

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**29 May 2023 - 02 Jun 2023**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

- There are two key events to watch in the near term. The first is ongoing negotiations over raising the US debt ceiling that extends earliest potential US default date to June 5. If this does not happen by deadline, then the country risks a default.
- The second is May's non-farm payrolls that will be released on Friday (2/6). A tight labor market is contributing to the rather difficult fight against inflation for the Fed. Further signs that the jobs market is robust will continue cooling near-term rate-cut bets. The country is seen adding 180k non-farm positions, with the unemployment rate ticking slightly higher to 3.5% from 3.4%.

<b>Lower Bound</b>	<b>103.00</b>	<b>Upper Bound</b>	<b>105.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Dollar News**

- The dollar index rallied 1 percent in last week on safe-haven demand. Investors still worried from the lack of success in reaching a deal to lift the U.S. government's \$31.4 trillion debt ceiling, with the early-June deadline drawing nearer.
- Moreover, hawkish comments from Federal Reserve officials about the possibility of further rate hikes still support the demand for the dollar sometimes.
- Fed minutes meeting highlighted that the decision from the officials were split on more hikes and agreed that inflation is still too high and is declining slower than expected.
- On Friday (26/5), US Treasury Secretary Yellen did however adjust the date she believes the US could default as early as June 5 without a debt ceiling hike, previous date was June 1.
- Meanwhile, US PCE data came in better than expected resulting in further support for the US dollar as we saw a hawkish repricing of Federal Reserve (FED) Rate hike probabilities for June. Markets are now pricing in a 71% chance of a 25bps hike from the Fed in June, up from 17% a week ago.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>103.20</b>	<b>Monthly High</b>	<b>104.42</b>
<b>Week Open</b>	<b>103.19</b>	<b>Monthly Low</b>	<b>101.01</b>
<b>Week Close</b>	<b>103.85</b>	<b>30 Days Average</b>	<b>102.31</b>
<b>Weekly High</b>	<b>104.42</b>	<b>90 Days Average</b>	<b>102.90</b>
<b>Weekly Low</b>	<b>102.96</b>	<b>YTD Change</b>	<b>+0.61%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Consumer Confidence	May	30-May	100.0	101.3
Chicago PMI	May	31-May	47.0	48.6
JOLTS Job Openings	Apr	31-May		9.590M
ADP National Employment	May	1-Jun		296k
S&P Global Mfg PMI Final	May	1-Jun		48.5
ISM Manufacturing PMI	May	1-Jun	47.0	47.1
Initial Jobless Clm		22 May, w, 1-Jun		
Non-Farm Payrolls	May	2-Jun	180k	253k
Unemployment Rate	May	2-Jun	3.5%	3.4%
Average Earnings MM	May	2-Jun	0.4%	0.5%

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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- This week, we will focus on Thailand's trade balance in April and the MPC meeting on Wednesday (31/5).
- The market is expecting one more 25bp rate hike to 2.00% amid subdued inflationary pressures.
- Moreover, investors are concerned over the negotiation on US debt ceiling and the formation of a new government including fund flow from foreign investors that could be weight the sentiment of the baht over this week.

**Thai Baht News**

- The Thai baht moved in depreciated trend against the dollar as the dollar rallied across the board as treasury yields spike again and growing concerned over US debt ceiling and also hawkish comments from Federal Reserve officials about the possibility of further rate hikes.
- Moreover, the domestic political uncertainty and fund flow continues to flow out still weight the currency.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>34.42 THB/USD</b>	<b>Monthly High</b>	<b>34.89 THB/USD</b>
<b>Week Open</b>	<b>34.43 THB/USD</b>	<b>Monthly Low</b>	<b>33.51 THB/USD</b>
<b>Week Close</b>	<b>34.71 THB/USD</b>	<b>30 Days Average</b>	<b>34.19 THB/USD</b>
<b>Weekly High</b>	<b>34.79 THB/USD</b>	<b>90 Days Average</b>	<b>34.13 THB/USD</b>
<b>Weekly Low</b>	<b>34.24 THB/USD</b>	<b>YTD Change</b>	<b>+0.58%</b>

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

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Apr	30-May		
Exports YY	Apr	31-May		
Imports YY	Apr	31-May		
Trade Account	Apr	31-May		
Current Account	Apr	31-May		
1-Day Repo Rate	31 May	31-May	2.00%	
Manufacturing PMI SA	May	1-Jun		

<b>Lower Bound</b>	<b>34.50</b>	<b>Upper Bound</b>	<b>35.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

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**Euro**

**Euro Graph**



Source: Thomson Reuters

**Euro Outlook**

- Some investors see that the ECB could stop raising its interest rate which lead to the depreciating of the euro. However few believe the ECB will be able to continue to hike if the Federal Reserve starts its rate pause in June.
- On data front, Eurozone economic sentiment and consumer confidence that will be release on Tuesday (30/5), and also Eurozone flash CPI that will be release on Thursday (1/6) will be in focus.

<b>Lower Bound</b>	<b>1.0600</b>	<b>Upper Bound</b>	<b>1.0900</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Euro News**

- The euro continued weakened against the US dollar after the data showed euro zone business growth remained resilient, if a touch softer than expected.
- Moreover, data on Thursday (25/4) showed that the German economy, the largest in Europe, contracted slightly in the first quarter of 2023 to -0.3% QoQ compared with the previous three months 0.0%, thereby entering recession.
- However, European Central Bank officials hint at further interest rate hikes to tame still elevated inflation.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0802</b> USD/EUR	<b>Monthly High</b>	<b>1.1091</b> USD/EUR
<b>Week Open</b>	<b>1.0813</b> USD/EUR	<b>Monthly Low</b>	<b>1.0702</b> USD/EUR
<b>Week Close</b>	<b>1.0724</b> USD/EUR	<b>30 Days Average</b>	<b>1.0925</b> USD/EUR
<b>Weekly High</b>	<b>1.0831</b> USD/EUR	<b>90 Days Average</b>	<b>1.0816</b> USD/EUR
<b>Weekly Low</b>	<b>1.0700</b> USD/EUR	<b>YTD Change</b>	<b>+0.29%</b>

**Next Week's Euro Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Business Climate	May	30-May		
Economic Sentiment	May	30-May		
Industrial Sentiment	May	30-May		
Services Sentiment	May	30-May		
Consumer Confid. Final	May	30-May		
HCOB Mfg Final PMI	May	1-Jun		
HICP Flash YY	May	1-Jun		
Unemployment Rate	Apr	1-Jun		

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**Pound Sterling**

**Pound Sterling Graph**



Source: Thomson Reuters

**Pound Sterling News**

- The British pound dropped against the greenback after UK business activity data came in below expected.
- However, UK Inflation showed to 8.7% YoY in April, higher than expected at 8.2%, but fell from 10.1% YoY in March, putting UK in the second place for the highest inflation rate in Western Europe while UK Core inflation unexpected rose to 6.8% YoY, a 31-year high, higher than expected at 6.25, rose from 6.2% in March.
- However, the pound rose against the US dollar at the end of the week after British retail sales rose by more than expected in April, rising by 0.5% from March, above the 0.3% expected and an improvement from the drop of 1.2% the prior month.
- The International Monetary Fund (IMF) last week upgraded the UK's growth prospects and said that a recession was now unlikely.

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2444</b> USD/GBP	<b>Monthly High</b>	<b>1.2679</b> USD/GBP
<b>Week Open</b>	<b>1.2444</b> USD/GBP	<b>Monthly Low</b>	<b>1.2309</b> USD/GBP
<b>Week Close</b>	<b>1.2343</b> USD/GBP	<b>30 Days Average</b>	<b>1.2477</b> USD/GBP
<b>Weekly High</b>	<b>1.2472</b> USD/GBP	<b>90 Days Average</b>	<b>1.2291</b> USD/GBP
<b>Weekly Low</b>	<b>1.2306</b> USD/GBP	<b>YTD Change</b>	<b>+2.13%</b>

**Pound Sterling Outlook**

- The markets are forecasting that the BOE will rise from its current level of 4.5% to at least 5% over the next couple of meetings with some hawkish forecasters suggesting that the UK central bank will have to go to 5.5% to dampen down sticky price pressures.
- This week is lack of UK data or events, but the focus is on US jobs report and a progress of US debt ceiling.

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

Events	Period	Date	Forecast	Previous
BOE Consumer Credit	Apr	1-Jun		
Mortgage Lending	Apr	1-Jun		
Mortgage Approvals	Apr	1-Jun		
S&P GBLB/CIPS Mfg PMI FNL	May	1-Jun		

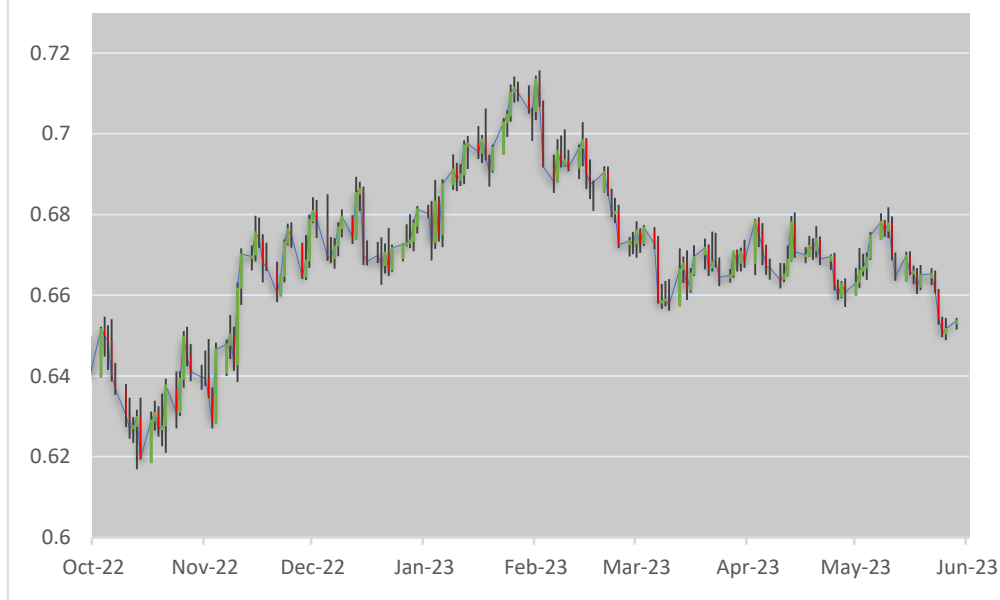
<b>Lower Bound</b>	<b>1.2250</b>	<b>Upper Bound</b>	<b>1.2450</b>
<b>Forecast</b>	<b>Depreciation</b>		

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 **Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar Outlook**

- On data front, Australia building approvals will be release on Monday (30/6) will be in focus.
- Moreover, the ongoing debt ceiling negotiations between US President Joe Biden and top congressional Republican Kevin McCarthy impacted could currency sentiment.

**Australian Dollar News**

- The Australian dollar dropped against the dollar to six-month low to 0.6489 USD/AUD
- Moreover, the data showed positive purchasing managers index data pointed to some resilience in the Australian economy.
- The fundamental backdrop appears to be slipping slightly after retail sales for April came in flat month-on-month rather the 0.3% forecast and 0.4% prior. It comes on the back of the unemployment rate ticking up to 3.7% against 3.5% previously.
- The data is inline with the RBA expectations as noted in the May monetary policy board meeting minutes that were released last Tuesday.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6650</b> USD/AUD	<b>Monthly High</b>	<b>0.68180</b> USD/AUD
<b>Week Open</b>	<b>0.6644</b> USD/AUD	<b>Monthly Low</b>	<b>0.64910</b> USD/AUD
<b>Week Close</b>	<b>0.6517</b> USD/AUD	<b>30 Days Average</b>	<b>0.66937</b> USD/AUD
<b>Weekly High</b>	<b>0.6667</b> USD/AUD	<b>90 Days Average</b>	<b>0.68115</b> USD/AUD
<b>Weekly Low</b>	<b>0.6489</b> USD/AUD	<b>YTD Change</b>	<b>-4.02%</b>

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

Events	Period	Date	Forecast	Previous
Building Approvals	Apr	30-May	3.0%	
Building Approval Total YY	Apr	30-May		
Judo Bank Mfg PMI Final	May	1-Jun		
Capital Expenditure	Q1	1-Jun		
Building Capex	Q1	1-Jun		
Owner-Occp'd Hous'g Fin MM	Apr	2-Jun		
Invest Hous'g Fin MM	Apr	2-Jun		

<b>Lower Bound</b>	<b>0.6400</b>	<b>Upper Bound</b>	<b>0.6700</b>
<b>Forecast</b>	<b>Depreciation</b>		


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- Softer-than-expected Tokyo inflation data on Friday (25/5) spurred more expectations that the Bank of Japan will hold off on tightening policy this year, although the reading was still well above the BOJ's 2% annual target.
- On data front, Japanese unemployment rate on Tuesday (30/5), retail sale on Wednesday (31/5) and Jibun manufacturing PMI on Thursday (1/6) will be in focus.

<b>Lower Bound</b>	<b>138.50</b>	<b>Upper Bound</b>	<b>141.50</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Japanese Yen News**

- The Japanese yen depreciated against the dollar due to the higher US treasury bond yields and reluctance to tighten monetary policy further in the near-term combined with a recent adjustment higher in US rates.
- However, the yen slightly benefited from data that showed that the country's manufacturing sector unexpectedly grew in May, while growth in services hit a record high.
- At the end of the week, the yen depreciated to 140.72 JPY/USD, just off a six-month high, with softer-than-expected Tokyo inflation data on Friday (26/5) lifting expectations that the Bank of Japan will hold off on tightening policy this year.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>137.95</b> JPY/USD	<b>Monthly High</b>	<b>140.91</b> JPY/USD
<b>Week Open</b>	<b>138.02</b> JPY/USD	<b>Monthly Low</b>	<b>133.51</b> JPY/USD
<b>Week Close</b>	<b>140.62</b> JPY/USD	<b>30 Days Average</b>	<b>130.43</b> JPY/USD
<b>Weekly High</b>	<b>140.72</b> JPY/USD	<b>90 Days Average</b>	<b>137.47</b> JPY/USD
<b>Weekly Low</b>	<b>137.48</b> JPY/USD	<b>YTD Change</b>	<b>+7.10%</b>

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

Events	Period	Date	Forecast	Previous
Jobs/Applicants Ratio	Apr	30-May		
Unemployment Rate	Apr	30-May		
Industrial O/P Prelim MM SA	Apr	31-May		
Retail Sales YY	Apr	31-May		6.9%
Large Scale Retail Sales YY	Apr	31-May		
Housing Starts YY	Apr	31-May		
Business Capex (MOF) YY	Q1	1-Jun		
JibunBK Mfg PMI Final SA	May	1-Jun		
Monetary Base YY	May	2-Jun		

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