

WEEKLY FOREIGN EXCHANGE OUTLOOK

15 Jan 2024 - 19 Jan 2024

 **Dollar Index**

Dollar Index Graph



Source: Thomson Reuters

Dollar Outlook

- Despite higher CPI numbers, the market remains stubborn and expects the Fed to initiate its easing cycle sooner rather than later, and the soft PPI readings gave markets a reason to bet on a less aggressive approach.
- The CME FedWatch Tool reveals no rate hike predictions for the January meeting, as markets continued to price in about a 70% probability that the Fed will cut the interest rate in March even after higher-than-expected US Consumer Price Index (CPI) data in December.
- This week will be light in terms of macroeconomic releases. The US will publish December Retail Sales and the preliminary estimate of the January Michigan Consumer Sentiment Index.

Lower Bound	101.13	Upper Bound	103.09
Forecast	Depreciation		

Dollar News

- The US Dollar Index (DXY) maintains its position to build on recent gains after positive US inflation data was released on Thursday. Despite a slight setback in the previous session due to a decline in US Treasury yields.
- Inflation in the US, as measured by the change in the Consumer Price Index (CPI), rose to 3.4% on a yearly basis in December, the US Bureau of Labor Statistics (BLS) reported on Thursday. This print followed 3.1% in November and came in stronger than the market expectation of 3.2%.
- U.S. PPI inflation saw a decline for the third month in succession, month on month, even as the annualised number rose from 0.9% to 1% sending the 2-year yield to its lowest levels since last May below 4.2%.
- Escalating geopolitical tensions in the Middle East caused investors to stay away from risk-sensitive assets.

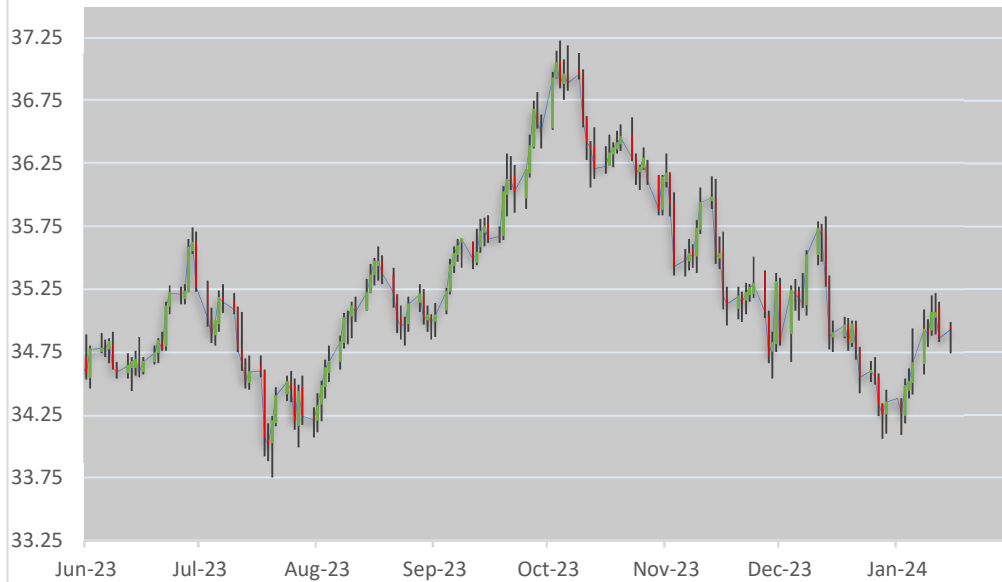
Dollar Index Performance

Last Week Close	102.41	Monthly High	104.26
Week Open	102.44	Monthly Low	100.62
Week Close	102.40	30 Days Average	102.59
Weekly High	103.10	90 Days Average	104.49
Weekly Low	102.08	YTD Change	+1.28%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Import Prices YY	Dec	17-Jan		
Retail Sales MM	Dec	17-Jan	0.4%	
Industrial Production MM	Dec	17-Jan	0.0%	
Housing Starts Number	Dec	18-Jan	1.439M	
Initial Jobless Clm	13 Jan, w/	18-Jan	207k	
Philly Fed Business Indx	Jan	18-Jan	-8.0	-12.8
Existing Home Sales	Dec	19-Jan	3.82M	
U Mich Sentiment Prelim	Jan	19-Jan	69.6	

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht News

- Thai baht depreciated against the dollar as Thailand's Prime Minister Srettha Thavisin discussed monetary policy with the central bank governor on Wednesday, days after publicly urging the Bank of Thailand (BOT) to start cutting borrowing costs following months of negative inflation. The discussion with BOT's Sethaput Suthiwartnarueput covered interest rates and the economic situation, Srettha, who is also the finance minister, told reporters in Bangkok on Wednesday. He acknowledged that the meeting was in no way an exercise to reduce the central bank's autonomy.
- The baht traded volatiles against the dollar on Friday as last night the dollar gained aboard after a result of higher-than-expected US inflation readings but the pressure was quickly lifted after market see signs of economic slowdown.
- December accommodation confidence index continues to grow It is expected that income will gradually recover to the level before Covid O1/2024.

Thai Baht Performance

Last Week Close	34.51 THB/USD	Monthly High	35.22 THB/USD
Week Open	34.66 THB/USD	Monthly Low	34.12 THB/USD
Week Close	34.86 THB/USD	30 Days Average	34.86 THB/USD
Weekly High	35.22 THB/USD	90 Days Average	35.58 THB/USD
Weekly Low	34.57 THB/USD	YTD Change	+1.72%

Thai Baht Outlook

- The market is keeping an eye on the press conference "BOT Policy Briefing: Revealing the National Bank Policy Concept" of the Bank of Thailand (BoT) to see what attitude or signal there will be regarding the direction of policy interest rates.
- The Bank of Thailand hopes to announce a Virtual Bank by the beginning of 2024, expecting to see it in the first half of 2026.
- Prime Minister Srettha Thavisin is looking to expand trade opportunities and attract investment to stimulate economic growth and enhance people's quality of life.

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Dec	19-Jan		
Custom-Based Import Data	Dec	19-Jan		
Customs-Based Trade Data	Dec	19-Jan		

Lower Bound	34.14	Upper Bound	35.19
Forecast	Appreciation		

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Euro Graph


Source: Thomson Reuters

Euro Outlook

- The ECB has reached its monetary policy pivot despite no official confirmation on the matter. President Christine Lagarde may likely keep the door open to additional hikes and reaffirm the data-dependent stance. Still, given the poor macroeconomic conditions and persistent price pressures, a rate cut in the EU may be closer than what the market believes.
- European Central Bank (ECB) officials emphasized the need to wait for more data before making decisions on rate normalization.

Lower Bound	1.0800	Upper Bound	1.1050
Forecast	Depreciation		

Euro News

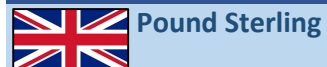
- EUR firmed against the dollar as the USD retreated. Dec Eurozone economic confidence gained more than expected, with a notable bounce in the service sector sentiment, however retail sales contracted 0.3% MoM in Nov.
- Data showed German industrial production dropped in Nov, however Eurozone unemployment rate dipped unexpectedly. ECB officials appear divided on rate cuts.
- EUR/USD remained on the defensive and briefly approached the proximity of the 1.0900 key support amidst the resumption of the buying interest in the dollar and the safe haven space.

Euro Index Performance

Last Week Close	1.0941 USD/EUR	Monthly High	1.1046 USD/EUR
Week Open	1.0944 USD/EUR	Monthly Low	1.0878 USD/EUR
Week Close	1.0949 USD/EUR	30 Days Average	1.0942 USD/EUR
Weekly High	1.0990 USD/EUR	90 Days Average	1.0765 USD/EUR
Weekly Low	1.0909 USD/EUR	YTD Change	-0.94%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Total Trade Balance SA	Nov	15-Jan		
Reserve Assets Total	Dec	15-Jan		
HICP Final YY	Dec	16-Jan	3.8%	
ZEW Economic Sentiment	Jan	16-Jan	12.7	
ZEW Current Conditions	Jan	16-Jan	-77.0	
HICP Final MM	Dec	17-Jan	0.2%	
HICP Final YY	Dec	17-Jan	2.9%	
Consumer Confid. Flash	Jan	19-Jan		

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- This week, the market will focus on UK labor and wage earnings. UK Employment Change last came in at 50K in October, while Average Earnings is expected to fall back in both the Including & Excluding Bonuses, with Average Earnings Including Bonuses forecast to decline from 7.2% to 6.8% for the annualized quarter ended November.
- The money markets show traders are close to pricing in four rate cuts by the BoE this year, potentially as early as May, but definitely by June.
- However, the upside in the GBP/USD pair was likely capped by escalating geopolitical tensions between the West and Iran-backed Houthi rebels.

Lower Bound	1.2600	Upper Bound	1.2800
Forecast	Neutral		

Pound Sterling News

- GBP rose against the dollar and extended gains as broad-market risk appetite stepped up weighed on the USD. Additionally dovish remarks by Atlanta Fed Bostic underpinned GBP.
- GBP rose against the dollar influenced by BOE Governor Bailey's comments on inflation control and stable UK employment levels. Additionally UK yield rise ahead of U.S. CPI gave support to GBP.
- The UK's Office for National Statistics (ONS) reported on Friday that the Gross Domestic Product grew by 0.3% on a monthly basis in November following the 0.3% contraction recorded in October. The ONS also announced that Industrial Production and Manufacturing Production expanded by 0.3% and 0.4%, respectively, in the same period. GBP/USD showed no immediate reaction to these data and was last seen moving up and down in a narrow range above 1.2750.

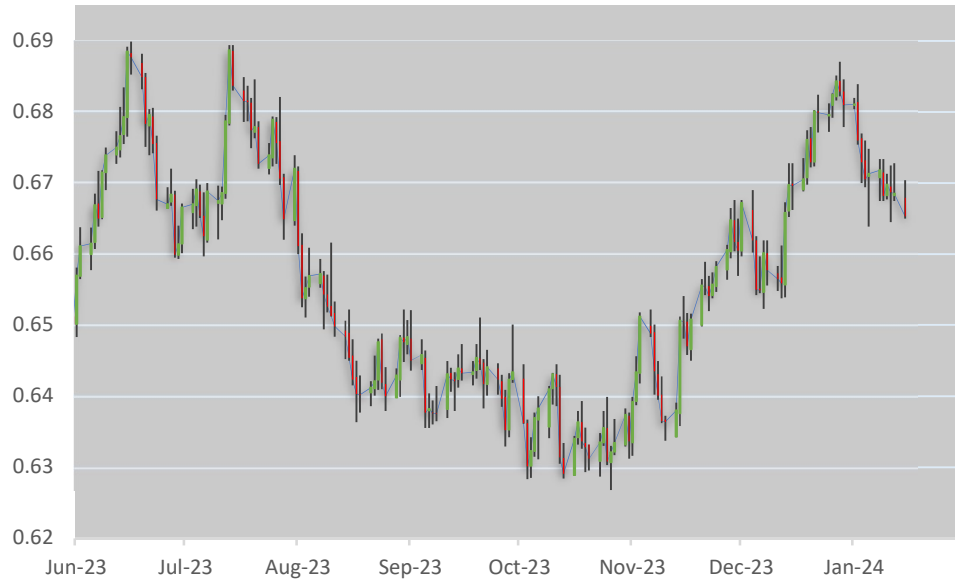
Pound Sterling Performance

Last Week Close	1.2716 USD/GBP	Monthly High	1.2785 USD/GBP
Week Open	1.2719 USD/GBP	Monthly Low	1.2612 USD/GBP
Week Close	1.2751 USD/GBP	30 Days Average	1.2677 USD/GBP
Weekly High	1.2785 USD/GBP	90 Days Average	1.2433 USD/GBP
Weekly Low	1.2670 USD/GBP	YTD Change	-0.13%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
House Price Rightmove MM	Jan	15-Jan		
ILO Unemployment Rate	Nov	16-Jan	4.3%	
HMRC Payrolls Change	Dec	16-Jan		
Core CPI YY	Dec	17-Jan	4.9%	
CPI YY	Dec	17-Jan	3.8%	
Retail Sales MM	Dec	19-Jan	-0.5%	
Retail Sales Ex-Fuel MM	Dec	19-Jan	-0.6%	
Retail Sales YY	Dec	19-Jan	1.1%	

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- The Australian Bureau of Statistics (ABS) data on job vacancies, showing a decline for six consecutive quarters, aligns with the easing pressures in the labor market. These findings imply that there may be no further interest rate hikes from the RBA in February.
- Australia's data also showed the increase in November's Retail Sales and the widening of December's Trade Surplus present contrasting signals. These positive economic indicators could influence the RBA to refrain from implementing any monetary policy easing despite the subdued inflation data.

Australian Dollar News

- Retail Sales in Australia increased by 2% on a monthly basis in November, the Australian Bureau of Statistics reported on Tuesday. This reading followed the 0.2% contraction registered in October and came in better than the market expectation for a 1.2% growth. AUD/USD showed no immediate reaction to these figures and retreated to the 0.6700 area.
- The data from Australia showed early Wednesday that the Consumer Price Index (CPI) rose 4.3% on a yearly basis in November. This reading followed the 4.9% increase recorded in October and came in a tad below the market expectation of 4.4%.
- AUD edged lower on the stronger-than-expected December US inflation figures. While Australian Trade Balance jumped to 11.437M in November.

Australian Dollar Performance

Last Week Close	0.6713 USD/AUD	Monthly High	0.68390 USD/AUD
Week Open	0.6708 USD/AUD	Monthly Low	0.66410 USD/AUD
Week Close	0.6685 USD/AUD	30 Days Average	0.64003 USD/AUD
Weekly High	0.6734 USD/AUD	90 Days Average	0.64557 USD/AUD
Weekly Low	0.6645 USD/AUD	YTD Change	-2.31%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Employment	Dec	18-Jan	17.2k	
Participation Rate	Dec	18-Jan	67.1%	
Unemployment Rate	Dec	18-Jan	3.9%	

Lower Bound	0.6500	Upper Bound	0.6850
Forecast	Appreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The BOJ is expected to lift rates out of negative territory, a decision pushed back due to recent earthquake.
- The BoJ board is widely expected to keep ultra-loose policy settings unchanged.
- Looking ahead, the Japanese Machine Tool Orders are due on Monday. However, this low-tier data might not impact the market.

Lower Bound	143.00	Upper Bound	147.00
Forecast	Depreciation		

Japanese Yen News

- The data from Japan showed that the annual Tokyo Consumer Price Index rose 2.4% in December, down from 2.6% increase recorded in November.
- JPY ended weaker against the US dollar hampered by softer than expected Japanese wages growth data. Labor earnings growth for November slowed to 0.2% YoY from 1.5%. Trade unions are pushing for pay awards of 5% YoY.
- On Friday, the report said the Bank of Japan (BOJ) is likely to cut its core inflation forecast for the fiscal year 2024 (currently 2.8%) amid the recent decline in oil prices. Additionally, the BOJ is expected to maintain its projection that trend inflation will stay near its 2% target in the coming years, despite global economic uncertainty and lacklustre spending.

Japanese Yen Performance

Last Week Close	144.65 JPY/USD	Monthly High	146.41 JPY/USD
Week Open	144.57 JPY/USD	Monthly Low	140.82 JPY/USD
Week Close	144.90 JPY/USD	30 Days Average	147.14 JPY/USD
Weekly High	146.41 JPY/USD	90 Days Average	143.55 JPY/USD
Weekly Low	143.41 JPY/USD	YTD Change	+3.34%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Corp Goods Price MM	Dec	16-Jan	0.0%	
Corp Goods Price YY	Dec	16-Jan	-0.3%	
Reuters Tankan N-Man Idx	Jan	17-Jan		
Machinery Orders MM	Nov	18-Jan	-0.8%	
Machinery Orders YY	Nov	18-Jan	0.2%	
CPI, Core Nationwide YY	Dec	19-Jan	2.3%	
CPI, Overall Nationwide	Dec	19-Jan		
Tertiary Ind Act NSA	Nov	19-Jan		

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