

WEEKLY FOREIGN EXCHANGE OUTLOOK

04 Sep 2023 - 08 Sep 2023

 **Dollar Index**

Dollar Index Graph



Source: Thomson Reuters

Dollar Outlook

- The dollar could be supported by cautious on China's economy problem, lifting demand for greenback further.
- The CME FedWatch Tool odds for a rate hike to the 5.50%-5.75% range at the September meeting are lowering, at 13.5%, while for the November meeting, remain at around 43.3%.

Dollar News

- Jerome Powell, in a speech at an economic summit in Jackson Hole, Wyoming, said policymakers would "proceed carefully as we decide whether to tighten further," but also made clear that the central bank has not yet concluded that its benchmark interest rate is high enough to be sure that inflation returns to the 2% target.
- Private sector employment in the US rose 177,000 in August, below the market expectation of 195,000, from 371,000 increase recorded a month earlier.
- The US economy expanded at an annual rate of 2.1% during the second quarter, a reading that came in below the previous estimate of 2.4%.
- The headline PCE rose 3.3% YoY in July and Core PCE gained 4.2% from a year earlier.
- Nonfarm Payrolls (NFP) in the US rose 187,000 in August, higher than the market expectation of 170,000.

Dollar Index Performance

Last Week Close	104.08	Monthly High	104.45
Week Open	104.19	Monthly Low	100.55
Week Close	103.27	30 Days Average	102.85
Weekly High	104.45	90 Days Average	102.64
Weekly Low	102.94	YTD Change	+0.60%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Factory Orders MM	Jul	5-Sep	-2.5%	
International Trade \$	Jul	6-Sep	-68.0B	
S&P Global Comp Final PMI	Aug	6-Sep		
S&P Global Svcs PMI Final	Aug	6-Sep		
ISM N-Mfg PMI	Aug	6-Sep	52.5	
Initial Jobless Clm	2 Sep, w/e	7-Sep	235k	

Lower Bound	102.50	Upper Bound	104.50
Forecast	Appreciation		

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The Thai baht could fluctuate in the narrow range as Bank of Thailand's rate overview is questioned whether they hike the rate or not as some economists believe the central bank's policy rate has reached its terminal point at 2.25%. However, others forecast the MPC to hike the rate one last time next month, ending the rate cycle at 2.5%
- In the short term, the baht could strengthen as China's policy support measures boost risk appetite.
- The direction of the baht is still not clear as Thailand's economic rebound will be lacklustre due to still-tight credit conditions, political uncertainty and external headwinds.

Lower Bound	34.85	Upper Bound	35.30
Forecast	Depreciation		

Thai Baht News

- Thailand's employment in the second quarter rose 1.7% from a year earlier, slowing from a 2.4% increase in the previous three months as economic growth slowed. Meanwhile, economy grew 1.8% in the April-June period YoY and 0.2% QoQ, slowing sharply from the first quarter as weaker exports and investment undercut tourism strength. Furthermore, Thailand's jobless rate was at 1.06% in the April-June period versus 1.05% in January-March. Moreover, Thailand's manufacturing production index (MPI) in July dropped 4.43% from a year earlier.
- Fitch Solutions company, has lowered its full-year growth forecast from 3.0% to 2.8% in 2023, which is below both consensus expectations of 3.6% and the 2010-19 average of 3.6% due to a still-challenging economic conditions.
- Thailand recorded a current account deficit of US\$0.4 billion in July, after a surplus of copy 4 billion the previous month. Exports, a key driver of growth, dropped 5.5% year-on-

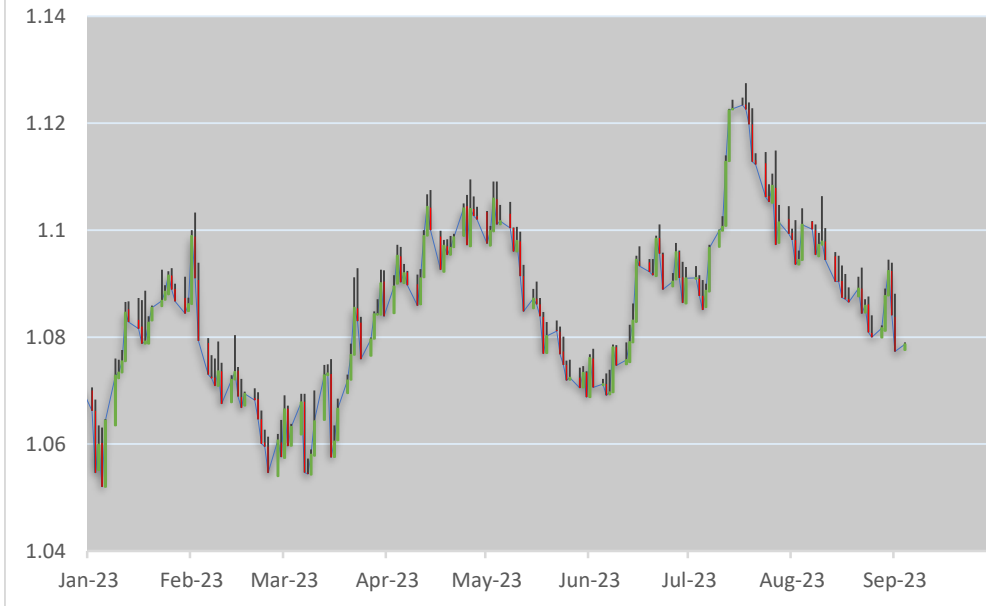
Thai Baht Performance

Last Week Close	34.97 THB/USD	Monthly High	35.16 THB/USD
Week Open	35.15 THB/USD	Monthly Low	34.91 THB/USD
Week Close	35.04 THB/USD	30 Days Average	34.88 THB/USD
Weekly High	35.29 THB/USD	90 Days Average	34.68 THB/USD
Weekly Low	34.85 THB/USD	YTD Change	+1.53%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
CPI Headline Inflation	Aug	5-Sep	0.66%	
CPI Core Inflation YY	Aug	5-Sep	0.83%	
CPI Index	Aug	5-Sep		
Consumer Confidence Idx	Aug	7-Sep		
Forex Reserves		28 Aug, w/ 8-Sep		
Currency Swaps		28 Aug, w/ 8-Sep		

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Euro Graph


Source: Thomson Reuters

Euro News

- In the middle of last week, the euro strengthened after an announcement of the annual Harmonised Index of Consumer Prices (HICP), the ECB's preferred gauge of inflation, rose 6.4% in the same period, compared to 6.5% in July, above the expectations at 6.2%. Monthly HICP increased 0.4%.
- The Eurozone's CPI reported to add by 5.3% in August, above expectations at 5.1%.
- Consumer confidence in Germany worsened to -25.5 when tracked by GfK for the month of September, while Consumer Confidence in France held steady at 85 in August.
- Germany's Retail Sales for July reprints -0.8% MoM figures versus 0.3% market forecasts while the YoY outcomes appear more disappointing as it drops to -2.2% from -1.6%, compared to -1.0% expected.

Euro Index Performance

Last Week Close	1.0800 USD/EUR	Monthly High	1.0881 USD/EUR
Week Open	1.0799 USD/EUR	Monthly Low	1.0773 USD/EUR
Week Close	1.0773 USD/EUR	30 Days Average	1.0932 USD/EUR
Weekly High	1.0945 USD/EUR	90 Days Average	1.0913 USD/EUR
Weekly Low	1.0769 USD/EUR	YTD Change	+0.79%

Euro Outlook

- The ECB interest rate hike is in focus after ECB President Christine Lagarde reiterated that interest rates will need to stay high as long as necessary to slow still-high inflation, reaffirming market expectations for at least one more 25 bps lift-off by the end of this year which could lead to the strong euro.
- It is possible that the euro could be weakened as internal conflicts among members of the ECB governing council are emerging regarding the possibility of extending the restrictive policy stance beyond the summer season.

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Serv PMI	Aug	5-Sep	46.7	
S&P Global Comp Final PMI	Aug	5-Sep	47.0	
Industrial Orders MM	Jul	6-Sep	-4.0%	
Consumer Goods SA	Jul	6-Sep		
Industrial Output MM	Jul	7-Sep	-0.2%	
Industrial Production YY SA	Jul	7-Sep		
GDP Revised QQ	Q2	7-Sep	0.3%	
GDP Revised YY	Q2	7-Sep	0.6%	
HICP Final YY	Aug	8-Sep	6.4%	

Lower Bound	1.0650	Upper Bound	1.0950
Forecast	Depreciation		

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 **Pound Sterling**

Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling Outlook

- In the medium term, the pound could drop due to recent soft activity data released which lead to expectations of where they think the Bank of England's interest rate might peak. Investors expect two more interest rate hikes of 25 bps this year as investors see the interest rate peak at 5.75%.

Pound Sterling News

- The British pound was supported by retreating US Treasury bond yields which made the outflow from the dollar.
- At some point, the British pound was still supported by the possibility that the BoE could hike the rate further at its next meeting to control its inflation after BoE's Huw Pill said the country is facing second-round effects from inflation.
- The pound draws support from the BoE Deputy Governor Ben Broadbent's hawkish remarks on Saturday, saying that policy rates may well have to remain in restrictive territory for some time.

Pound Sterling Performance

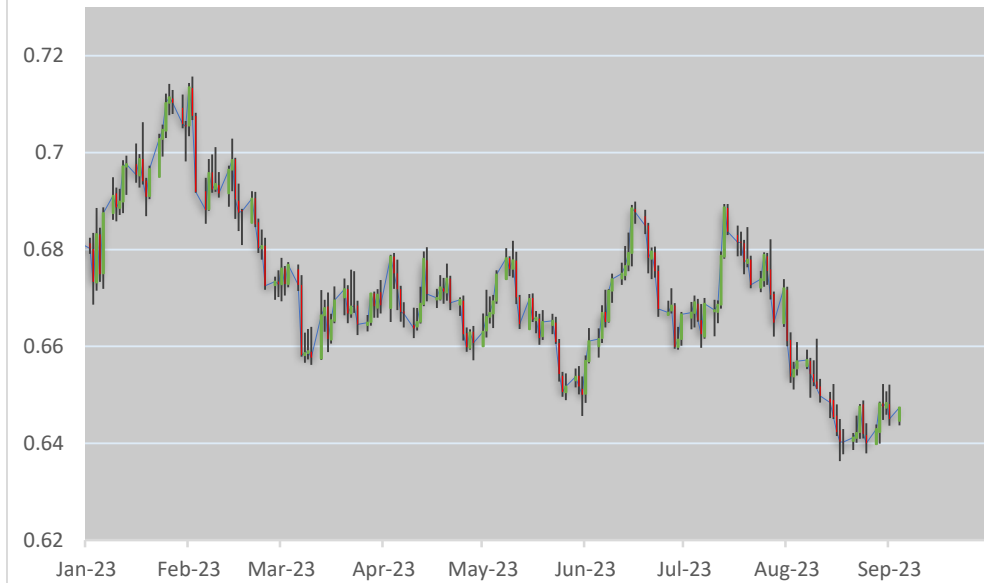
Last Week Close	1.2577 USD/GBP	Monthly High	1.2712 USD/GBP
Week Open	1.2573 USD/GBP	Monthly Low	1.2578 USD/GBP
Week Close	1.2588 USD/GBP	30 Days Average	1.2726 USD/GBP
Weekly High	1.2746 USD/GBP	90 Days Average	1.2670 USD/GBP
Weekly Low	1.2560 USD/GBP	YTD Change	+4.24%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
S&P GBL/CIPS SVC PMI FNL	Aug	5-Sep	48.7	
Composite PMI Final	Aug	5-Sep	47.9	
Reserve Assets Total	Aug	5-Sep		
All-Sector PMI	Aug	6-Sep		
S&P Global/CIPS Cons PMI	Aug	6-Sep	50.7	
Halifax House Prices MM	Aug	7-Sep		
Halifax House Prices YY	Aug	7-Sep		

Lower Bound	1.2500	Upper Bound	1.2700
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Expectations for another on-hold rate decision by the Reserve Bank of Australia (RBA) in September warrants some caution before positioning for any further appreciating move.
- It is not easy for the Aussie to appreciate due to lacking momentum as mixed data from China and Australia.

Australian Dollar News

- There were a comment from Australian Treasurer Jim Chalmers which flagged expectations of witnessing substantially weaker Australian growth due to higher interest rates from the Reserve Bank of Australia (RBA) and China's slowdown.
- The ABS reported that Retail Sales to rise 0.5% in July against market expectations for a 0.3% increase and the 0.8% decline registered in the previous month.
- The Aussie was also supported after China rolled out new measures over the weekend to draw investors back into its battered stock markets, Beijing reduced the stamp duty on stock trading by 0.1%.
- In the middle of week, the Aussie dropped after the downbeat economic data released, namely Consumer Price Index. The CPI flashed the 4.9% YoY figures for July versus 5.2% expected and 5.4% prior.

Australian Dollar Performance

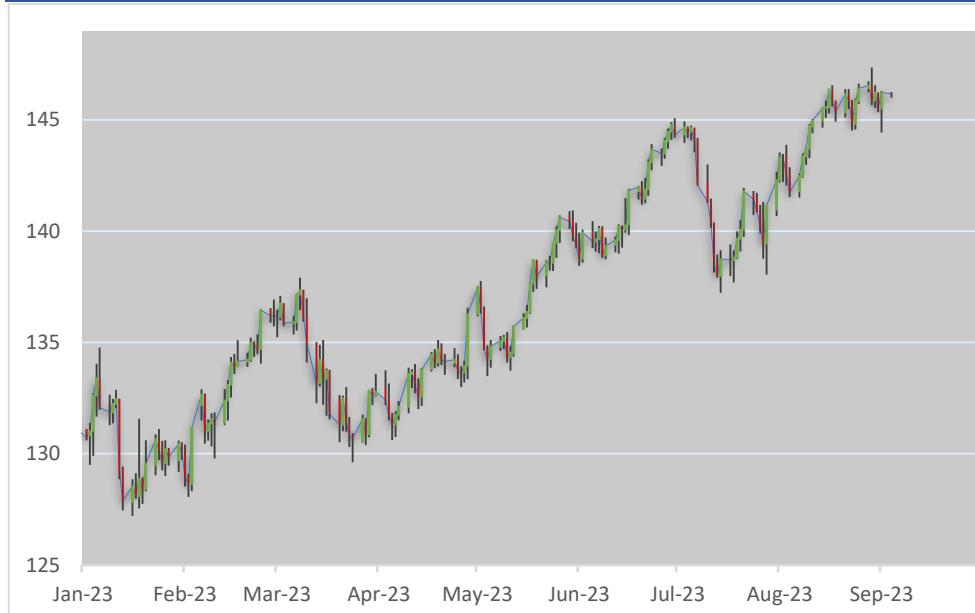
Last Week Close	0.6400 USD/AUD	Monthly High	0.65210 USD/AUD
Week Open	0.6398 USD/AUD	Monthly Low	0.64390 USD/AUD
Week Close	0.6450 USD/AUD	30 Days Average	0.67018 USD/AUD
Weekly High	0.6522 USD/AUD	90 Days Average	0.66780 USD/AUD
Weekly Low	0.6398 USD/AUD	YTD Change	-4.98%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Judo Bank Svs PMI Final	Aug	5-Sep		
Judo Bank Comp PMI Final	Aug	5-Sep		
Current Account Balance SA	Q2	5-Sep	8.1B	
Net Exports Contribution	Q2	5-Sep	0.3%	
RBA Cash Rate	Sep	5-Sep	4.10%	
Real GDP QQ SA	Q2	6-Sep	0.3%	
Real GDP YY SA	Q2	6-Sep	1.7%	
Trade Balance G&S (A\$)	Jul	7-Sep	10,000M	

Lower Bound	0.6400	Upper Bound	0.6550
Forecast	Depreciation		

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen News

- The Japanese government, in its annual economic white paper released this Tuesday, signalled that the economy was nearing an end to prolonged stagnation. The report added that Japan may be at an inflexion point in its 25-year battle with deflation as price and wage rises show signs of broadening.
- BoJ's Toyoaki Nakamura said economic recovery is needed to end the loose policy which implied that it is far for the BoJ to change their policy direction. Furthermore, there was a comment from BoJ Governor Kazuo Ueda noted that the underlying inflation in Japan remains a bit below the 2% target, ensuring that the central bank may keep the status quo until next summer.

Japanese Yen Performance

Last Week Close	146.41 JPY/USD	Monthly High	146.30 JPY/USD
Week Open	146.42 JPY/USD	Monthly Low	144.45 JPY/USD
Week Close	146.23 JPY/USD	30 Days Average	134.82 JPY/USD
Weekly High	147.36 JPY/USD	90 Days Average	133.21 JPY/USD
Weekly Low	144.43 JPY/USD	YTD Change	+11.49%

Japanese Yen Outlook

- The gain of Japanese yen might be capped due to the policy divergence between the Fed and BoJ.
- The yen remained under pressure as traders watch for any signs the Japanese government is ready to intervene to prop up the currency.
- According to the BoJ's annual economic white paper, it fuels speculations that the BoJ could phase out the massive monetary support. Apart from this, persistent fears that Japanese authorities will intervene in the foreign exchange markets underpin the yen.

Lower Bound	145.00	Upper Bound	147.00
Forecast	Depreciation		

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Monetary Base YY	Aug	4-Sep		
JibunBK Comp Op Final SA	Aug	5-Sep		
JibunBK SVC PMI Final SA	Aug	5-Sep		
Current Account NSA JPY	Jul	8-Sep	2,295.7B	
Current Account Bal SA	Jul	8-Sep		
Trade Bal Cust Basis SA	Jul	8-Sep		
GDP Rev QQ Annualised	Q2	8-Sep	5.5%	
GDP Revised QQ	Q2	8-Sep	1.3%	
GDP Cap Ex Rev QQ	Q2	8-Sep	-0.7%	

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