

WEEKLY FOREIGN EXCHANGE OUTLOOK
30 Oct 2023 - 03 Nov 2023

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The FOMC meeting will be the highlight of the week on Wednesday; markets, economists and most Fed officials widely expect the Fed to pause for a second consecutive meeting, a move that would leave the Fed Funds target range at 5.25%-5.50% and help allow the central bank to let the cumulative tightening work through.
- We continue to believe the U.S. dollar can broadly strengthen into early 2024.
- The outlook is less upbeat and weighed by uncertainties surrounding the conflict in the Middle East.
- In terms of economic data, the focus will be on employment figures, including the ADP Private Employment, Jobless Claims and Nonfarm Payrolls.

Lower Bound	105.63	Upper Bound	107.04
Forecast	Appreciation		

Dollar News

- The benchmark 10-year US Treasury bond yield stays below 5% after touching its highest level since November 2007.
- US S&P Global Composite PMI saw an increase in October, reaching 51.0 from 50.2. The Services PMI experienced growth, reaching 50.9, while the Manufacturing PMI rose to 50.0. This marks the first instance in the last six months where manufacturing has remained above the 50-point threshold, indicating a positive shift in that sector.
- Gross Domestic Product, a measure of all goods and services produced in the U.S., rose at a 4.9% annualized pace in the third quarter, ahead of the 4.7% estimate. The sharp increase came due to contributions from consumer spending, increased inventories, exports, residential investment and government spending.

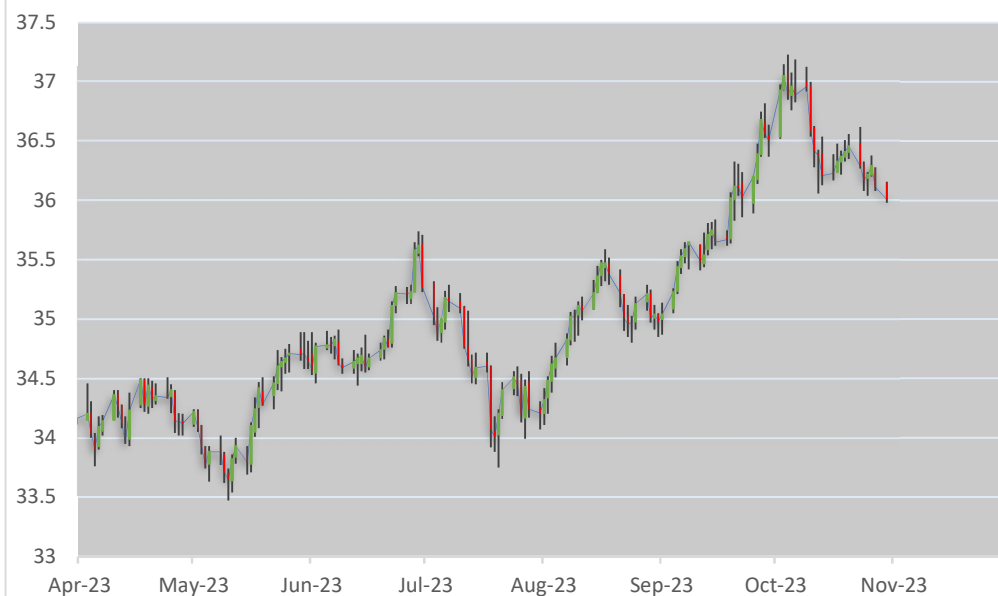
Dollar Index Performance

Last Week Close	106.16	Monthly High	107.35
Week Open	106.16	Monthly Low	104.67
Week Close	106.56	30 Days Average	106.19
Weekly High	106.89	90 Days Average	103.94
Weekly Low	105.36	YTD Change	+2.96%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confidence	Oct	31-Oct	100.0	
S&P Global Mfg PMI Final	Oct	1-Nov		
ISM Manufacturing PMI	Oct	1-Nov	49.0	
Fed Funds Tgt Rate	1 Nov	2-Nov	5.25-5.5	
Factory Orders MM	Sep	2-Nov	1.0%	
Non-Farm Payrolls	Oct	3-Nov	172k	
Unemployment Rate	Oct	3-Nov	3.8%	
S&P Global Comp Final PMI	Oct	3-Nov		
S&P Global Svcs PMI Final	Oct	3-Nov		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht News

- Thailand's customs-based exports unexpectedly increased 2.1% in September from a year earlier, helped by higher shipments of rice and farm products, the commerce ministry said on Tuesday, despite sluggish global demand. The reading compared with a forecast for a 1.75% year-on-year drop for September in a Reuters poll, and followed August's 2.6% increase.
- In September, Thailand posted a trade surplus of \$2.1 billion, compared with a forecast surplus of \$0.49 billion, while imports fell 8.3% year-on-year.
- Foreign investment in Thailand reached 84 billion baht during the first nine months of this year. However, the investment value dropped by 15% year-on-year.

Thai Baht Performance

Last Week Close	36.41 THB/USD	Monthly High	37.23 THB/USD
Week Open	36.48 THB/USD	Monthly Low	36.00 THB/USD
Week Close	36.11 THB/USD	30 Days Average	36.43 THB/USD
Weekly High	36.62 THB/USD	90 Days Average	35.47 THB/USD
Weekly Low	36.04 THB/USD	YTD Change	+4.05%

Thai Baht Outlook

- The Federation of Thai Industries (FTI) is closely monitoring the Israel-Hamas conflict for fears that if the war expands to include other neighbouring Arab nations, Thai vehicle exports could be affected late this year.
- The Commerce Ministry expects Thai exports to continue improving during the final three months of this year, resulting in a smaller contraction for 2023 than was previously projected.
- Escalation of the Middle East war, uncertainty about the US interest rate trend and concerns about third-quarter financial results of local listed companies pressured the Thai stock market.

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Sep	31-Oct	-5.00%	
Exports YY	Sep	31-Oct		
Imports YY	Sep	31-Oct		
Trade Account	Sep	31-Oct		
Current Account	Sep	31-Oct		
Manufacturing PMI SA	Oct	1-Nov		

Lower Bound	35.50	Upper Bound	37.00
Forecast	Depreciation		


Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The escalating geopolitical tensions in the Middle East push energy prices higher, which exerts some pressure on the Euro (EUR).
- Higher bond yields were also mentioned as something the ECB is closely monitoring, as well as the impact of past tightening as it works through the system.
- The economic data between now and December will be key, with the projections then potentially laying the groundwork for the debate around rate cuts in 2024. Markets are pricing the first full rate cut in June next year.

Lower Bound	1.0478	Upper Bound	1.0649
Forecast	Depreciation		

Euro News

- EUR/USD jumped to one-month highs, boosted by a weaker US Dollar, breaking a downtrend line.
- The preliminary Eurozone Consumer Confidence for October came in at -17.9 from the previous reading of -17.8. These figures arrived better than the market consensus -18.3, data published by the European Commission showed on Monday.
- The European Central Bank (ECB) kept its interest rates unchanged at 4.5%, marking the first time since June last year. Market participants interpreted the meeting as leaning towards a dovish stance, as the ECB signaled that it is unlikely to raise rates again.
- Surprisingly, no discussion took place on advancing the full end to PEPP reinvestments.

Euro Index Performance

Last Week Close	1.0593 USD/EUR	Monthly High	1.0693 USD/EUR
Week Open	1.0592 USD/EUR	Monthly Low	1.0449 USD/EUR
Week Close	1.0564 USD/EUR	30 Days Average	1.0583 USD/EUR
Weekly High	1.0693 USD/EUR	90 Days Average	1.0809 USD/EUR
Weekly Low	1.0520 USD/EUR	YTD Change	-1.33%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Final	Oct	30-Oct	-17.9	
CPI Prelim YY	Oct	30-Oct	4.0%	
GDP Flash QQ SA	Q3	31-Oct	-0.3%	
HICP Flash YY	Oct	31-Oct	3.4%	
GDP Flash Prelim YY	Q3	31-Oct	0.2%	
GDP Flash Prelim QQ	Q3	31-Oct	-0.1%	
Unemployment Chg SA	Oct	2-Nov		
Unemployment Rate SA	Oct	2-Nov	5.8%	
HCOB Mfg Final PMI	Oct	2-Nov	43.0	

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling News

- The latest UK employment data showed mixed results. The UK ILO Unemployment Rate fell to 4.2% in the quarter to August, versus 4.3% seen in the previous reading. These figures came in better than the market expectation of 4.3%. Additionally, the number of people claiming jobless benefits climbed by 20.4K in September from the previous month's 0.9K increase and 2.3K expected. Finally, the British Employment Change for August came in at -82K versus -207K recorded in July, above the market consensus of -198K.
- The UK PMIs came in mixed, with a moderate recovery in Manufacturing to 45.2. However, the Services and Manufacturing sectors remained in contraction territory.

Pound Sterling Performance

Last Week Close	1.2160 USD/GBP	Monthly High	1.2337 USD/GBP
Week Open	1.2158 USD/GBP	Monthly Low	1.2038 USD/GBP
Week Close	1.2122 USD/GBP	30 Days Average	1.2194 USD/GBP
Weekly High	1.2288 USD/GBP	90 Days Average	1.2547 USD/GBP
Weekly Low	1.2068 USD/GBP	YTD Change	+0.15%

Pound Sterling Outlook

- Investors shift their focus towards the next BoE's interest rate decision, which will be announced on November 2. The BoE is expected to keep interest rates unchanged at 5.25% (15-year high) following the previous surprise pause at September's meeting that snapped 14 consecutive rate hikes, and policymakers are expected to downgrade the growth outlook.
- The UK inflation is extremely far from the desired rate of 2%. Therefore, BoE policymakers are expected to emphasize keeping interest rates higher for a longer period and will keep doors open for further policy tightening.

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
S&P GBLB/CIPS Mfg PMI FNL	Oct	1-Nov		
BOE Bank Rate	Nov	2-Nov	5.25%	
Composite PMI Final	Oct	3-Nov		
Reserve Assets Total	Oct	3-Nov		
Nationwide house price mm	Oct	30-Oct		
Nationwide house price yy	Oct	30-Oct		

Lower Bound	1.2052	Upper Bound	1.2297
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Australia's central bank expressed heightened concern about the inflation impact stemming from supply shocks. Governor of the Reserve Bank of Australia, Michele Bullock stated that if inflation persists above projections, the RBA will take responsive policy measures. There is an observable deceleration in demand, and per capita consumption is on the decline.
- RBA Governor Michele Bullock said the bank would not hesitate to raise its 4.1% cash rate if there were a "material" upward revision to the inflation outlook.
- The higher inflation raises the possibility of a 25 bps rate hike by the Reserve Bank of Australia (RBA) at its next policy meeting on November 7.

Lower Bound	0.6270	Upper Bound	0.6422
Forecast	Depreciation		

Australian Dollar News

- Australian S&P Global Composite PMI for October declined to 47.3 from the previous reading of 51.5. Manufacturing PMI eased to 48.0 compared to the prior figure of 48.7, while the Services PMI fell back into contraction, dropping to 47.6 from the previous month's reading of 51.8.
- The Australian dollar jumped on Wednesday after the data from the Australian Bureau of Statistics showed the consumer price index (CPI) rose 1.2% in the third quarter, above market forecasts of 1.1% and up from a 0.8% increase the previous quarter.
- Australia's Producer Price Index (PPI) displayed a year-over-year decline in the third quarter on Friday, while the PPI on a quarter-over-quarter basis showed improvement.

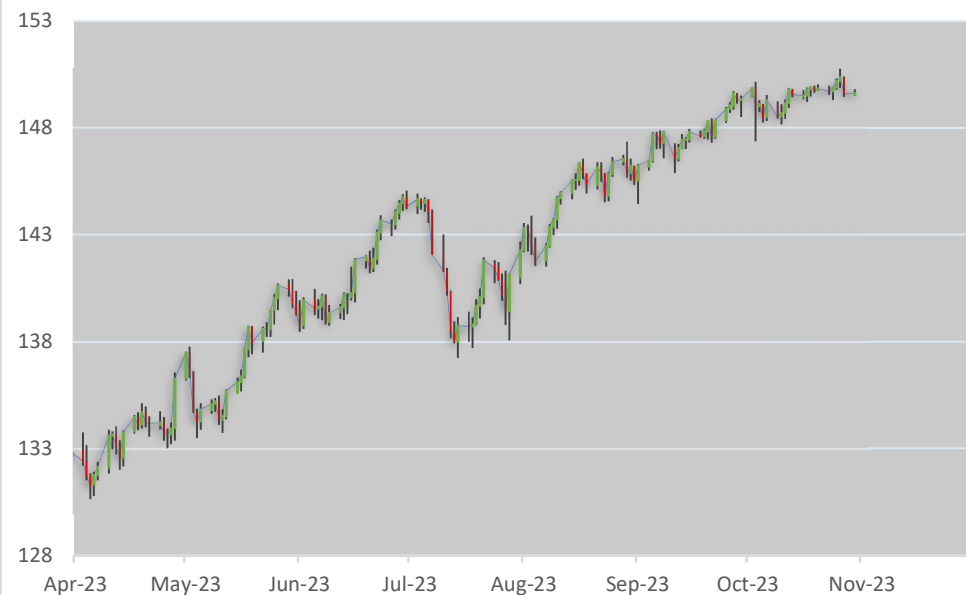
Australian Dollar Performance

Last Week Close	0.6312 USD/AUD	Monthly High	0.64450 USD/AUD
Week Open	0.6309 USD/AUD	Monthly Low	0.62710 USD/AUD
Week Close	0.6334 USD/AUD	30 Days Average	0.65035 USD/AUD
Weekly High	0.6399 USD/AUD	90 Days Average	0.66326 USD/AUD
Weekly Low	0.6268 USD/AUD	YTD Change	-6.75%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	Sep	30-Oct	0.3%	
Judo Bank Mfg PMI Final	Oct	1-Nov		
Building Approvals	Sep	1-Nov	-1.5%	
Building Approval Total YY	Sep	1-Nov		
Owner-Occp'd Hous'g Fin MM	Sep	2-Nov	1.20%	
Invest Hous'g Fin MM	Sep	2-Nov		
Trade Balance G&S (A\$)	Sep	2-Nov	10,400M	
Judo Bank Svs PMI Final	Oct	3-Nov		
Judo Bank Comp PMI Final	Oct	3-Nov		

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Japanese Finance Minister Shunichi Suzuki said that the excessive FX volatility is undesirable and policymakers will take thorough steps on FX with a strong sense of urgency. However, Suzuki declined to comment on the FX level and intervention.
- The BoJ is anticipated to remain on hold at -0.10%, though a potential change in forward guidance and a tweak to the yield-curve-control programme are on the table.
- Market participants will also closely analyze the updated macro forecasts from the BoJ.

Japanese Yen News

- Japanese Jibun Bank Manufacturing PMI for October eased to 48.5 versus 48.5 prior, worse than the market expectation of 48.9. Meanwhile, the Services PMI came in at 51.1 from the previous reading of 53.8.
- The Japanese Yen is moving around speculations, trading near intervention levels, with reports suggesting that the Bank of Japan may consider adjusting its Yield Curve Control policy next week. The BoJ did a new round of bond buying.
- The Core Tokyo CPI (headline inflation less volatile food prices) also beat the market forecast, printing at 2.7% for the year into October compared to September's reading of 2.5%.
- The USD/JPY is trading into the high side above the 150.00 handle as markets dare the BoJ to intervene.

Japanese Yen Performance

Last Week Close	149.84 JPY/USD	Monthly High	150.77 JPY/USD
Week Open	149.79 JPY/USD	Monthly Low	147.40 JPY/USD
Week Close	149.60 JPY/USD	30 Days Average	141.63 JPY/USD
Weekly High	150.77 JPY/USD	90 Days Average	137.00 JPY/USD
Weekly Low	149.31 JPY/USD	YTD Change	+14.13%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JP BOJ Rate Decision	31 Oct	31-Oct	-0.10%	
Jobs/Applicants Ratio	Sep	31-Oct	1.30	
Unemployment Rate	Sep	31-Oct	2.6%	
Industrial O/P Prelim MM SA	Sep	31-Oct	2.5%	
Large Scale Retail Sales YY	Sep	31-Oct		7%
JibunBK Mfg PMI Final SA	Oct	1-Nov		
Monetary Base YY	Oct	2-Nov		

Lower Bound	148.47	Upper Bound	150.52
Forecast	Neutral		

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