

WEEKLY FOREIGN EXCHANGE OUTLOOK
17 Oct 2022 - 21 Oct 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- In the meantime, the firmer conviction of the Federal Reserve to keep hiking rates until inflation looks well under control regardless of a likely slowdown in the economic activity and some loss of momentum in the labour market continues to prop up the underlying positive tone in the index
- Looking at the more macro scenario, the greenback also appears bolstered by the Fed's divergence vs. most of its G10 peers in combination with bouts of geopolitical effervescence and occasional re-emergence of risk aversion
- Futures pricing suggests traders see a nearly 90% chance of a 0.75% rate hike in the meeting next month.

Lower Bound	111.50	Upper Bound	114.00
Forecast	Appreciation		

Dollar News

- USD index managed to attract some buyers after the sharp decline following higher-than-expected inflation figures during September.
- Headline inflation hardly eased (0.4% M/M and 8.2% Y/Y, from 8.3%). US core inflation (6.6% Y/Y) even jumped to the highest level since 1982 as the monthly pace (0.6%) stays uncomfortably elevated.
- The US yield curve inverted with the 2-y jumping north of 4.50% while 10 & 30y yields tried to take out the 4.0% barrier. Money markets embraced the idea of two additional 75 bps Fed rate hikes in November and December.
- Retail Sales in the US stayed unchanged in September.

Dollar Index Performance

Last Week Close	112.80	Monthly High	114.78
Week Open	112.75	Monthly Low	107.68
Week Close	112.16	30 Days Average	111.37
Weekly High	113.92	90 Days Average	108.19
Weekly Low	112.15	YTD Change	+17.72%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
NY Fed Manufacturing	Oct	17-Oct	-4.00	-1.50
Industrial Production MM	Sep	18-Oct	0.1%	-0.2%
Building Permits: Number	Sep	19-Oct	1.530M	1.542M
Housing Starts Number	Sep	19-Oct	1.478M	1.575M
Initial Jobless Clm	15 Oct, w/	20-Oct	232k	228k
Philly Fed Business Indx	Oct	20-Oct	-5.0	-9.9
Existing Home Sales	Sep	20-Oct	4.69M	4.80M

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- No signs of China plans to ease strict Covid curbs put pressure on global economic outlook, causing capital outflow from emerging markets and weakening THB
- Pace of the Bank of Thailand's rate rises to be "gradual" in order to ensure economic recovery is intact.
- The Thai economy is projected to continue its post-pandemic recovery with expansion of 2.8% this year and 3.7% in 2023. Although the forecast remains unchanged for this year, growth estimate is now down 0.3% for 2023, in comparison to 4% predicted in July by the IMF.

Lower Bound	37.80	Upper Bound	38.70
Forecast	Depreciation		

Thai Baht News

- The Baht continually depreciated against stronger dollar as FED continued to emphasize that rates would continue to go up until inflation was under control.
- Thailand's Consumer Confidence Index reached an 8-month high, according to the University of the Thai Chamber of Commerce, thanks to the relaxation of COVID-19 measures and the efforts to boost the general public's purchasing power. The August 2022 Consumer Confidence Index score of 43.7.
- The lowering of oil prices and the relaxation of rules for international travelers have contributed to improved consumer confidence, as well as the government's economic measures including the co-pay and state welfare campaigns.

Thai Baht Performance

Last Week Close	37.58 THB/USD	Monthly High	38.32 THB/USD
Week Open	34.43 THB/USD	Monthly Low	37.13 THB/USD
Week Close	38.28 THB/USD	30 Days Average	37.34 THB/USD
Weekly High	38.32 THB/USD	90 Days Average	36.39 THB/USD
Weekly Low	37.55 THB/USD	YTD Change	+14.58%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous

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Euro Graph



Source: Thomson Reuters

Euro News

- The Union is facing an escalation of tensions between Russia and Ukraine, with massive attacks from Moscow on its neighboring country and menaces of a potential third-world war should Ukraine join NATO. The ongoing war led to Russia cutting off its gas provision to the Old Continent, now struggling with soaring prices and shortages ahead of the winter.
- Germany confirmed annual inflation was up by 10.9% in September, in its EU-harmonized version.
- The EU is suffering from a new coronavirus wave. So far, governments have taken no measures but reinforced their vaccination campaigns and warned caution ahead of winter.

Euro Index Performance

Last Week Close	0.9741 USD/EUR	Monthly High	0.9999 USD/EUR
Week Open	0.9735 USD/EUR	Monthly Low	0.9632 USD/EUR
Week Close	0.9719 USD/EUR	30 Days Average	0.9867 USD/EUR
Weekly High	0.9808 USD/EUR	90 Days Average	1.0099 USD/EUR
Weekly Low	0.9631 USD/EUR	YTD Change	-14.19%

Euro Outlook

- So far this year, ECB has delivered two rate hikes totalling 125 bps, well below the Fed's 300 bps. The EUR/USD pair main trend is bearish despite the policy support and even as the European Central Bank hikes interest rates further. Those hikes are fully priced and along with Fed action only reinforce the risks related to tighter financial conditions.
- Recession fear and geo-political tensions continue to pressure EUR/USD.
- Germany will release the October ZEW Survey on Economic Sentiment, while the EU will unveil the final reading of its September Consumer Price Index.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
ZEW German Economic Sentiment	Oct	18-Oct	-66.0	-61.9
ZEW German Current Conditions	Oct	18-Oct	-69.0	-60.5
Euro zone HICP Final MM	Sep	19-Oct	1.2%	0.6%
Euro zone HICP Final YY	Sep	19-Oct	10.0%	10.0%
Euro Consumer Confid. Flash	Oct	21-Oct	-30.3	-28.8

Lower Bound	0.9600	Upper Bound	0.9900
Forecast	Depreciation		

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The week ahead is likely to be relatively calm data-wise but UK political headlines will likely keep GBP/USD trades on their toes. Reports around the BOE bond-buying programme as well as on the UK leadership will continue to spur movement.
- The UK CPI data will be published on Wednesday and could play a second fiddle to the BOE policy headlines. In August, UK annualized inflation unexpectedly eased to 9.9% vs. 10.2%. The UK Retail Sales will be closely followed on Friday.

Pound Sterling News

- It was another dramatic week for GBP/USD, as speculations over the UK monetary and fiscal policies kept GBP bulls afloat. GBP/USD rebounded firmly from sub-1.1000 levels amid UK political headlines.
- The Bank of England (BOE) announced additional measures to support an orderly end of its purchase scheme on October 14.
- Mixed UK employment also capped the upside attempt, as the Claimant Count Change rose to 25.5K in September, offsetting the drop in the ILO Unemployment Rate to 3.5% in three months to August
- PM Truss confirmed the U-turn on the mini-budget by announcing that they have decided to keep the corporation tax rise and added that this will act as a downpayment on the medium-term fiscal plan.

Pound Sterling Performance

Last Week Close	1.1084 USD/GBP	Monthly High	1.1495 USD/GBP
Week Open	1.1080 USD/GBP	Monthly Low	1.0925 USD/GBP
Week Close	1.1170 USD/GBP	30 Days Average	1.1256 USD/GBP
Weekly High	1.1379 USD/GBP	90 Days Average	1.1761 USD/GBP
Weekly Low	1.0922 USD/GBP	YTD Change	-16.57%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
CPI YY	Sep	19-Oct	10.0%	9.9%
Retail Sales MM	Sep	21-Oct	-0.5%	-1.6%
Retail Sales Ex-Fuel MM	Sep	21-Oct	-0.3%	-1.6%
Retail Sales YY	Sep	21-Oct	-5.0%	-5.4%

Lower Bound	1.1000	Upper Bound	1.1500
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar News

- AUD/USD remains heavy, extending its weekly losses by 2.28%.
- Non-farm average earnings climbed 5.0% YoY in the second quarter, almost double the Wage Price Index at 2.6% YoY. Therefore, it increases the likelihood of higher inflation in Australia amid a deceleration of the RBA's rate hikes
- AUD/USD gives way below 0.6300 on deteriorated sentiment and broad US dollar strength as traders re-position themselves for another jumbo-size Fed rate hike in November.

Australian Dollar Performance

Last Week Close	0.6368 USD/AUD	Monthly High	0.65470 USD/AUD
Week Open	0.6365 USD/AUD	Monthly Low	0.61710 USD/AUD
Week Close	0.6196 USD/AUD	30 Days Average	0.69399 USD/AUD
Weekly High	0.6380 USD/AUD	90 Days Average	0.69951 USD/AUD
Weekly Low	0.6169 USD/AUD	YTD Change	-13.99%

Australian Dollar Outlook

- The sharp tightening of financial conditions will reinforce fears over a hard landing for the global economy which is dragging raw industrial commodity prices closer to bear market territory. The RBA acknowledged that global slowdown risks are becoming more important in setting monetary policy at their last policy meeting, and slowed the pace of rate hikes. A wider policy divergence between the Fed and RBA in the near-term will reinforce downward pressure on the AUD.
- We expect the AUD/USD to fall back towards the 0.6000-level and closer to the COVID lows from March 2020

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Composite Leading Idx MM	Sep	19-Oct		-0.05%
Employment	Sep	20-Oct	25.0k	33.5k
Participation Rate	Sep	20-Oct	66.6%	66.6%
Unemployment Rate	Sep	20-Oct	3.5%	3.5%

Lower Bound	0.6000	Upper Bound	0.6400
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- So far the BOJ has shown no inclination to raise interest rates and remains committed to continuing with its monetary easing. The dovish bias was reaffirmed by Governor Haruhiko Kuroda's remarks, saying that increasing interest rates now was inappropriate in light of the country's economic and price conditions.
- However, the Japanese finance minister Suzuki reiterated the government's commitment to take action against excessive currency volatility.

Lower Bound	145.00	Upper Bound	150.00
Forecast	Depreciation		

Japanese Yen News

- USD/JPY hits a fresh 34-year high at 148.85. The pair has surged beyond 3% in an eight-day rally, reaching its highest levels since 1990.
- The Japanese yen is dropping like a stone weighed by the monetary policy divergence between the Bank of Japan and the Federal Reserve, and also the rest of the world's major central banks.
- While the Fed is expected to hike interest rates by 0.75% for the fourth consecutive time in November, the Bank of Japan remains committed to its ultra-expansive policy, which makes the yen less attractive for investors.

Japanese Yen Performance

Last Week Close	145.33 JPY/USD	Monthly High	148.86 JPY/USD
Week Open	145.35 JPY/USD	Monthly Low	143.54 JPY/USD
Week Close	148.74 JPY/USD	30 Days Average	132.40 JPY/USD
Weekly High	148.86 JPY/USD	90 Days Average	126.73 JPY/USD
Weekly Low	145.22 JPY/USD	YTD Change	+29.23%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Imports YY	Sep	20-Oct	45.0%	49.9%
Trade Balance Total Yen	Sep	20-Oct	-2,167.4B	-2,817.3B
CPI, Core Nationwide YY	Sep	21-Oct	3.0%	2.8%
CPI, Overall Nationwide	Sep	21-Oct		3.0%
Chain Store Sales YY	Sep	17-Oct		0.6%

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