUD/USD was once traded at three weeks low 0.6850, as the risk-off sentiment undermined AUD, while the rise of COVID cases in China over the weekend further weighed on AUD.
- The Australian Unemployment Rate arrived at 3.9% in May, the Australian Bureau of Statistics (ABS) showed in its latest data published on Thursday. In April, the jobless rate hit the lowest since 1974 at 3.9%. The market consensus was for a drop to 3.8% in the reported month.

Australian Dollar Performance

Last Week Close	0.7051 USD/AUD	Monthly High	0.7282 USD/AUD
Week Open	0.7030 USD/AUD	Monthly Low	0.6851 USD/AUD
Week Close	0.6930 USD/AUD	30 Days Average	0.7422 USD/AUD
Weekly High	0.7069 USD/AUD	90 Days Average	0.7275 USD/AUD
Weekly Low	0.6850 USD/AUD	YTD Change	-4.16%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Jun	23-Jun		55.7
Services PMI Flash	Jun	23-Jun		53.20
Comp PMI Flash	Jun	23-Jun		52.90

Lower Bound	0.6876	Upper Bound	0.7319
Forecast	Depreciation		

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen Outlook

- The Yen keeps on falling and has moved back up to 135 now versus the dollar. The BOJ remains the sole dove now in a sea of hawkish central banks. Investors and speculators had begun betting that the limit on JGB yields would break and that the BOJ would announce it at the meeting.
- USD/JPY may attempt to test the October 1998 high (136.89) as the FOMC plans to implement higher interest rates throughout 2022, but it remains to be seen if Chairman Powell will continue to rule out a 100bp rate hike as the central bank tries to prevent the US economy from facing a hard landing.

Japanese Yen News

- USDJPY once traded to 24-year high at 135.58 to a dollar, as the U.S. Treasury yields continued to rise and the monetary policy divergency between Fed and BOJ further bolstered the pair
- The Japanese yen weakened across the board after the Bank of Japan (BoJ) announced its decision to leave its ultra-loose monetary policy setting unchanged.
- The BOJ also reiterated its guidance to keep borrowing costs at "present or lower" levels and pledged to guide the 10-year yield around 0%.
- Commenting on the policy outlook, BOJ Governor Haruhiko Kuroda reiterated that they will not hesitate to ease the monetary policy further if needed and triggered a JPY selloff.

Japanese Yen Performance

Last Week Close	134.42 JPY/USD	Monthly High	135.58 JPY/USD
Week Open	134.37 JPY/USD	Monthly Low	128.82 JPY/USD
Week Close	134.96 JPY/USD	30 Days Average	115.07 JPY/USD
Weekly High	135.58 JPY/USD	90 Days Average	114.50 JPY/USD
Weekly Low	131.48 JPY/USD	YTD Change	+17.27%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Flash SA	Jun	23-Jun		53.3
CPI, Core Nationwide YY	May	24-Jun	2.1%	2.1%
CPI, Overall Nationwide	May	24-Jun		2.5%

Lower Bound	125.34	Upper Bound	137.52
Forecast	Depreciation		

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