

WEEKLY FOREIGN EXCHANGE OUTLOOK
26 Feb 2024 - 01 Mar 2024

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar News

- The dollar traded mixed on Friday amid concerns about the strength of the U.S. economy after higher-than-expected producer prices raised expectations that the Federal Reserve will desist from cutting interest rates until at least the middle of the year. Fed funds futures have priced in just a 10.5% chance of a rate cut in March and 33.7% odds of easing in May.
- The S&P Global Composite PMI in the US decreased to 51.4 in February from 52, indicating a slower expansion of business activity. Meanwhile Manufacturing PMI saw an increase to 51.5 from 50.7, signaling a slight improvement in manufacturing sector growth and the Services PMI dropped to 51.3 from 52.5, reflecting a reduction in the pace of services sector. The US Department of Labor reported that individuals claiming jobless benefits for the first time were at 201K, lower than expectations of 218K and the prior of 213K. This reflects improvement in labor market conditions.

Dollar Index Performance

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|------------------------|---------------|------------------------|---------------|
| Last Week Close | 102.40 | Monthly High | 104.10 |
| Week Open | 102.44 | Monthly Low | 100.62 |
| Week Close | 103.29 | 30 Days Average | 102.49 |
| Weekly High | 103.82 | 90 Days Average | 104.37 |
| Weekly Low | 102.31 | YTD Change | +2.07% |

Dollar Outlook

• Stateside, Tuesday's Consumer Confidence Index is expected to have improved in February from easing inflation and healthy employment. Thursday's Core CPE data will also be interesting, specifically after January's inflation beats mid-month which would further push back expectations for a slew of Fed cuts this year. Markets are currently pricing in just slightly over a 20% chance that the Fed will begin easing rates in May,

Next Week's Dollar Index Economic Events

| Events | Period | Date | Forecast | Previous |
|--------------------------|----------|--------|----------|----------|
| Durable Goods | Jan 2024 | 27-Feb | -4.5 | 0 |
| Consumer Confidence | Feb 2024 | 27-Feb | 115 | 114.8 |
| GDP 2nd Estimate | Q4 2023 | 28-Feb | 3.3 | 3.3 |
| Consumption, Adjusted MM | Jan 2024 | 29-Feb | 0.2 | 0.7 |
| Core PCE Price Index MM | Jan 2024 | 29-Feb | 0.4 | 0.2 |
| PCE Price Index MM | Jan 2024 | 29-Feb | 0.3 | 0.2 |
| Initial Jobless Clm | W 24 Feb | 29-Feb | 210 | 201 |
| S&P Global Mfg PMI Final | Feb 2024 | 1-Mar | | 51.5 |
| ISM Manufacturing PMI | Feb 2024 | 1-Mar | 49.5 | 49.1 |
| U Mich Sentiment Final | Feb 2024 | 1-Mar | 79.6 | 79.6 |

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|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 103.00 | Upper Bound | 105.00 |
| Forecast | Appreciation | | |

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 **Thai Baht**

Thai Baht Graph



Source: Thomson Reuters

Thai Baht News

- The Thai baht depreciated against the dollar after Thailand's Q4 2023 GDP fell short of market expectations. Meanwhile, Thailand's PM Srettha Thavisin said on Tuesday the economy was in a critical stage and again urged the central bank to cut interest rates without waiting for a scheduled meeting.
- Thailand's Q4 2023 GDP grew only 1.7% from a year earlier, below expectations of 2.6% growth, but stronger than the 1.5% growth in Q3 due to robust tourism and rising consumption. However, the weaker-than-expected growth raised the case for an interest rate cut at the BOT's next policy review on 10th April. In the meantime, the NESDC revised growth from 2.7-3.7% to 2.2-3.2% in 2024.
- However, Bank of Thailand Governor Sethaput Suthiwartnarueput sees no need for an emergency meeting to cut interest rates, reiterating that the problems weighing on the domestic economy won't be solved by reversing monetary policy.

Thai Baht Performance

| | | | |
|------------------------|----------------------|------------------------|----------------------|
| Last Week Close | 36.06 THB/USD | Monthly High | 36.22 THB/USD |
| Week Open | 36.02 THB/USD | Monthly Low | 35.19 THB/USD |
| Week Close | 35.95 THB/USD | 30 Days Average | 35.76 THB/USD |
| Weekly High | 36.22 THB/USD | 90 Days Average | 35.36 THB/USD |
| Weekly Low | 35.69 THB/USD | YTD Change | +4.57% |

Thai Baht Outlook

- This week, Market eyes on trade data which will be released on Thursday and Manufacturing PMI on Friday.

Next Week's Thai Baht Economic Events

| Events | Period | Date | Forecast | Previous |
|--------|--------|------|----------|----------|
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|--------------------|---------------------|--------------------|--------------|
| Lower Bound | 35.50 | Upper Bound | 36.00 |
| Forecast | Depreciation | | |

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- For euro area inflation will be released on Friday, a report that will be broadly monitored that will either support or dash hopes that inflation is enroute to its 2% inflation target. Economists' estimates expect the year-over-year headline measure to be supportive and could encourage a dovish repricing; the median estimate indicates inflation to slow to 2.5% in February, down from 2.8% in January.
- Core inflation is also expected to cool year on year to around 3.0% from 3.3% over the same period amid healthier supply conditions and weakened demand. Markets are almost fully priced that ECB might ease the policy for a first cut in June, with April seen as a 36% chance

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| Lower Bound | 1.0750 | Upper Bound | 1.0950 |
| Forecast | Depreciation | | |

Euro News

- The euro traded lower against the dollar. The Eurozone witnessed the slowest pace of decline in eight months, with the provisional PMI survey data revealing stabilization in the services sector, which helped somewhat to counterbalance the continued sharp downturn in manufacturing output.
- Eurozone Composite PMI rose modestly from 47.9 in January to 48.9. Despite signaling a ninth consecutive month of contracting output, the latest reading points to a moderation in the extent of the economic downturn, excluding the initial months of the pandemic, since 2013. The manufacturing index contracted to 46.1 from the previous 46.6, while the Services PMI surged to 50 after printing at 48.4 in January.

Euro Index Performance

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|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.0774 USD/EUR | Monthly High | 1.0897 USD/EUR |
| Week Open | 1.0775 USD/EUR | Monthly Low | 1.0696 USD/EUR |
| Week Close | 1.0818 USD/EUR | 30 Days Average | 1.0818 USD/EUR |
| Weekly High | 1.0888 USD/EUR | 90 Days Average | 1.0847 USD/EUR |
| Weekly Low | 1.0760 USD/EUR | YTD Change | -1.81% |

Next Week's Euro Economic Events

| Events | Period | Date | Forecast | Previous |
|------------------------|----------|--------|----------|----------|
| Consumer Confid. Final | Feb 2024 | 28-Feb | -15.5 | -15.5 |
| Unemployment Chg SA | Feb 2024 | 29-Feb | 7.0 | -2.0 |
| Unemployment Rate SA | Feb 2024 | 29-Feb | 5.8 | 5.8 |
| CPI Prelim YY | Feb 2024 | 29-Feb | 2.6% | 2.9% |
| Unemployment Rate | Jan 2024 | 1-Mar | 6.4% | 6.4% |

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- This week will be a quiet week for the Sterling as no significant data will be released. However, the sterling will be pressured by the hawkish comment from FED members and US data.
- The improvement in global risk sentiment will likely allow the Bank of England (BoE) to maintain a patient stance, similar to other central banks. Furthermore, there remains a possibility of inflation reaching the 2% target in April.

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|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 1.2600 | Upper Bound | 1.2800 |
| Forecast | Depreciation | | |

Pound Sterling News

- The British Pound traded higher. The UK preliminary Manufacturing PMI for February came in at 47.1 versus 47.0, missing market expectations of 47.5. The Services PMI was unchanged at 54.3 but above the consensus of 54.1. Finally, the Composite PMI arrived at 53.3, against expectations and the previous reading of 52.9.
- On Friday, the GfK Consumer Confidence index for the UK came in at -21, falling short of market expectations of -18 reading and below the previous reading of -19, indicating a contraction in consumer confidence in the UK economic activity for February.

Pound Sterling Performance

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|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.2598 USD/GBP | Monthly High | 1.2772 USD/GBP |
| Week Open | 1.2599 USD/GBP | Monthly Low | 1.2519 USD/GBP |
| Week Close | 1.2679 USD/GBP | 30 Days Average | 1.2650 USD/GBP |
| Weekly High | 1.2709 USD/GBP | 90 Days Average | 1.2586 USD/GBP |
| Weekly Low | 1.2576 USD/GBP | YTD Change | -0.50% |

Next Week's Pound Sterling Economic Events

| Events | Period | Date | Forecast | Previous |
|------------------------------|--------|--------|----------|----------|
| CBI Distributive Trades | Feb-24 | 26-Feb | | -50.0 |
| BOE Consumer Credit | Jan-24 | 29-Feb | 1.6 | 1.2 |
| Mortgage Lending | Jan-24 | 29-Feb | 0.2 | -0.8 |
| Mortgage Approvals | Jan-24 | 29-Feb | 52.0 | 50.5 |
| Nationwide house price mm | Feb-24 | 1-Mar | 0.3 | 0.7% |
| Nationwide house price yy | Feb-24 | 1-Mar | 0.7 | -0.20% |
| S&P GLOBAL MANUFACTURING PMI | Feb-24 | 1-Mar | 47 | 47 |

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- With all that in mind, The Australian monthly Consumer Price Index (CPI) for January will be due on Wednesday, the consensus heading into the event suggests a slight uptick in the YoY inflation measure to 3.5% in January, up from 3.4% in December 2023, and the Retail Sales will be released on Thursday.

Australian Dollar News

- Australia's Manufacturing Purchasing Manager Index (PMI) fell back into contraction, printing at 47.7 versus the previous 50.1. The Australian Manufacturing PMI component has only printed above the 50.0 level once in the last 12 consecutive prints.
- However, Australia's Judo Bank Composite PMI returned to growth figures above 50.0 for the first time since last October, and saw its highest print since May of last year. The Judo Bank Services PMI fueled the rebound, climbing from 49.1 to a nine-month high of 52.8.
- The Aussie jumped in the short end of the US Treasury bond yield curve, and capped the USD's losses, according to the US Dollar Index at 103.94, down 0.05%. In the meantime, Federal Reserve officials crossed the wires, led by Vice-Chair Philip Jefferson, Philadelphia Fed President Patrick Harker, and Governor Lisa Cook.

Australian Dollar Performance

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|------------------------|-----------------------|------------------------|------------------------|
| Last Week Close | 0.6531 USD/AUD | Monthly High | 0.66100 USD/AUD |
| Week Open | 0.6527 USD/AUD | Monthly Low | 0.64430 USD/AUD |
| Week Close | 0.6560 USD/AUD | 30 Days Average | 0.66976 USD/AUD |
| Weekly High | 0.6595 USD/AUD | 90 Days Average | 0.65058 USD/AUD |
| Weekly Low | 0.6519 USD/AUD | YTD Change | -4.35% |

Next Week's Australian Dollar Economic Events

| Events | Period | Date | Forecast | Previous |
|-------------------------|----------|--------|----------|----------|
| Weighted CPI YY | Jan 2024 | 28-Feb | 3.6 | 3.4 |
| CPI SA MM | Jan 2024 | 28-Feb | | -0.1 |
| CPI SA YY | Jan 2024 | 28-Feb | | 3.4 |
| Capital Expenditure | Q4 2023 | 29-Feb | 0.5 | 0.6 |
| Retail Sales MM Final | Jan 2024 | 29-Feb | 1.5 | -2.7 |
| Judo Bank Mfg PMI Final | Feb 2024 | 29-Feb | | 47.7 |

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| Lower Bound | 0.6450 | Upper Bound | 0.6650 |
| Forecast | Depreciation | | |

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Japanese Yen
Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Friday's Japanese manufacturing PMI and Unemployment rate are in investor's focus which are expected to be unchanged from the previous released.

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|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 149.50 | Upper Bound | 151.50 |
| Forecast | Depreciation | | |

Japanese Yen News

The yen still hovered around 150.00 level as Japan's economy contracted in the 4th quarter on weak domestic demand and slipped into a recession, which might have derailed the BoJ's plan to exit its ultra-easy policy this year. Meanwhile, Japan's Finance Minister Shunichi Suzuki reiterated on Friday that the government will closely monitor FX moves and it is important for currencies to move in a stable manner, reflecting fundamentals.

- The yen depreciated against the dollar after weaker-than-expected PMI data weighed, as manufacturing activity shrank further in February while growth in services worsened. Still, markets remained on watch for any intervention in currency markets by the Japanese government, following some verbal warnings from ministers last week.
- Japan's core cpi rise 2.0% above the expectation of 1.8%, keeping alive expectations it well and negative interest rates by April.

Japanese Yen Performance

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|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 150.21 JPY/USD | Monthly High | 150.88 JPY/USD |
| Week Open | 150.08 JPY/USD | Monthly Low | 145.90 JPY/USD |
| Week Close | 150.50 JPY/USD | 30 Days Average | 149.96 JPY/USD |
| Weekly High | 150.76 JPY/USD | 90 Days Average | 146.60 JPY/USD |
| Weekly Low | 149.67 JPY/USD | YTD Change | +6.20% |

Next Week's Japanese Yen Economic Events

| Events | Period | Date | Forecast | Previous |
|-----------------------------|----------|--------|----------|----------|
| Service PPI | Jan 2024 | 25-Feb | | 2.4 |
| CPI, Core Nationwide YY | Jan 2024 | 26-Feb | 1.8 | 2.3 |
| CPI, Overall Nationwide | Jan 2024 | 26-Feb | | 2.6 |
| Leading Indicator Revised | Dec 2023 | 28-Feb | | 1.9 |
| Industrial O/P Prelim MM SA | Jan 2024 | 28-Feb | -7.3 | 1.4 |
| Large Scale Retail Sales YY | Jan 2024 | 28-Feb | | 3 |
| Jobs/Applicants Ratio | Jan 2024 | 29-Feb | 1.27 | 1.27 |
| Unemployment Rate | Jan 2024 | 29-Feb | 2.4 | 2.4 |
| JibunBK Mfg PMI Final SA | Feb 2024 | 1-Mar | | 47.2 |

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