

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**15 Jun 2020 - 19 Jun 2020**



**Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

- Key risks this week should be the release of the U.S. retail sales, Fed chair Powell's Testimony and the second wave of the coronavirus.
- Focusing on domestic concerns, U.S. retail sales is due on Tuesday. The result is expected to rise 7.0 percent m/m in May, but it wouldn't be surprising to see a better-than-expected outcome.
- The upside potential for the U.S. dollar could come from cautious central bank commentary. Mr Powell may reiterate some of his concerns about the economic outlook mentioned last week.
- Doubts over the pace of an economic recovery may reignite risk aversion, supporting USD. Markets may also look forward to nations gradually easing lockdown measures.
- The second wave could perhaps discourage travel and consumption, sinking equities and boosting the demand for U.S. dollar.

<b>Lower Bound</b>	<b>95.52</b>	<b>Upper Bound</b>	<b>100.36</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Dollar News**

- It is a volatile week. At the beginning of last week, the U.S. dollar fell against the Antipodean currencies after better than expected improvement in U.S. labour market data bolstered expectations for economic recovery, which reduced safe-heaven demand including the greenback.
- Moreover, the U.S. dollar extended loss against a basket of major currencies after the Federal Reserve made no policy changes, as expected, and pledged to continue its asset purchases aimed at stabilizing a U.S. economy that has been ravaged by the novel coronavirus. The Fed also did not announce any measures to cap the rise of bond yield, as some has speculated.
- However, at the end of last week, the U.S. dollar held firm against risky currencies after global stock prices tumbled on renewed doubts over the prospects of a quick recovery in the global economy.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>96.94</b>	<b>Monthly High</b>	<b>100.56</b>
<b>Week Open</b>	<b>96.84</b>	<b>Monthly Low</b>	<b>95.72</b>
<b>Week Close</b>	<b>96.49</b>	<b>30 Days Average</b>	<b>98.65</b>
<b>Weekly High</b>	<b>97.63</b>	<b>90 Days Average</b>	<b>99.06</b>
<b>Weekly Low</b>	<b>95.72</b>	<b>YTD Change</b>	<b>+0.78%</b>

**Dollar Index Economic Events**

Events	Period	Date	Forecast	Previous
Retail Sales MM	May	16-Jun	7.0%	-16.4%
Industrial Production MM	May	16-Jun	2.4%	-11.2%
Housing Starts Number	May	17-Jun	1.077M	0.891M
Initial Jobless Claims	8 Jun, w/e	18-Jun		1,542k
Philly Fed Business Indx	Jun	18-Jun	-25.0	-43.1

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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- This week, we expect the Baht to move fluctuatedly between 30.80 – 31.40 THB/USD.
- The baht is likely to be volatile and move sideway, so those involved with international trade should pay attention to currency risk management.
- Looking ahead, the country's current account surplus will not be high so will not put as much upward pressure on the baht as last year.
- The Thai currency has breached its 200-day moving average resistance, a technical pattern that could encourage speculative inflows.
- The Bank of Thailand remain concerned over the baht's recent and rapid appreciation and added it's ready to take steps to curb a climb that could imperil an already fragile economy.

<b>Lower Bound</b>	<b>30.92</b>	<b>Upper Bound</b>	<b>31.25</b>
<b>Forecast</b>	<b>Neutral</b>		

**Thai Baht News**

- Last week, the Baht traded in an appreciating trend driven by the weakness in the U.S. dollar which has strengthened demand for emerging markets currencies including the Thai baht which has hit four-month highs.
- Moreover, the Baht was supported by capital inflows both of stock and bond markets.
- The Center for COVID-19 Situation Administration (CCSA) announced that nearly 95 percent of restrictions were now unlocked with only a few exceptions still closed, notably bars, pubs, karaoke lounges, nightclub, massage parlours (soapies) and nightlife related venues.
- The State of Emergency (SOE) will continue to remain in place until July 1, but the curfew (11 p.m. to 3 a.m.) could be lifted for 15 days until then. ☐

**Thai Baht Performance**


<b>Last Week Close</b>	<b>31.45 THB/USD</b>	<b>Monthly High</b>	<b>31.82 THB/USD</b>
<b>Week Open</b>	<b>31.50 THB/USD</b>	<b>Monthly Low</b>	<b>30.83 THB/USD</b>
<b>Week Close</b>	<b>30.96 THB/USD</b>	<b>30 Days Average</b>	<b>31.83 THB/USD</b>
<b>Weekly High</b>	<b>31.51 THB/USD</b>	<b>90 Days Average</b>	<b>31.96 THB/USD</b>
<b>Weekly Low</b>	<b>30.83 THB/USD</b>	<b>YTD Change</b>	<b>+3.91%</b>

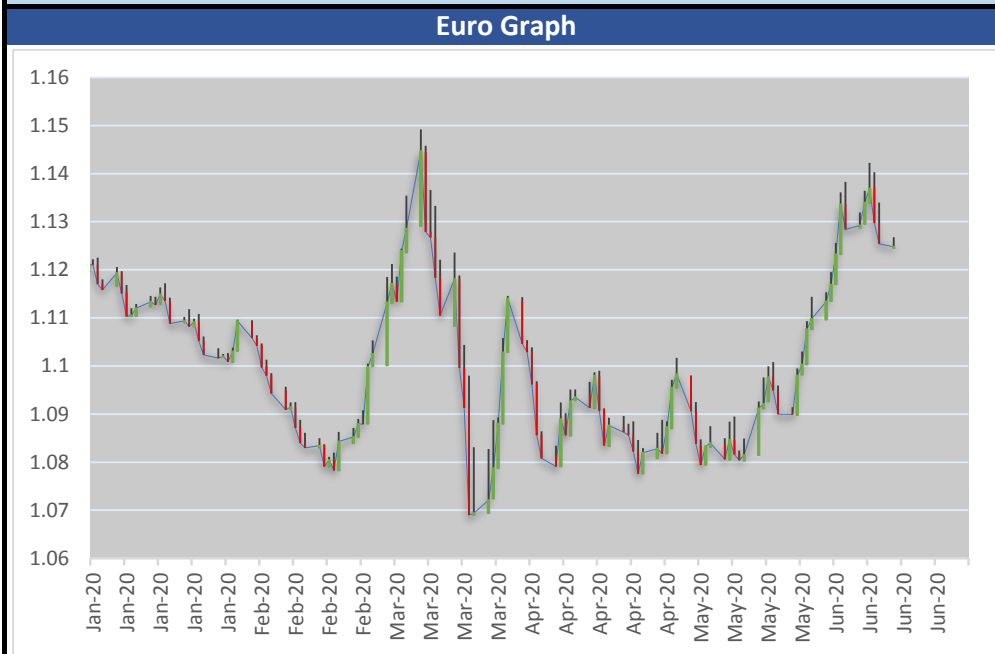
**Thai Baht Economic Events**

Events	Period	Date	Forecast	Previous

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

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 **Euro**



Source: Thomson Reuters

**Euro Outlook**

- The upcoming week will bring some June data, which will catch a bit more of attention, particularly those coming from Europe.
- Also on the agenda this coming week is Tuesday's ZEW economic sentiment index for Germany in June. This survey-based index is calculated from the views of analysts and investors but is not as well respected as the better-known Ifo index and therefore should not be market-moving, particularly as the hit to the Eurozone economy from the coronavirus pandemic has already been largely priced in.
- EUR/USD retains its long-term bullish stance, critical support at 1.1175.

<b>Lower Bound</b>	<b>1.08</b>	<b>Upper Bound</b>	<b>1.15</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Euro News**



- The EUR/USD pair topped 1.1422 last week, its highest since last March, but gave up most of its gains to close it with modest losses below the 1.1300 level.
- Optimism ruled throughout the first half of last week, as Europe and the US continue to ease restrictive measures related to the coronavirus pandemic, boosting hopes for a soon-to-come economic recovery.
- As expected, macroeconomic data had a limited impact on currencies, as most figures belong to April and May, when strict lockdown measures kept activity paralyzed. Among the most relevant figures, EU Q1 was confirmed at -3.6%, slightly better than the -3.8% previously estimated.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.13 USD/EUR</b>	<b>Monthly High</b>	<b>1.14 USD/EUR</b>
<b>Week Open</b>	<b>1.13 USD/EUR</b>	<b>Monthly Low</b>	<b>1.11 USD/EUR</b>
<b>Week Close</b>	<b>1.13 USD/EUR</b>	<b>30 Days Average</b>	<b>1.10 USD/EUR</b>
<b>Weekly High</b>	<b>1.14 USD/EUR</b>	<b>90 Days Average</b>	<b>1.10 USD/EUR</b>
<b>Weekly Low</b>	<b>1.12 USD/EUR</b>	<b>YTD Change</b>	<b>+0.32%</b>

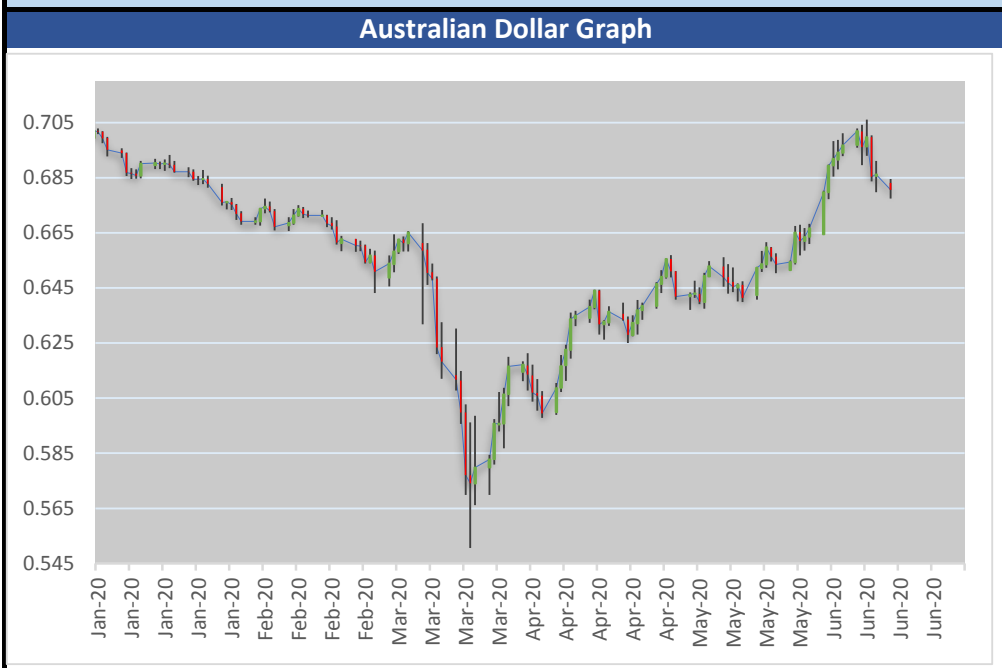
**Dollar Index Economic Events**

Events	Period	Date	Forecast	Previous
CPI (EU Norm) Final MM	May	15-Jun		-0.2%
CPI (EU Norm) Final YY	May	15-Jun		-0.2%
Reserve Assets Total	May	15-Jun		909.92B
HICP Final YY	May	16-Jun	0.5%	0.5%
ZEW Economic Sentiment	Jun	16-Jun	57.0	51.0
ZEW Current Conditions	Jun	16-Jun	-85.0	-93.5
HICP Final MM	May	17-Jun	0.0%	0.3%
HICP Final YY	May	17-Jun	0.1%	0.1%

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<b>Pound Sterling Graph</b> 		<b>Pound Sterling News</b> <ul style="list-style-type: none"> <li>• GBP/USD has dropped from the peak following the Fed's pessimism.</li> <li>• Data on Friday (12/6) showed that Britain's economy, worse than expected, shrank by a record 20.4% in April from March as the country spent the month in a tight coronavirus lockdown.</li> <li>• COVID-19 remains a concern also in the UK, where the curve is flattening at a frustrating rate and the government is only taking baby steps to reopen the economy.</li> </ul>																																														
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<b>Pound Sterling Outlook</b> <ul style="list-style-type: none"> <li>• Escalation in US-China tensions and the concern of second wave crisis caused market fluctuation and limited GBP's performance.</li> <li>• Extending the Brexit transition period is necessary for a bespoke, close UK-EU deal; refusing means either a rudimentary free trade agreement or no-deal at the end of 2020.</li> <li>• This week, the market will focus on Bank of England (BOE) rate decision on Thursday (18/6). There is no consensus among MPC members about negative rate, which may be positive to GBP sentiment.</li> <li>• To be released of the UK CPI, UK retail sales and coronavirus developments are in focus.</li> </ul>		<b>Pound Sterling Economic Events</b>																																														
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 **Australian Dollar**



Source: Thomson Reuters

**Australian Dollar Outlook**

- Fears about the US economy amid coronavirus and political unrest could send markets and the Aussie down for another week.
- This week, the market will focus on the released of Australia's jobs report and Chinese data.
- Australia is set to announce another significant loss of jobs in May, following a decrease of nearly 600,000 in April. The Unemployment Rate is projected to leap, albeit on top of a return of the participation rate to pre-pandemic levels. AUD/USD is set to rock on any outcome, and investors will look for signs of recovery, amid the reopening.
- Also in focus. The Reserve Bank of Australia's meeting minutes may shed more light on the recent rate decision. The RBA seemed to signal it is taking a break from further easing as the economy stabilizes. ☒

<b>Lower Bound</b>	<b>0.64</b>	<b>Upper Bound</b>	<b>0.71</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Australian Dollar News**

- AUD/USD hit new highs early in last week after data showed a smaller-than-expected fall in Chinese exports, which supports commodity currencies.
- Australia's COVID-19 situation remains under control as the gradual return to normal continues. It can still envy New Zealand – which reported no cases in two weeks – but Australia is also a standout in the world.
- However, the Aussie nursed heavy losses on Friday (12/6) as a sudden sea change in risk sentiment snapped a three week run of sharp gains and knocked currencies from multi-month highs.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.70 USD/AUD</b>	<b>Monthly High</b>	<b>0.71 USD/AUD</b>
<b>Week Open</b>	<b>0.70 USD/AUD</b>	<b>Monthly Low</b>	<b>0.67 USD/AUD</b>
<b>Week Close</b>	<b>0.69 USD/AUD</b>	<b>30 Days Average</b>	<b>0.61 USD/AUD</b>
<b>Weekly High</b>	<b>0.71 USD/AUD</b>	<b>90 Days Average</b>	<b>0.66 USD/AUD</b>
<b>Weekly Low</b>	<b>0.68 USD/AUD</b>	<b>YTD Change</b>	<b>-3.09%</b>

**Australian Dollar Economic Events**

Events	Period	Date	Forecast	Previous
Home Price Index	Q1	16-Jun	2.7%	3.9%
Employment	May	18-Jun	-125.0k	-594.3k
Participation Rate	May	18-Jun	63.7%	63.5%
Unemployment Rate	May	18-Jun	7.0%	6.2%

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 **Japanese Yen**

**Japanese Yen Graph**



Source: Thomson Reuters

**Japanese Yen Outlook**

- The fundamental picture for USD/JPY is neutral for the moment.
- Currency markets have stopped pricing the pandemic but unlike stocks they have not embraced economic differentials. Equity levels incorporate an active and rapid recovery. In currencies such a view is restrained by two factors.
- Virus fears were not the main story for equities either. Stock averages were ripe for profit taking.
- This week, the market will focus on Bank of Japan (BOJ) rate decision which most analysts expect the BoJ's short-term policy rate to remain at minus 0.10% through to the end of 2021.
- Japan trade balance and Japan CPI are in focus.

**Lower Bound**      **106.50**      **Upper Bound**      **109.23**  
**Forecast**              **Neutral**

**Japanese Yen News**

- USD/JPY was on a smooth short-side trend until the latter-portion of this week brought a long-term support zone into the mix.
- The USD/JPY side-stepped the general market return to risk aversion and the U.S. dollar on Thursday that was prompted by the fears of a second wave of viral infections in the U.S. and saw the worst drop in equities since the height of the pandemic panic in March.
- Japan's economy shrank less than initially estimated in the first quarter but the broad impact from the coronavirus crisis is still expected to send the country deeper into recession. Japan first quarter GDP was -2.2% annualized

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>109.58 JPY/USD</b>	<b>Monthly High</b>	<b>109.84 JPY/USD</b>
<b>Week Open</b>	<b>109.67 JPY/USD</b>	<b>Monthly Low</b>	<b>106.59 JPY/USD</b>
<b>Week Close</b>	<b>107.34 JPY/USD</b>	<b>30 Days Average</b>	<b>109.79 JPY/USD</b>
<b>Weekly High</b>	<b>109.69 JPY/USD</b>	<b>90 Days Average</b>	<b>109.27 JPY/USD</b>
<b>Weekly Low</b>	<b>106.56 JPY/USD</b>	<b>YTD Change</b>	<b>-1.38%</b>

**Japanese Yen Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
JP BOJ Rate Decision	16 Jun	16-Jun		-0.10%
Exports YY	May	17-Jun		-21.9%
Imports YY	May	17-Jun		-7.2%
Trade Balance Total Yen	May	17-Jun		-930.4B
CPI, Core Nationwide YY	May	19-Jun		-0.2%
CPI, Overall Nationwide	May	19-Jun		0.1%

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