

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**02 May 2022 - 06 May 2022**



**Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar News**

- With safe-haven flows dominating the financial markets at the start of the week, the greenback continued to gather strength against its major rivals and the US Dollar Index (DXY) reached its highest level in more than two years.
- The US Goods & Services Trade Deficit hit a new record at more than \$125B in March
- Despite a surprise decline in inflation-adjusted economic activity in the US in Q1 2022 according to the latest GDP release, the US dollar also advanced across the board.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>101.22</b>	<b>Monthly High</b>	<b>103.93</b>
<b>Week Open</b>	<b>101.12</b>	<b>Monthly Low</b>	<b>97.69</b>
<b>Week Close</b>	<b>102.82</b>	<b>30 Days Average</b>	<b>100.31</b>
<b>Weekly High</b>	<b>103.93</b>	<b>90 Days Average</b>	<b>97.85</b>
<b>Weekly Low</b>	<b>101.04</b>	<b>YTD Change</b>	<b>+7.78%</b>

**Dollar Outlook**

- Investors remain concerned about the impact of current lockdown measures in China on its economic growth prospects as well as the likelihood of a Fed-led recession in the US economy.
- The expectations for the Fed to implement the first of a series of 50bps rate hikes and quantitative tightening this week, negative geopolitical newsflow and ongoing China lockdown concerns were cited by analysts as benefitting the safe-haven currency.

**Dollar Index Economic Events**

Events	Period	Date	Forecast	Previous
ISM Manufacturing PMI	Apr	2-May	58	57.1
Factory Orders MM	Mar	3-May	1.2	-0.5%
ISM N-Mfg PMI	Apr	4-May	59	58.3%
Fed Funds Tgt Rate	4 May	5-May	0.75-1	0.25-0.5
Fed Int On Excess Reserves	4 May	5-May		0.4%
Initial Jobless Clm		25 Apr, w/ 5-May		
Non-Farm Payrolls	Apr	6-May	400K	431K
Unemployment Rate	Apr	6-May	3.60%	3.60%
Average Earnings YY	Apr	6-May		5.60%

<b>Lower Bound</b>	<b>100.00</b>	<b>Upper Bound</b>	<b>104.50</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- Close monitoring of foreign investors amid a lull in foreign outflows after sell-offs of Thai assets were triggered by heavy increases in the US and Thai 10-year bond yields.
- The main driver of sentiment through the coming Asia Pacific session is likely to remain the state of the Covid-19 outbreak/lockdown situation in China.
- The risk-averse market coupled with the Covid-19 situation in China could add more downward pressure on the baht.

**Thai Baht News**

- The Thai baht has weakened past the expected resistance level, with both exporters and importers unsure of when to carry out transactions, so it might be volatile and weaken to test the new resistance level of 34.50
- The risk-averse market and Covid-19 situation in China could add more downward pressure on the baht.
- Thai exports jump by 19.5% in March – highest in 30 years. At the end of the first quarter, Thailand's export value stood at \$73.6 million or 2.4 billion baht, which was 14.9 per cent higher compared to the same period last year.
- On Tuesday, the Bank of Thailand (BOT) said it would take action if the baht's value became too volatile in the face of US rate hikes.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>33.95 THB/USD</b>	<b>Monthly High</b>	<b>34.48 THB/USD</b>
<b>Week Open</b>	<b>33.99 THB/USD</b>	<b>Monthly Low</b>	<b>34.25 THB/USD</b>
<b>Week Close</b>	<b>34.23 THB/USD</b>	<b>30 Days Average</b>	<b>33.69 THB/USD</b>
<b>Weekly High</b>	<b>34.48 THB/USD</b>	<b>90 Days Average</b>	<b>33.26 THB/USD</b>
<b>Weekly Low</b>	<b>33.97 THB/USD</b>	<b>YTD Change</b>	<b>+3.30%</b>

**Thai Baht Economic Events**

Events	Period	Date	Forecast	Previous
Manufacturing PMI SA	Apr	3-May		51.8
CPI Headline Inflation	Apr	5-May		5.7%
CPI Core Inflation YY	Apr	5-May		2.0%

<b>Lower Bound</b>	<b>33.80</b>	<b>Upper Bound</b>	<b>34.80</b>
<b>Forecast</b>	<b>Depreciation</b>		

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Euro

Euro Graph



Source: Thomson Reuters

Euro News

- EUR/USD opened with a bullish gap as investors reacted to Emmanuel Macron's victory in the second round of French elections but quickly reversed its direction.
- German ifo business climate improved a tad in April after a huge decline in March as business conditions and outlook unexpectedly improved.
- EUR/USD subsequently continued its run of recent losses to fall into the mid-1.0500s and with the bears eyeing a test of 2017 lows in the 1.0330s.
- Russia had halted gas supply to Poland and Bulgaria and investors raised concern on the slowing eurozone economic growth undermined EURUSD

Euro Index Performance

<b>Last Week Close</b>	<b>1.08 USD/EUR</b>	<b>Monthly High</b>	<b>1.06 USD/EUR</b>
<b>Week Open</b>	<b>1.08 USD/EUR</b>	<b>Monthly Low</b>	<b>1.05 USD/EUR</b>
<b>Week Close</b>	<b>1.05 USD/EUR</b>	<b>30 Days Average</b>	<b>1.09 USD/EUR</b>
<b>Weekly High</b>	<b>1.08 USD/EUR</b>	<b>90 Days Average</b>	<b>1.11 USD/EUR</b>
<b>Weekly Low</b>	<b>1.05 USD/EUR</b>	<b>YTD Change</b>	<b>-7.51%</b>

Euro Outlook

- The greenback remains underpinned by persistent haven demand amid Fed-ECB policy divergence.
- The eurozone is underperforming against the greenback as the renewed fears of stagflation amid the Ukraine crisis have worsened the decision-making for European Central Bank (ECB) policymakers.
- Analysts cited the latest ramping up of EU/Russia tensions after Gazprom halted gas flows to Poland and Bulgaria (who have refused to pay for gas in roubles) as adding geopolitical risk premia to the single currency.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Unemployment Rate	Mar	3-May		6.8
S&P Global Serv PMI	Apr	4-May		58.8%
S&P Global Comp PMI	Apr	4-May		57.5%
S&P Global Services PMI	Apr	4-May		57.9%
S&P Global Comp Final PMI	Apr	4-May		54.5%
S&P Global Serv Final PMI	Apr	4-May		57.7%
S&P Global Comp Final PMI	Apr	4-May		55.8%
Industrial Orders MM	Mar	5-May		-2.2
Industrial Output MM	Mar	6-May		0.20%

<b>Lower Bound</b>	<b>1.03</b>	<b>Upper Bound</b>	<b>1.08</b>
<b>Forecast</b>	<b>Depreciation</b>		

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 Pound Sterling

Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling News

- GBP/USD came under heavy selling pressure on disappointing macroeconomic data releases from the UK.
- UK retails sales fell sharply in April showed further signs on local economic slowing down and markets pares bet on BoE rate hike undermined GBPUSD.
- Risk-off arising from global growth fears and aggressive Fed rate hike expectation boosted dollar to 2 year high.
- The DXY is performing stronger against sterling on rising odds of an interest rate hike by the Federal Reserve (Fed) in May.

Pound Sterling Performance

<b>Last Week Close</b>	<b>1.28 USD/GBP</b>	<b>Monthly High</b>	<b>1.26 USD/GBP</b>
<b>Week Open</b>	<b>1.29 USD/GBP</b>	<b>Monthly Low</b>	<b>1.25 USD/GBP</b>
<b>Week Close</b>	<b>1.26 USD/GBP</b>	<b>30 Days Average</b>	<b>1.30 USD/GBP</b>
<b>Weekly High</b>	<b>1.29 USD/GBP</b>	<b>90 Days Average</b>	<b>1.33 USD/GBP</b>
<b>Weekly Low</b>	<b>1.24 USD/GBP</b>	<b>YTD Change</b>	<b>-7.47%</b>

Pound Sterling Outlook

- The pound seems vulnerable ahead of the interest rate decision by the Bank of England (BOE) this week. A rate hike by 25 bps is expected from the BOE however, the BOE is open to aggressive hawkish stance due to ramping-up inflation in the UK. A tight labor market and higher Consumer Price Index (CPI) numbers are advocating a jumbo rate hike from BOE.
- Covid-19 lockdown in China would weigh on global economy.

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
S&P GBL/CIPS Mfg PMI FNL	Apr	3-May		55.3
Halifax House Prices MM	Apr	5-May		1.4%
Reserve Assets Total	Apr	5-May		200.3B
BOE Bank Rate	May	5-May	1.00%	0.75%
GB BOE QE Corp	May	5-May	9000M	0

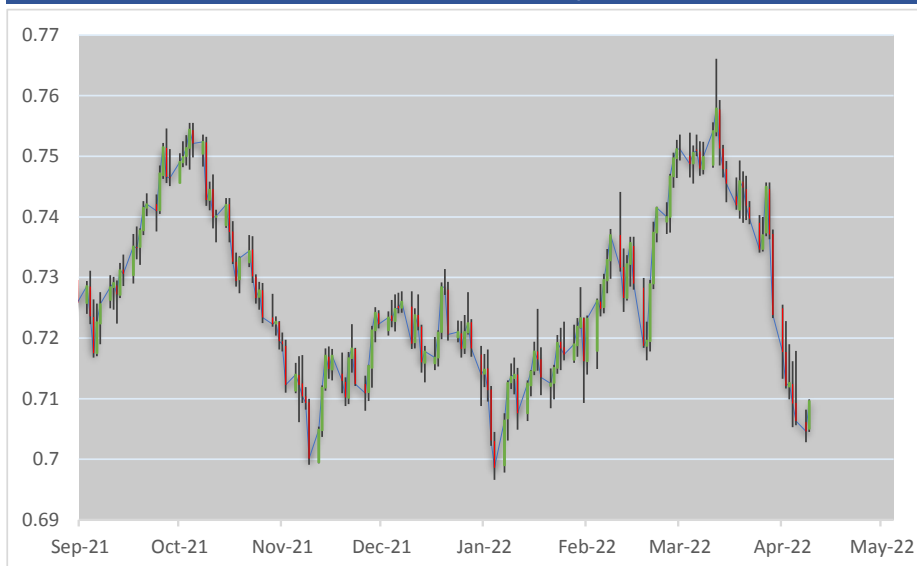
<b>Lower Bound</b>	<b>1.23</b>	<b>Upper Bound</b>	<b>1.29</b>
<b>Forecast</b>	<b>Depreciation</b>		

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 **Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar News**

- AUDUSD decline, as the risk-off mood was prevalent under possible further COVID lockdown in China while U.S. dollar remained its strength.
- A steep drop in energy, industrial and precious metal prices weighed heavily on the commodity export-dependent Aussie.
- China has expanded the mass coronavirus testing in Beijing and markets grow increasingly worried about a lockdown that would cause protracted supply-chain issues.
- On the other hand, AUDUSD rebounded from two months low on the upside surprise Australia CPI, where 1Q CPI +2.1% vs consensus +1.7%.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.72 USD/AUD</b>	<b>Monthly High</b>	<b>0.71 USD/AUD</b>
<b>Week Open</b>	<b>0.72 USD/AUD</b>	<b>Monthly Low</b>	<b>0.70 USD/AUD</b>
<b>Week Close</b>	<b>0.71 USD/AUD</b>	<b>30 Days Average</b>	<b>0.72 USD/AUD</b>
<b>Weekly High</b>	<b>0.73 USD/AUD</b>	<b>90 Days Average</b>	<b>0.72 USD/AUD</b>
<b>Weekly Low</b>	<b>0.71 USD/AUD</b>	<b>YTD Change</b>	<b>-2.31%</b>

**Australian Dollar Outlook**

- The dominant force in FX markets remained risk-off flows, with traders citing China lockdown concerns as the major driver.
- Expectations for the RBA to lift interest rates by 15 bps, with the RBA motivated by spicy Australian Q1 inflation data out earlier last week, have done little to stem the recent slide.

**Australian Dollar Economic Events**

Events	Period	Date	Forecast	Previous
RBA Cash Rate	May	3-May		0.1
Retail Sales MM Final	Mar	4-May		1.8%
Building Approvals	Mar	5-May		43.5%
Trade Balance G&S (A\$)	Mar	5-May		7457M
Trade Balance G&S (A\$)	Mar	5-May		7457M

<b>Lower Bound</b>	<b>0.69</b>	<b>Upper Bound</b>	<b>0.73</b>
<b>Forecast</b>	<b>Depreciation</b>		

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**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- Japanese Finance Minister Shunichi Suzuki is making some comments on the latest slump in the yen, noting that “rapid yen moves are undesirable.”
- The BOJ’s dovish stance widened the yield differential between the US and Japan, as the Fed remain on track for double-dose rate hikes at its May and June meetings.
- Analysts expect Japan’s economic growth to have stalled in the first quarter, and then rebounding modestly in April-June, as caution over the pandemic and rising living costs hurt consumption.

**Japanese Yen News**

- JPY benefited from fund repatriation flows sparked by global risk-aversion on FED monetary tightening and Covid-19 lockdown in China which would weigh on global economy.
- The yen hits 20 year lows after the Bank of Japan on Thursday doubled down on its commitment to maintain its massive stimulus programme and a pledge to keep interest rates ultra-low, triggering a fresh sell-off in the yen and sending government bonds rallying.
- The BOJ’s commitment to its zero-rate programme puts it at odds with major economies that are shifting toward tighter monetary policy, although inflation in Japan is expected to creep up towards the central bank’s 2% target.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>128.56 JPY/USD</b>	<b>Monthly High</b>	<b>130.47 JPY/USD</b>
<b>Week Open</b>	<b>128.58 JPY/USD</b>	<b>Monthly Low</b>	<b>129.62 JPY/USD</b>
<b>Week Close</b>	<b>129.83 JPY/USD</b>	<b>30 Days Average</b>	<b>114.47 JPY/USD</b>
<b>Weekly High</b>	<b>131.24 JPY/USD</b>	<b>90 Days Average</b>	<b>113.37 JPY/USD</b>
<b>Weekly Low</b>	<b>126.93 JPY/USD</b>	<b>YTD Change</b>	<b>+12.99%</b>

**Japanese Yen Economic Events**

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Final SA	Apr	2-May		53.4
CPI Tokyo Ex fresh food YY	Apr	6-May		0.8%
CPI, Overall Tokyo	Apr	6-May		1.3%

<b>Lower Bound</b>	<b>126.00</b>	<b>Upper Bound</b>	<b>133.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

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