

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**22 May 2023 - 26 May 2023**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

- Concerns about the US debt ceiling negotiations are weighing on markets.
- Investors await a key meeting between U.S. President Joe Biden and House Republican Speaker Kevin McCarthy to discuss the debt ceiling on Monday.
- On Wednesday, the Fed will release the minutes of its latest Federal Open Market Committee (FOMC) meeting. The key report in the US will be on Friday with the Core Personal Consumption Expenditures Price Index. This inflation indicator will be crucial ahead of the next Fed meeting and critical for markets.

<b>Lower Bound</b>	<b>102.00</b>	<b>Upper Bound</b>	<b>103.90</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Dollar News**

- The U.S. dollar rose to a five-week high against major peers on Monday as the safe-haven currency benefited from inflation worries at home and growth concerns globally, extending gains after its biggest weekly increase since September.
- Retail Sales rose 0.4% in April to \$686.1 billion. This reading followed the 0.7% decrease recorded in March and came in below the market expectation for an increase of 0.7%.
- The dollar rose to its highest since March 17 on Friday on reports showing lower-than-expected U.S. initial jobless claims and optimism about a possible U.S. debt-ceiling deal to avert a potential default.
- Top U.S. congressional Republican Kevin McCarthy said the House could vote on reaching a deal to raise or suspend the debt ceiling as soon as next week.
- President Joe Biden on Sunday called the latest Republican offer in talks on lifting the government's debt ceiling "unacceptable" but said he would be willing to cut spending together with tax adjustments to reach a deal.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>102.68</b>	<b>Monthly High</b>	<b>103.62</b>
<b>Week Open</b>	<b>102.71</b>	<b>Monthly Low</b>	<b>100.79</b>
<b>Week Close</b>	<b>103.00</b>	<b>30 Days Average</b>	<b>101.94</b>
<b>Weekly High</b>	<b>103.62</b>	<b>90 Days Average</b>	<b>102.81</b>
<b>Weekly Low</b>	<b>102.20</b>	<b>YTD Change</b>	<b>-0.25%</b>

**Next Week's Dollar Index Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
S&P Global Mfg PMI Flash	May	23-May	50.0	50.2
S&P Global Svcs PMI Flash	May	23-May	52.6	53.6
S&P Global Comp Flash PMI	May	23-May	50.0%	53.4%
New Home Sales-Units	Apr	23-May	663K	683K
GDP 2nd Estimate	Q1	25-May	1.1%	0.0%
Initial Jobless Clm	15 May, w,	25-May	258.97K	244.25K
Core PCE Price Index MM	Apr	26-May	0.0%	0.0%
Core PCE Price Index YY	Apr	26-May	4.60%	4.60%
Durable Goods MM	Apr	26-May	-1.00%	0.0%
U Mich Sentiment Final	May	26-May	57.9	57.7

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**Thai Baht Graph**



Source: Thomson Reuters

**Thai Baht Outlook**

- Locally, investors took heart as political concerns about the Move Forward Party's prospects of forming a government and will focus on an announcement from the Move Forward Party and its coalition partners scheduled to sign and disclose a memorandum of understanding (MoU) to the public on Monday.
- On data front, Thailand April's trade data on Friday will be in focus.

**Thai Baht News**

- The baht depreciated against the dollar after the country's two main opposition parties agreed on Monday to form a ruling coalition after they trounced in a weekend election military-backed rivals that have controlled government for nearly a decade.
- Concerns over political stability, economic policies and the transition to a new government weighed on the sentiment despite Pita Limjaroenrat announced to form a new government of 310 seats and himself as Prime Minister.
- Thailand's economy expanded 2.7% in the first quarter from a year earlier, official data showed on Monday, faster than expectations, as private consumption and tourism rebounded.

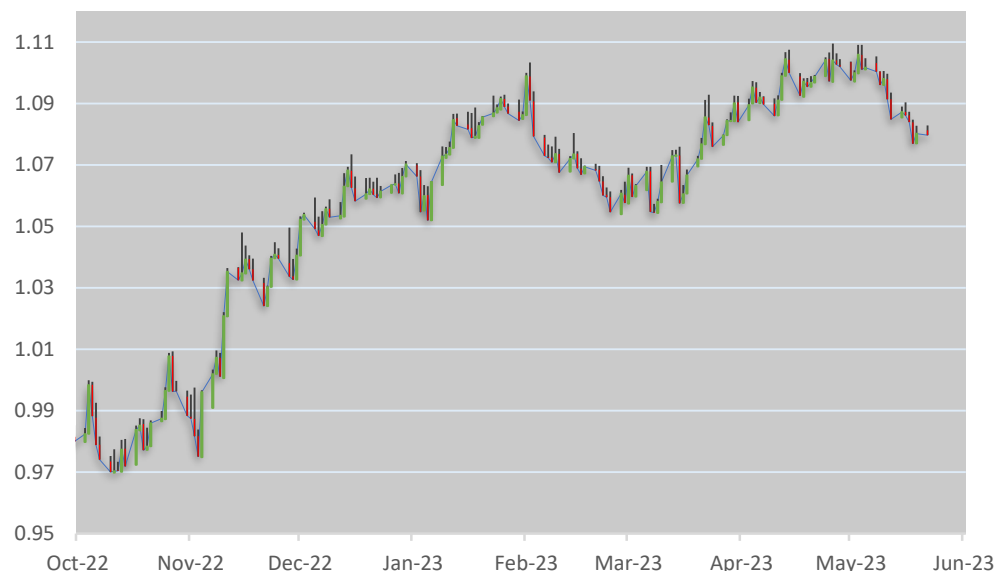
**Thai Baht Performance**

<b>Last Week Close</b>	<b>33.82 THB/USD</b>	<b>Monthly High</b>	<b>34.51 THB/USD</b>
<b>Week Open</b>	<b>34.43 THB/USD</b>	<b>Monthly Low</b>	<b>33.51 THB/USD</b>
<b>Week Close</b>	<b>34.28 THB/USD</b>	<b>30 Days Average</b>	<b>34.11 THB/USD</b>
<b>Weekly High</b>	<b>34.51 THB/USD</b>	<b>90 Days Average</b>	<b>34.03 THB/USD</b>
<b>Weekly Low</b>	<b>33.69 THB/USD</b>	<b>YTD Change</b>	<b>-0.43%</b>

**Next Week's Thai Baht Economic Events**

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Apr	26-31 MAY		-4.20%
Custom-Based Import Data	Apr	26-31 MAY		-7.10%
Customs-Based Trade Data	Apr	26-31 MAY		2.72B

<b>Lower Bound</b>	<b>34.20</b>	<b>Upper Bound</b>	<b>34.70</b>
<b>Forecast</b>	<b>Depreciation</b>		


**Euro**
**Euro Graph**


Source: Thomson Reuters

**Euro Outlook**

- On the Eurozone front, ECB lagarde signalled more interest rate hikes to tame stubborn inflation.
- On data front, Eurozone service and manufacturing PMIs release on Tuesday will be in focus.

<b>Lower Bound</b>	<b>1.0700</b>	<b>Upper Bound</b>	<b>1.1000</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Euro News**

- The preliminary estimate of the Q1 GDP came out in-line with expectations with the growth 0.1% in the three months to March. Meanwhile, Germany published the May ZEW Survey on Economic Sentiment, which unexpectedly plunged from 4.1 to -10.7 in the country, while for the EU, it contracted to -9.4 from 6.4 in April.
- European Central Bank (ECB) Vice President Luis de Guindos said the ECB will have to keep raising interest further to bring inflation back to its mid-term goal of 2% though most of the tightening has already been done.
- The euro traded higher on Friday after German Producer Prices for April came in stronger than expected, adding to expectations of more interest rate hikes by the European Central Bank. Germany's PPI rose 0.3% on the month in April, compared with the expected fall of 0.5%, while the annual figure climbed 4.1%, ahead of the forecast 4.0%.

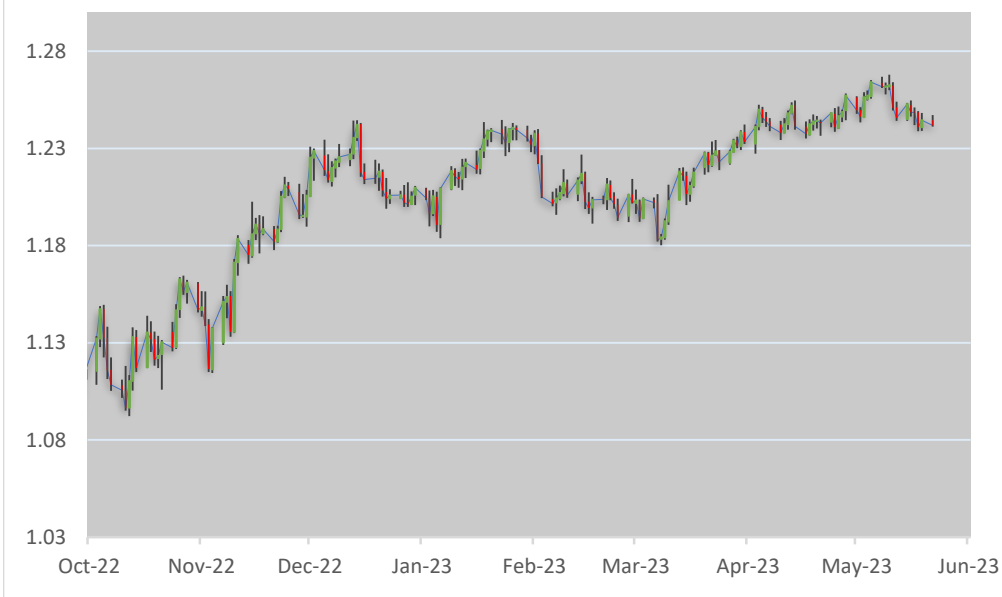
**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0848</b> USD/EUR	<b>Monthly High</b>	<b>1.1091</b> USD/EUR
<b>Week Open</b>	<b>1.0854</b> USD/EUR	<b>Monthly Low</b>	<b>1.0761</b> USD/EUR
<b>Week Close</b>	<b>1.0802</b> USD/EUR	<b>30 Days Average</b>	<b>1.0963</b> USD/EUR
<b>Weekly High</b>	<b>1.0904</b> USD/EUR	<b>90 Days Average</b>	<b>1.0821</b> USD/EUR
<b>Weekly Low</b>	<b>1.0758</b> USD/EUR	<b>YTD Change</b>	<b>+0.97%</b>

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
Consumer Confid. Flash	May	22-May		-17.5
S&P Global Mfg Flash PMI	May	23-May		44.5
S&P GLBL SVC Flash PMI	May	23-May		56.0
S&P Global Comp Flash PMI	May	23-May		54.2
S&P Global Mfg Flash PMI	May	23-May		45.8
S&P Global Serv Flash PMI	May	23-May		56.2
S&P Global Comp Flash PMI	May	23-May		54.1
Ifo Business Climate New	May	24-May		93.6
GDP Detailed QQ SA	Q1	25-May		0.0%
GfK Consumer Sentiment	Jun	25-May		-25.7

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**Pound Sterling**
**Pound Sterling Graph**


Source: Thomson Reuters

**Pound Sterling Outlook**

- The British Pound is weighed down by expectations that fewer rate increases by the Bank of England (BoE) will be needed in coming months to bring down inflation.
- On Wednesday, the UK will report on inflation with the annual rate of the Consumer Price Index (CPI) expected to rise from 1.0% to 1.4%, adding more pressure to the Bank of England.

<b>Lower Bound</b>	<b>1.2300</b>	<b>Upper Bound</b>	<b>1.2600</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Pound Sterling News**

- The British pound fell on the greenback's strength as well as poor data released.
- The employment data highlighted looser conditions in the UK labor market but wage inflation remains relatively hot. As a result, markets still see a 68% probability of a 25 basis points (bps) Bank of England (BoE) rate hike in June.
- BOE's governor reaffirm the market the BOE is determined to bring inflation down to target 2% as they are still facing a double-digit inflation.
- The UK's Office for National Statistics revealed on Tuesday that unemployment Rate ticked up to 3.9% from 3.8%. However, average earnings including bonus rose 5.8% in the three months to March, matching the previous reading and surpassing analysts' forecast of 5.1% by a wide margin
- Bank of England (BoE) Deputy Governor Dave Ramsden commented that Quantitative Tightening (QT) would be gradual, predictable, and not an active policy instrument. They added that it has some economic effects but is fairly small. "We're probably going to have several years to go for QT."

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2457</b> USD/GBP	<b>Monthly High</b>	<b>1.2679</b> USD/GBP
<b>Week Open</b>	<b>1.2451</b> USD/GBP	<b>Monthly Low</b>	<b>1.2392</b> USD/GBP
<b>Week Close</b>	<b>1.2444</b> USD/GBP	<b>30 Days Average</b>	<b>1.2489</b> USD/GBP
<b>Weekly High</b>	<b>1.2546</b> USD/GBP	<b>90 Days Average</b>	<b>1.2289</b> USD/GBP
<b>Weekly Low</b>	<b>1.2389</b> USD/GBP	<b>YTD Change</b>	<b>+2.74%</b>

**Next Week's Pound Sterling Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Flash Composite PMI	May	23-May		54.9
Flash Manufacturing PMI	May	23-May		47.8
Flash Services PMI	May	23-May		55.9
Core CPI YY	Apr	24-May		6.2
CPI YY	Apr	24-May		10.1
Retail Sales MM	Apr	26-May		-0.9
Retail Sales Ex-Fuel MM	Apr	26-May		-1
Retail Sales YY	Apr	26-May		-3.1

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 **Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar Outlook**

- Australia will release the Q1 Consumer Price Index, foreseen at 4.6% YoY, much higher than the previous 3.5% and a potential catalyst for an RBA rate hike. On Friday, the country will publish the Q1 Producer Price Index, which is expected to reach 4.2% YoY.

**Australian Dollar News**

- The AUD/USD pair has dropped below the round-level support of 0.6700 amid the release of the Reserve Bank of Australia (RBA) minutes for May's monetary policy meeting. RBA minutes indicate that it went for a rate hike due to a higher inflation outlook. More rate hikes were required due to inflation risks from weak productivity growth, persistently high services inflation, and faster-than-forecast rental increases.
- On Wednesday, the Australian Bureau of Statistics will report the Wage Price Index data for the first quarter of CY2023. As per the estimates, quarterly labor cost index data is seen accelerating to 0.9% from the former release of 0.8%, while unemployment jumped to 3.7% vs. the consensus and the former release of 3.5%.
- Meanwhile, the economic data from China show slower recovery than expected and weighed on Asian currencies.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6646</b> USD/AUD	<b>Monthly High</b>	<b>0.68180</b> USD/AUD
<b>Week Open</b>	<b>0.6635</b> USD/AUD	<b>Monthly Low</b>	<b>0.66060</b> USD/AUD
<b>Week Close</b>	<b>0.6650</b> USD/AUD	<b>30 Days Average</b>	<b>0.67183</b> USD/AUD
<b>Weekly High</b>	<b>0.6709</b> USD/AUD	<b>90 Days Average</b>	<b>0.68117</b> USD/AUD
<b>Weekly Low</b>	<b>0.6603</b> USD/AUD	<b>YTD Change</b>	<b>-2.61%</b>

**Next Week's Australian Dollar Economic Events**

Events	Period	Date	Forecast	Previous
Judo Bank Mfg PMI Flash	May	23-May		48.0
Judo Bank Svs PMI Flash	May	23-May		53.7
Judo Bank Comp PMI Flash	May	23-May		53.0
Composite Leading Idx MM	Apr	24-May		-0.01%
Retail Sales MM Final	Apr	26-May		0.4%

<b>Lower Bound</b>	<b>0.6500</b>	<b>Upper Bound</b>	<b>0.6700</b>
<b>Forecast</b>	<b>Depreciation</b>		

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**Japanese Yen Graph**



Source: Thomson Reuters

**Japanese Yen Outlook**

- The Japanese yen is further weighed down by a dovish stance adopted by the Bank of Japan (BoJ) and a deceleration in Japan's export growth to its weakest pace in more than two years in April.
- On data front, Japanese PMI on Tuesday and Tokyo CPI on Friday will be in focus.

**Japanese Yen News**

- Japanese yen depreciated against the dollar as the new BOJ governor pledged to keep ultra-loose policy unchanged.
- The preliminary reading of the first quarter 2023 of Japanese economic growth came in as 0.4% QoQ versus 0.1% expected and 0.0% prior while the Annualized GDP rose to 1.6% versus 0.7% expected and 0.1% prior. Following the data release, a Japanese government official said, "Japan's Q1 GDP posts the first QoQ gain in three quarters."
- A drop in Japanese imports and exports pointed to more economic headwinds for the country, especially amid slowing demand in its key export markets.
- USD/JPY has shown a solid recovery above 138.60 despite higher-than-projected Japan inflation. Japan's National headline CPI jumped to 3.5% while core CPI accelerated to 4.1%.
- Despite a jump in Japan's inflation, the Bank of Japan (BoJ) would favor a continuation of ultra-dovish monetary policy to keep inflation steadily above 2% for a longer period.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>135.71</b> JPY/USD	<b>Monthly High</b>	<b>138.74</b> JPY/USD
<b>Week Open</b>	<b>135.60</b> JPY/USD	<b>Monthly Low</b>	<b>133.51</b> JPY/USD
<b>Week Close</b>	<b>137.95</b> JPY/USD	<b>30 Days Average</b>	<b>130.72</b> JPY/USD
<b>Weekly High</b>	<b>138.74</b> JPY/USD	<b>90 Days Average</b>	<b>138.21</b> JPY/USD
<b>Weekly Low</b>	<b>135.58</b> JPY/USD	<b>YTD Change</b>	<b>+5.14%</b>

**Next Week's Japanese Yen Economic Events**

Events	Period	Date	Forecast	Previous
Machinery Orders MM	Mar	22-May		-4.5%
JibunBK Mfg PMI Flash SA	May	23-May		49.5
JibunBK Comp Op Flash SA	May	23-May		52.9
JibunBK SVC PMI Flash SA	May	23-May		55.4
CPI Tokyo Ex fresh food YY	May	26-May		3.5%
CPI, Overall Tokyo	May	26-May		3.5%
Service PPI	Apr	26-May		1.60%
Leading Indicator Revised	Mar	26-May		-0.7

<b>Lower Bound</b>	<b>135.00</b>	<b>Upper Bound</b>	<b>140.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

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