

WEEKLY FOREIGN EXCHANGE OUTLOOK

28 Aug 2023 - 01 Sep 2023

 **Dollar Index**

Dollar Index Graph



Source: Thomson Reuters

Dollar Outlook

- Comments from Federal Reserve officials pointed in different directions, with Fed's Harker mentioning that they have probably "done enough" with policy while Fed's Collins warned that more rate hikes are possible.
- Market players raise their bets on additional rate hikes by the Federal Reserve (Fed) despite the robust labor data and weaker inflation data.
- The next FOMC meeting is scheduled for September 19-20. According to the CME Fed Watch Tool, there is an 78.5% probability of a pause in interest rate hikes. The probability of raising interest rates by 25 basis points to the range of 5.50%-5.75% stands at 21.5%.

Lower Bound	101.87	Upper Bound	104.40
Forecast	Appreciation		

Dollar News

- The market sentiment remained sour, while government bond yields advanced, reflecting the ruling cautious stance. The US Treasury yield hit its highest since 2007, as investors are concerned global central bankers will extend the monetary tightening programs to tame inflation.
- The S&P Global Ratings downgrades several US banks while highlighting the negative impacts of the higher rates and a decline in deposits.
- On Tuesday, the US Existing Home Sales came in as -2.2% MoM for July versus -3.3% prior while the Richmond Fed Manufacturing Index matched the -7.0 market forecast for August compared to -9.0% previous readings.
- US treasury yields retreated after weak US PMI data.
- Fed Chair Jerome Powell reiterated the FOMC's commitment to bring inflation down to 2% during his speech in Jackson Hole.

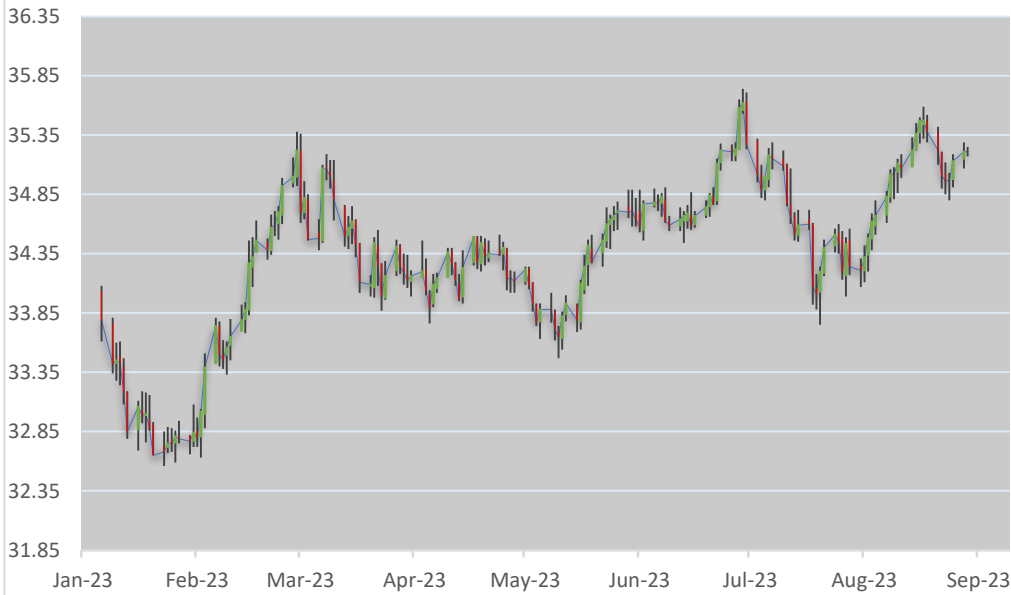
Dollar Index Performance

Last Week Close	103.38	Monthly High	104.45
Week Open	103.43	Monthly Low	99.92
Week Close	103.74	30 Days Average	102.46
Weekly High	104.45	90 Days Average	102.55
Weekly Low	103.01	YTD Change	+0.37%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confidence	Aug	29-Aug		
GDP 2nd Estimate	Q2	30-Aug		
Core PCE Price Index MM	Jul	31-Aug		
PCE Price Index MM	Jul	31-Aug		
Non-Farm Payrolls	Aug	1-Sep		
Unemployment Rate	Aug	1-Sep		
S&P Global Mfg PMI Final	Aug	1-Sep		
ISM Manufacturing PMI	Aug	1-Sep	46.6	
Initial Jobless Clm		21 Aug, w/ 31-Aug		

WEEKLY FOREIGN EXCHANGE OUTLOOK
28 Aug 2023 - 01 Sep 2023

Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Concerns about populist policies may affect confidence in Thailand's fiscal and financial stability.
- Thai entrepreneurs to closely monitor the real estate situation in China as it significantly affects the country's economic recovery, which in turn impacts Thailand's economy, particularly in terms of tourism and international trade.
- The bank of Thailand expects economic growth will be slightly lower than its original forecast of 3.6%. A revised GDP figure is scheduled for publication next month.

Thai Baht News

- Thailand's economy grew at 1.8% ,a much slower-than-expected pace in the second quarter, as weak exports and slower investment undercut strength in tourism and prompted the government to downgrade its 2023 growth forecast.
- A new government is expected to be formed soon after Pheu Thai Party member Srettha Thavisin's royal endorsement as prime minister was confirmed on Wednesday, following his victory in a parliamentary vote.
- Foreign investors have expressed interest in investing in Thai stocks now that the country's political situation appears to have stabilised and is moving forward.
- The Bank of Thailand's policy consideration is focused on ensuring a smooth landing for the economy as tourist spending and exports have been lower than expected.

Thai Baht Performance

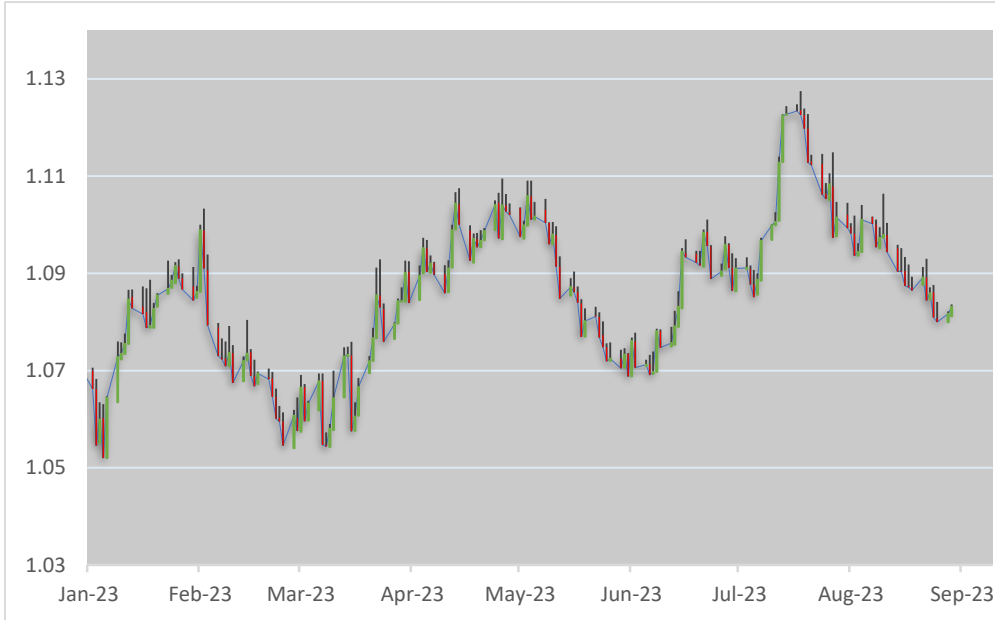
Last Week Close	35.47 THB/USD	Monthly High	35.59 THB/USD
Week Open	35.37 THB/USD	Monthly Low	34.16 THB/USD
Week Close	35.13 THB/USD	30 Days Average	34.78 THB/USD
Weekly High	35.42 THB/USD	90 Days Average	34.64 THB/USD
Weekly Low	34.80 THB/USD	YTD Change	+1.73%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Jul	31-Aug	-4.00%	
Exports YY	Jul	31-Aug		
Imports YY	Jul	31-Aug		
Trade Account	Jul	31-Aug		
Current Account	Jul	31-Aug		
Manufacturing PMI SA	Aug	1-Sep		

Lower Bound	34.54	Upper Bound	35.60
Forecast	Depreciation		

WEEKLY FOREIGN EXCHANGE OUTLOOK
28 Aug 2023 - 01 Sep 2023

Euro Graph


Source: Thomson Reuters

Euro Outlook

- Weaker-than-expected PMI data reduced expectations of further tightening from the European Central Bank (ECB) .
- European Central Bank (ECB) Governing Council member Mario Centeno said that they have to be cautious at the next meeting. He warned that downside risks to the economy have materialized. His dovish comments are in line with the recent decline in expectations about further monetary policy tightening from the ECB.
- Expectations for eurozone interest rates have been set steady during August with short-term interest rate markets seeing a terminal rate of 3.87%. The rate is currently at 3.75%. The expectations for another rate hike are currently set at 63% for a 25bps rate hike to 4.00% on September 14.

Lower Bound	1.0774	Upper Bound	1.1027
Forecast	Depreciation		

Euro News

- German Bundesbank monthly report showed inflation could persist above the central bank's target for longer while growth is foreseen to be largely flat in Q3.
- EUR was also helped by a big drop in Germany's July PPI .
- EUR/USD drops below 1.0850 on mixed German PMIs. Germany's Manufacturing PMI rises to 39.1 in August vs. 38.7 expected. Services PMI for the German economy contracts to 47.3 in August vs. 51.5 expected.
- The Eurozone preliminary August PMI came in below expectations, with the Composite PMI dropping from 48.6 to 47.
- Eurozone Current Account marked a strong rebound for June as the non-seasonally adjusted figures improve to €36.77B from €-12.46B (revised).

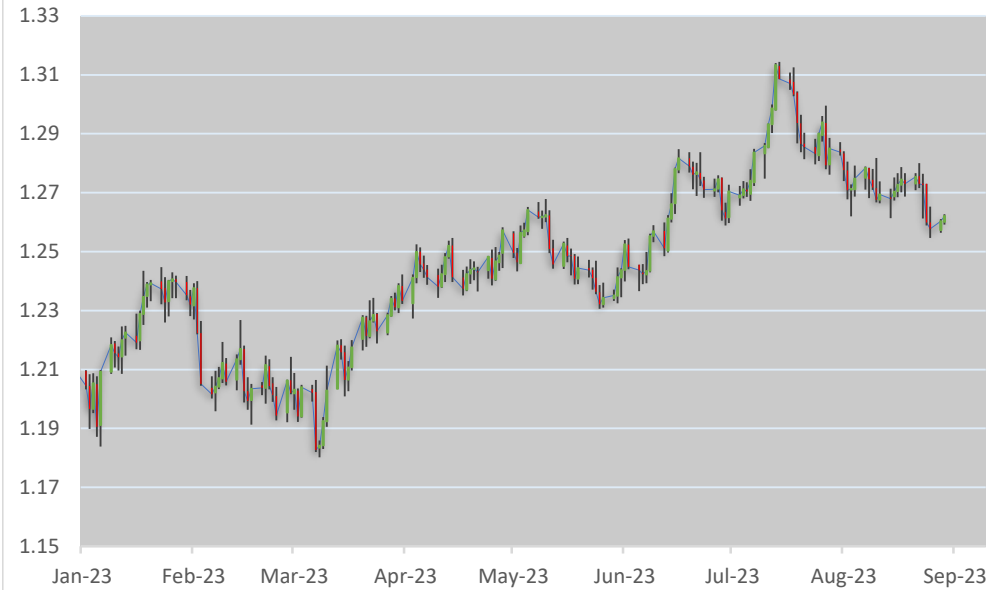
Euro Index Performance

Last Week Close	1.0865 USD/EUR	Monthly High	1.1064 USD/EUR
Week Open	1.0876 USD/EUR	Monthly Low	1.0767 USD/EUR
Week Close	1.0800 USD/EUR	30 Days Average	1.0972 USD/EUR
Weekly High	1.0930 USD/EUR	90 Days Average	1.0921 USD/EUR
Weekly Low	1.0764 USD/EUR	YTD Change	+1.19%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Final	Aug	30-Aug	-16.0	
HICP Flash YY	Aug	31-Aug	5.1%	
HICP-X F,E,A&T Flash YY	Aug	31-Aug	5.3%	
HICP-X F, E, A, T Flash MM	Aug	31-Aug		
Unemployment Rate	Jul	31-Aug	6.4%	
HCOP Mfg Final PMI	Aug	1-Sep	43.7	

WEEKLY FOREIGN EXCHANGE OUTLOOK
28 Aug 2023 - 01 Sep 2023

Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- Declining PMIs have deepened fears of a recession in the UK economy. This has forced traders to bet on a lower interest rate peak. A poll from Reuters shows that the BoE could pause the rate-tightening spell after an interest rate hike in September.
- Money market futures adjusted Bank of England's (BoE) rate hike expectations, with most market participants expecting two additional rate hikes, as they see rates peaking at 5.75%.
- The market sentiment turned bullish after the United States' preliminary PMI remained weaker than anticipated, indicating that the economy is losing its resilience.

Lower Bound	1.2588	Upper Bound	1.2811
Forecast	Depreciation		

Pound Sterling News

- BoE policymakers warned about significant upside risks to corporate defaults amid higher interest rates. The current tightening cycle by the BoE is aggressive as inflation in the UK is the highest among developed nation
- GBP/USD was weakened by the disappointing UK PMI, which came in below expectations, with the Composite index falling below 50 for the first time since January.
- The UK's GfK Consumer Confidence for August recovered -25.0 from -30.0 versus -29.0 expected. With this, Britain's private consumer sentiment gauge marked the biggest improvement since April. It's worth noting, however, that the deterioration in the UK Retail Sales and PMIs have previously renewed the British recession woes and hence allow Pound Sterling bears to ignore the mid-tier data.

Pound Sterling Performance

Last Week Close	1.2730 USD/GBP	Monthly High	1.2838 USD/GBP
Week Open	1.2731 USD/GBP	Monthly Low	1.2549 USD/GBP
Week Close	1.2577 USD/GBP	30 Days Average	1.2757 USD/GBP
Weekly High	1.2800 USD/GBP	90 Days Average	1.2662 USD/GBP
Weekly Low	1.2546 USD/GBP	YTD Change	+4.34%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Nationwide house price mm	Aug	1-Sep		
Nationwide house price yy	Aug	1-Sep		
S&P GBLB/CIPS Mfg PMI FNL	Aug	1-Sep	42.5	

WEEKLY FOREIGN EXCHANGE OUTLOOK

28 Aug 2023 - 01 Sep 2023

 **Australian Dollar**

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- China's efforts to defend the post-COVID economic recovery, via a slew of stimulus measures, fail to impress market optimists and exert downside pressure on the AUD/USD pair
- Fading US-China optimism coupled with China's economic challenges exert pressure on the Australian Dollar (AUD) as a result of the intricate export-trade ties between the two nations.
- Although the main trend is still downward, it would not be surprising to see further gains in the short term.

Australian Dollar News

- AUD fell against the dollar as pressured by potential US monetary tightening and China's unstable economic climate.
- The Aussie pair's latest weakness could be linked to the multi-year high US Treasury bond yields and the fears emanating from the US banking sector, not to forget China woes.
- AUD rose against the dollar on Tuesday after USD fell broadly and finds respite after China's central bank cut rates on its 1- year LPR to stimulate its economy. Alongside AUD was supported by soaring US 10 year treasury yields.
- The Australian PMI data came in below expectations. S&P Global Manufacturing PMI edged lower to 49.4 in August from 49.6 in July. The Services PMI worsened to 46.7 in the same period and came in below the market expectation of 47.9. However, the Australian dollar benefited from the change in market sentiment.

Australian Dollar Performance

Last Week Close	0.6402 USD/AUD	Monthly High	0.67230 USD/AUD
Week Open	0.6405 USD/AUD	Monthly Low	0.63660 USD/AUD
Week Close	0.6400 USD/AUD	30 Days Average	0.66802 USD/AUD
Weekly High	0.6488 USD/AUD	90 Days Average	0.66783 USD/AUD
Weekly Low	0.6379 USD/AUD	YTD Change	-5.49%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	Jul	28-Aug	0.3%	
Building Approvals	Jul	30-Aug	-1.0%	
Building Approval Total YY	Jul	30-Aug		
Capital Expenditure	Q2	31-Aug	1.1%	
Judo Bank Mfg PMI Final	Aug	1-Sep		
Owner-Occp'd Hous'g Fin MM	Jul	1-Sep	-1.00%	
Invest Hous'g Fin MM	Jul	1-Sep		

Lower Bound	0.6355	Upper Bound	0.6592
Forecast	Depreciation		

WEEKLY FOREIGN EXCHANGE OUTLOOK
28 Aug 2023 - 01 Sep 2023

Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen News

- USD/JPY trades above 146.00 and near its recent multi-month high amid mounting speculation the Bank of Japan will need to readjust its ultra-loose monetary policy soon.
- Following his meeting with the Japanese Prime Minister Fumio Kishida on Tuesday, Bank of Japan (BoJ) Governor Kazuo Ueda said they did not discuss FX volatility at the meeting.
- Japan's industrial activity contracted for the third consecutive month in August. On Wednesday, Japan's industrial activity contracted for the third consecutive month in August. The preliminary data from Jibun Bank revealed that Japan's manufacturing PMI for August increased to 49.7 from 49.6. The result was lower than the 49.5 expected. While Service PMI rose from 53.8 to 54.3 over the same period.

Japanese Yen Performance

Last Week Close	145.37 JPY/USD	Monthly High	146.74 JPY/USD
Week Open	145.33 JPY/USD	Monthly Low	141.53 JPY/USD
Week Close	146.41 JPY/USD	30 Days Average	134.07 JPY/USD
Weekly High	146.63 JPY/USD	90 Days Average	132.92 JPY/USD
Weekly Low	144.53 JPY/USD	YTD Change	+11.62%

Japanese Yen Outlook

- Markets believe the Bank of Japan (BoJ) could intervene by selling the Greenback around 150. It's worth noting that the Japanese central bank prompted massive dollar selling in September and October last year as the Japanese Yen approached the 145 zone.
- Markets players are concerned about the BoJ policy adjustment after the central bank allowed the Yield Curve Control (YCC) band to move above the cap as long as it remains below 1.0%.
- The monetary policy differential between the US and Japan is the main driver of the Yen's weakening. A hawkish tone from Fed might lift the US Dollar and support the USD/JPY pair.

Lower Bound	141.97	Upper Bound	147.79
Forecast	Depreciation		

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Leading Indicator Revised	Jun	28-Aug		
Jobs/Applicants Ratio	Jul	29-Aug	1.30	
Unemployment Rate	Jul	29-Aug	2.5%	
Industrial O/P Prelim MM SA	Jul	31-Aug	-1.4%	
Large Scale Retail Sales YY	Jul	31-Aug		4%
JibunBK Mfg PMI Final SA	Aug	1-Sep		

IMPORTANT DISCLAIMER

This material was prepared by a Treasury Marketing Unit, Bangkok Bank PCL, only. Any opinions expressed herein may differ from these by other departments. This material is prepared for informational purpose only, not to be an offer to the recipients to purchase or sale any financial instrument. The information herein has been obtained from other public sources and the rates informed are subject to change according to the market condition. The use of any information provided shall be on the recipients' discretion. Opinions and Assumptions in this document constitute the current judgment as of the date of the author only, do not reflect the opinions of Bangkok Bank, and are subject to change without notice. Neither Bangkok Bank nor any of its directors, officers, employees or advisors nor any other person make no representations or warranties of any kind, about the completeness, accuracy, reliability or suitability, of the information contained in this presentation and will not be liable for any loss or damage whatsoever arising from the use of any such information. Each recipient should carefully consider the risks associated and make a determination based upon the recipient's own particular circumstances entering into such transaction.