

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**23 Jan 2023 - 27 Jan 2023**

**Dollar Index**
**Dollar Index Graph**


Source: Thomson Reuters

**Dollar Outlook**

- Bets for smaller Fed rate hikes cap the Greenback and help limit the downside for the major.
- The dollar index, in the longer term, could weaken as Investors turn optimism over a recovery in the world's second-largest economy after the People's Bank of China (PBoC) kept its benchmark loan prime rate at historic lows for a fifth straight month on Friday.
- The market's eyes are on the release of US's GDP first release which is expected to drop by 2.6%. Core PCE price index also in focus which is schedule on Friday (27/1).

<b>Lower Bound</b>	<b>101.00</b>	<b>Upper Bound</b>	<b>102.50</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Dollar Index News**

- The US Treasury bond yields build on the overnight recovery from a four-month low and lend some support to the US Dollar as the upbeat US macro data released on last Thursday, along with fresh hawkish rhetoric from Fed officials.
- Fed Vice Chair Lael Brainard said, "Even with the recent moderation, inflation remains high, and policy will need to be sufficiently restrictive for some time to make sure inflation returns to 2 percent on a sustained basis." Meanwhile, New York Fed President John Williams said that "The destination, not speed, is the key issue for the rate hike question." Furthermore, St. Louis Federal Reserve's President James Bullard spoke for the second time last week and he said US interest rates have to rise further to ensure that inflationary pressures recede.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>102.20</b>	<b>Monthly High</b>	<b>105.63</b>
<b>Week Open</b>	<b>102.18</b>	<b>Monthly Low</b>	<b>101.53</b>
<b>Week Close</b>	<b>101.94</b>	<b>30 Days Average</b>	<b>103.67</b>
<b>Weekly High</b>	<b>103.48</b>	<b>90 Days Average</b>	<b>107.79</b>
<b>Weekly Low</b>	<b>101.53</b>	<b>YTD Change</b>	<b>-1.79%</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	Jan	24-Jan	46.2	
S&P Global Svcs PMI Flash	Jan	24-Jan	45.0	
S&P Global Comp Flash PMI	Jan	24-Jan		
Durable Goods	Dec	26-Jan	2.6%	
GDP Advance	Q4	26-Jan	2.6%	
Initial Jobless Clm	21 Jan, w/	26-Jan	205k	
New Home Sales-Units	Dec	26-Jan	0.614M	
Consumption, Adjusted MM	Dec	27-Jan	-0.1%	
U Mich Sentiment Final	Jan	27-Jan	64.6	

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**Thai Baht**
**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- Trade might thin as the Chinese's market closes whole week to celebrate Lunar New Year.
- Analysts predict lots of supporting factors for the Thai economy based on Beijing reopening the country which could lead to the stronger baht.
- The Bank of Thailand's Monetary Policy Committee will hold a rate-setting meeting on Wednesday, while the Ministry of Commerce will report December trade figures.

<b>Lower Bound</b>	<b>32.45</b>	<b>Upper Bound</b>	<b>32.85</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Thai Baht News**

- The baht last week hit a 10-month high around 32.69 to the dollar amid advances in many Asian currencies and expectations that the US Federal Reserve will opt for a smaller rate hike of just 25 basis points on Feb 1.
- The Thailand Industry Sentiment Index (TISI) fell for the first time in seven months to 92.6 points in December, from 93.5 in November, because of many holidays, a decrease in production capacity and a drop in new goods orders.
- Mr. Thanavath said businesses are also upbeat about China's reopening, which would help tourism and jobs in Southeast Asia's second-largest economy, which he predicted would grow 3.6% this year, after an estimated growth of 3.3% in 2022.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>32.85</b> THB/USD	<b>Monthly High</b>	<b>34.62</b> THB/USD
<b>Week Open</b>	<b>34.43</b> THB/USD	<b>Monthly Low</b>	<b>32.59</b> THB/USD
<b>Week Close</b>	<b>32.65</b> THB/USD	<b>30 Days Average</b>	<b>34.04</b> THB/USD
<b>Weekly High</b>	<b>33.19</b> THB/USD	<b>90 Days Average</b>	<b>35.94</b> THB/USD
<b>Weekly Low</b>	<b>32.65</b> THB/USD	<b>YTD Change</b>	<b>-5.87%</b>

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

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Dec	24-Jan	-10.65%	
Custom-Based Import Data	Dec	24-Jan	-8.00%	
Customs-Based Trade Data	Dec	24-Jan	-1.10B	
1-Day Repo Rate	25 Jan	25-Jan	1.50%	
Forex Reserves	16 Jan, w/t 27-Jan			
Currency Swaps	16 Jan, w/t 27-Jan			

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**Euro**
**Euro Graph**


Source: Thomson Reuters

**Euro Outlook**

- Hawkish policy prospects will underpin the euro as investors expect the ECB to lift rates 50 bps in Feb and March at least and do not exclude a third 50 bps increase in May.
- In the longer term, the shortage of oil and natural gas should be considered as it might affect the euro's market price. Some said that high energy prices are likely to return in the winter of 2023-2024, as natural gas stocks cannot be replenished in the summer of 2023.

**Euro News**

- The euro's latest gains could be linked to the US Dollar's broad weakness, as well as optimism surrounding the Eurozone.
- ECB President Christine Lagarde said that the ECB was determined to return it to the inflation target of 2% in a timely manner. As far as rate hikes were concerned the ECB would stay its course.
- The ECB provided a very reasonable amount of pushback against reports last week that suggested 25 bps increases were being considered. However, ECB policymaker Klaas Knot was too aggressive and stated that the ECB is planning to hike by 50 bps multiple times.
- European Commissioner for Economy Paolo Gentiloni said, "We're in a period of economic contraction".

**Euro Index Performance**

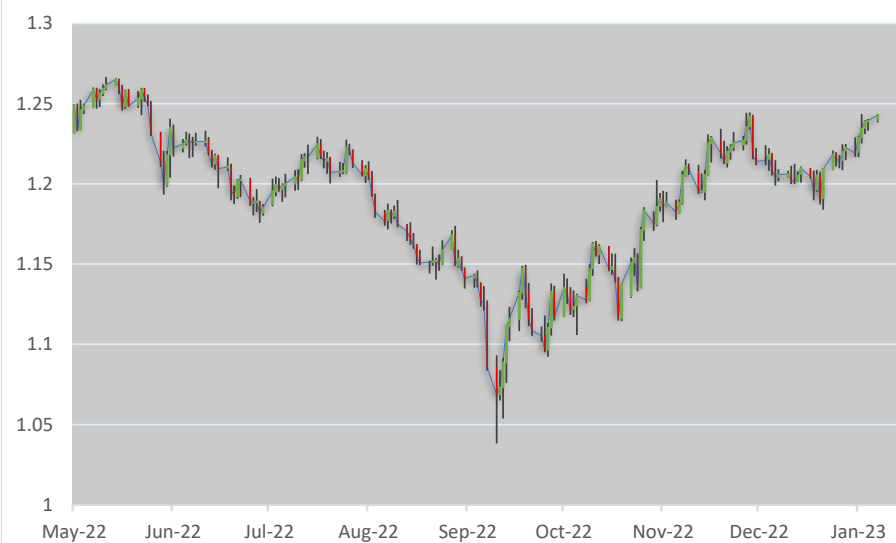
<b>Last Week Close</b>	<b>1.0828</b> USD/EUR	<b>Monthly High</b>	<b>1.0903</b>	USD/EUR
<b>Week Open</b>	<b>1.0832</b> USD/EUR	<b>Monthly Low</b>	<b>1.0484</b>	USD/EUR
<b>Week Close</b>	<b>1.0855</b> USD/EUR	<b>30 Days Average</b>	<b>1.0699</b>	USD/EUR
<b>Weekly High</b>	<b>1.0887</b> USD/EUR	<b>90 Days Average</b>	<b>1.0263</b>	USD/EUR
<b>Weekly Low</b>	<b>1.0764</b> USD/EUR	<b>YTD Change</b>	<b>+1.84%</b>	

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
Consumer Confid. Flash	Jan	23-Jan	-20.0	
S&P Global Mfg Flash PMI	Jan	24-Jan	47.8	
S&P Global Mfg Flash PMI	Jan	24-Jan	48.5	
S&P Global Serv Flash PMI	Jan	24-Jan	50.2	
Ifo Business Climate New	Jan	25-Jan	90.2	
GDP Flash QQ SA	Q4	30-Jan		
GDP Flash YY NSA	Q4	30-Jan		

<b>Lower Bound</b>	<b>1.0800</b>	<b>Upper Bound</b>	<b>1.1050</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Pound Sterling Graph**


Source: Thomson Reuters

**Pound Sterling Outlook**

- The weak economic outlook in the UK was feeding some talk that the BoE could be less hawkish on policy than previously expected.
- The argument from the BoE, Governor Andrew Bailey on the workers shortage was implied that the BoE could remain more hawkish on its policy decisions this year. Investors expect another 50 bps rate hike in February and then three more 25 bps moves as it struggles to slice the final few percentage points from services sector inflation, which will be most impacted by wage growth which could lead to the weaker pound.

<b>Lower Bound</b>	<b>1.2300</b>	<b>Upper Bound</b>	<b>1.2550</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Pound Sterling News**

- The pound was supported on the basis that the UK's consumer price index remains near 40-year highs. Additionally, the US Dollar is having a hard time with things lately.
- BoE Governor Andrew Bailey noted, "Fall in the December inflation is the beginning of a sign that a corner has been turned." While commenting on the terminal rate, the Bank of England Governor sees the interest rate peak near the market expectations at 4.5%.
- The cable weakened after the report shown that UK retail sales for December marked a contraction of 1.0% MoM compared to market expectations favoring 0.5% growth and -0.4% previous readings.

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2226</b> USD/GBP	<b>Monthly High</b>	<b>1.2447</b>	USD/GBP
<b>Week Open</b>	<b>1.2214</b> USD/GBP	<b>Monthly Low</b>	<b>1.1842</b>	USD/GBP
<b>Week Close</b>	<b>1.2393</b> USD/GBP	<b>30 Days Average</b>	<b>1.2160</b>	USD/GBP
<b>Weekly High</b>	<b>1.2435</b> USD/GBP	<b>90 Days Average</b>	<b>1.1749</b>	USD/GBP
<b>Weekly Low</b>	<b>1.2167</b> USD/GBP	<b>YTD Change</b>	<b>+2.82%</b>	

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

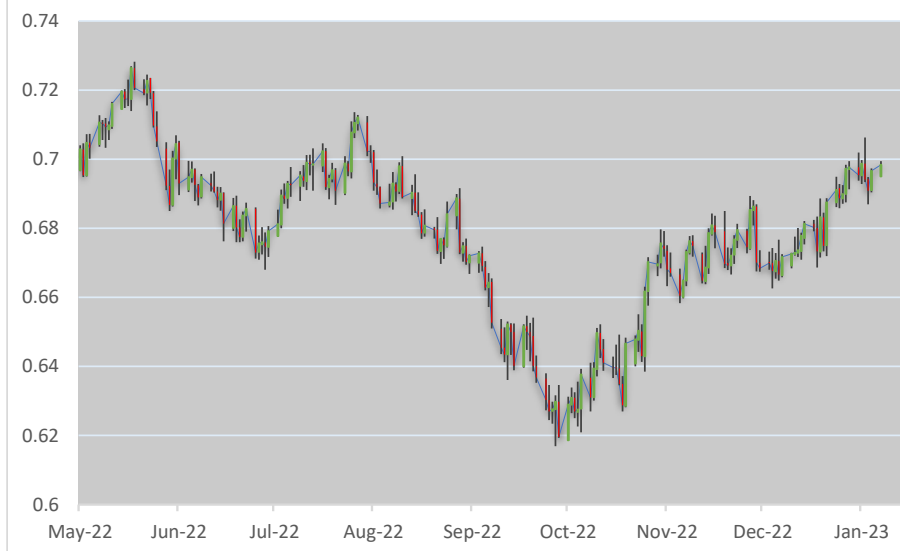
Events	Period	Date	Forecast	Previous
Flash Composite PMI	Jan	24-Jan	49.3	
Flash Manufacturing PMI	Jan	24-Jan	45.5	
Flash Services PMI	Jan	24-Jan	49.9	
CBI Business Optimism	Q1	24-Jan		
Nationwide house price mm	Jan	30-Jan		
Nationwide house price yy	Jan	30-Jan		

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 **Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar News**

- The Australian Dollar draws support from rising odds for a further interest rate hike by the Reserve Bank of Australia (RBA) in February, bolstered by stronger domestic inflation figures released last week. Consumer inflation Expectations for January improved to 5.6% versus 5.2%.
- The employment numbers for December disappointed the investors afterward as labor market witnessed a lay-off of 14.6K employees in December while it was expecting an addition of fresh 22.5k jobs. Also, the unemployment rate has climbed to 3.5% vs. the expectation and the prior release of 3.4%.
- The Australian dollar held gains amid a minor bounce in the US Dollar and retreating WTI prices.

<b>Last Week Close</b>	<b>0.6976</b> USD/AUD	<b>Monthly High</b>	<b>0.70630</b>	USD/AUD
<b>Week Open</b>	<b>0.6976</b> USD/AUD	<b>Monthly Low</b>	<b>0.66890</b>	USD/AUD
<b>Week Close</b>	<b>0.6966</b> USD/AUD	<b>30 Days Average</b>	<b>0.65422</b>	USD/AUD
<b>Weekly High</b>	<b>0.7063</b> USD/AUD	<b>90 Days Average</b>	<b>0.66634</b>	USD/AUD
<b>Weekly Low</b>	<b>0.6869</b> USD/AUD	<b>YTD Change</b>	<b>+2.61%</b>	

**Australian Dollar Outlook**

- The optimism over a recovery in the world's second-largest economy, China, could bring the Aussie appreciates as it is a main trade partner.
- The Aussie could weaken due to a risk-off impulse spurred by recession worries mounting after US economic data, indeed showed the economy is slowing.
- Money market futures imply a 60% probability for the Reserve Bank of Australia (RBA) to lift rates in February, but there's also a 40% chance the RBA will pause, given rates have risen by 300 bps.
- The market is likely to wait for the publication of the Q4 inflation data next week to fine tune its short-term rate expectations.

<b>Lower Bound</b>	<b>0.6900</b>	<b>Upper Bound</b>	<b>0.7150</b>
<b>Forecast</b>	<b>Appreciation</b>		

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Composite Leading Idx MM	Dec	25-Jan		
CPI QQ	Q4	25-Jan	1.6%	
CPI YY	Q4	25-Jan	7.5%	
RBA Weightd Medn CPI QQ	Q4	25-Jan	1.4%	
RBA Weightd Medn CPI YY	Q4	25-Jan	5.5%	
RBA Trimmed Mean CPI QQ	Q4	25-Jan	1.5%	
RBA Trimmed Mean CPI YY	Q4	25-Jan	6.5%	


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- Japanese officials and BoJ Governor Haruhiko Kuroda and his teammates have been chattering about a shift in policy stance after stability in wage growth and economic prospects.
- The yen could strengthen on a range of factors from future BoJ policy announcements to improvements in Japan's balance of payments and a revival of the safe-haven-yen status.
- The full reopening of Japan for foreign tourists, in particular from China, should also be in favour of a stronger yen.

<b>Lower Bound</b>	<b>128.00</b>	<b>Upper Bound</b>	<b>130.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Japanese Yen News**

- The Japanese yen significantly depreciated against the dollar and rallied to 130.83 JPY/USD from 128.16 JPY/USD after the BoJ kept its interest rate unchanged. Also, short-term interest target around -0.1% and the target for JGB 10 year at 0%. Moreover, it maintained a quantity of quantitative easing. BoJ Kuroda commented that there is "no need to further expand the bond target band." He further added that Japan's economy is still on the path towards recovery from the pandemic and the BoJ is aiming to achieve a 2% inflation target sustainably, stably in tandem with wage growth.
- Japan's National headline CPI has landed at 4.0%, lower than the consensus of 4.4% but higher than the former release of 3.8%. While the core inflation has soared to 3.0% higher than the expectations of 2.9%.

<b>Last Week Close</b>	<b>127.88</b> JPY/USD	<b>Monthly High</b>	<b>134.77</b> JPY/USD
<b>Week Open</b>	<b>127.83</b> JPY/USD	<b>Monthly Low</b>	<b>127.23</b> JPY/USD
<b>Week Close</b>	<b>129.57</b> JPY/USD	<b>30 Days Average</b>	<b>142.85</b> JPY/USD
<b>Weekly High</b>	<b>131.57</b> JPY/USD	<b>90 Days Average</b>	<b>137.82</b> JPY/USD
<b>Weekly Low</b>	<b>127.21</b> JPY/USD	<b>YTD Change</b>	<b>-1.53%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
JibunBK Mfg PMI Flash SA	Jan	24-Jan		
JibunBK Comp Op Flash SA	Jan	24-Jan		
JibunBK SVC PMI Flash SA	Jan	24-Jan		
Chain Store Sales YY	Dec	25-Jan		
Leading Indicator Revised	Nov	25-Jan		
Service PPI	Dec	26-Jan		
CPI Tokyo Ex fresh food YY	Jan	27-Jan	4.2%	
CPI, Overall Tokyo	Jan	27-Jan		

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