

WEEKLY FOREIGN EXCHANGE OUTLOOK
16 Jan 2023 - 20 Jan 2023

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The dollar is likely to continue to depreciate following the Federal Reserve's signs of less monetary tightening
- According to the CME Group FedWatch Tool, markets are currently pricing in a nearly 90% probability of a 25 basis points Fed rate hike in February.
- Additionally, several Fed policymakers voiced their support for a 25 bps rate hike at the next meeting.
- This week the market will focus on the released of U.S.Retail Sales (Wed), Industrial Production (Wed), Existing Home Sales (Fri).

Dollar Index News

- The US Dollar started the week on the back foot as optimism weighed on the safe-haven currency. On the one hand, market players assessed US macroeconomic data published last Friday, which suggests the Federal Reserve could slow the pace of tightening.
- The USD Index is likely to remain sideways ahead of Fed Powell's speech.
- The US Dollar Index has faced immense volatility after a severe contraction in Manufacturing and Services PMI in the United States economy along with a meaningful drop in wage inflation.
- The US CPI rose at an annual pace of 6.5% as expected in December, while core price pressures were up by 5.7%, in line with the market forecast. On a monthly basis, inflation contracted 0.1%, while the core reading met expectations, up 0.3%.

Dollar Index Performance

Last Week Close	103.88	Monthly High	105.82
Week Open	103.91	Monthly Low	101.86
Week Close	101.99	30 Days Average	104.15
Weekly High	105.63	90 Days Average	108.18
Weekly Low	101.99	YTD Change	-1.60%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
PPI Machine Manuf'ing	Dec	18-Jan		172.0
Retail Sales MM	Dec	18-Jan	-0.5%	-0.6%
Industrial Production MM	Dec	18-Jan	-0.1%	-0.2%
Housing Starts Number	Dec	19-Jan	1.385M	1.427M
Philly Fed Business Indx	Jan	19-Jan	-9.5	-13.8
Existing Home Sales	Dec	20-Jan	3.96M	4.09M
Initial Jobless Clm		9 Jan, w/e 19-Jan		

Lower Bound	102.03	Upper Bound	105.54
Forecast	Depreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The baht has been Asia's best performer this month. The baht has appreciated by 5 per cent against the dollar since the start of the year.
- Furthermore, The baht has gained 13% against the US dollar since hitting a 16-year low above 38 to the dollar in October.
- Thai economy is expected to grow by 3.6% this year, with expansion of 3.4-3.5% in the first half and 3.7-3.8% in the second half, according to the UTCC.
- The World Bank (WB) came out with its revised economic forecasts. That said, the WB stated that it expects the global economy to grow by 1.7% in 2023, down sharply from 3% in June's forecast.

Lower Bound	32.40	Upper Bound	33.80
Forecast	Appreciation		

Thai Baht News

- The outlook for the Thai baht is looking a lot brighter thanks to surging foreign inflows and supportive technical indicators.
- The currency is likely to get a boost from expectations of higher tourist arrivals following China's reopening and an earlier peak in the mainland's Covid wave likely around Lunar New Year.
- The consumer index of the University of the Thai Chamber of Commerce (UTCC) rose to 49.7 points in December from 47.9 in November, reaching a 25-month high, boosted by improved economic activity and higher foreign tourist arrivals.
- At the end of week, the Baht surges to its strongest level in 10 months at 32.92 THB/USD .

Thai Baht Performance

Last Week Close	33.79 THB/USD	Monthly High	34.62	THB/USD
Week Open	34.43 THB/USD	Monthly Low	32.80	THB/USD
Week Close	32.85 THB/USD	30 Days Average	34.36	THB/USD
Weekly High	33.81 THB/USD	90 Days Average	36.15	THB/USD
Weekly Low	32.79 THB/USD	YTD Change	-5.23%	

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Dec	20-Jan		-5.60%

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- EUR remained mostly steady against the dollar after hawkish comments from ECB officials.
- While the Fed is now widely expected to ease on policy tightening moving forward, ECB policymakers try to make sure that markets understand their commitment to the hawkish outlook.
- The European Central Bank is expected to deliver at least two more 50 bps rate hikes in the first meetings of this year, which should further support the Euro.
- The protracted Russia-Ukraine war has been fueling worries about a deeper global economic downturn and weighing on investors' sentiment.

Lower Bound	1.0500	Upper Bound	1.1000
Forecast	Appreciation		

Euro News

- EUR gained against the dollar after data showed consumer prices growth slowed in 19 of countries in the Euro zone as compared to past month. Food and energy prices still remain volatile
- The data from Germany revealed on Monday that Industrial Production expanded by 0.2% on a monthly basis in November following October's 0.1% contraction.
- Euro zone yields dropped as regional natural gas prices fell to their lowest in almost a year and a half. Meanwhile ECB board member indicated rates could be raised further given inflation still ran high.
- EUR rose against the dollar and reached a nine month high traded at above 1.08 level while European government yields briefly trimmed falls and European shares dipped after US CPI dropped.

Euro Index Performance

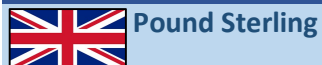
Last Week Close	1.0644 USD/EUR	Monthly High	1.0873 USD/EUR
Week Open	1.0635 USD/EUR	Monthly Low	1.0484 USD/EUR
Week Close	1.0828 USD/EUR	30 Days Average	1.0648 USD/EUR
Weekly High	1.0867 USD/EUR	90 Days Average	1.0217 USD/EUR
Weekly Low	1.0634 USD/EUR	YTD Change	+1.60%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
ZEW Economic Sentiment	Jan	16-Jan		-23.3
ZEW Current Conditions	Jan	16-Jan		-61.4
Reserve Assets Total	Dec	16-Jan		1,115.10B
HICP Final YY	Dec	17-Jan		9.6%
HICP Final MM	Dec	18-Jan		-0.1%
HICP Final YY	Dec	18-Jan		9.2%
ZEW Economic Sentiment	Feb	17-Jan		
ZEW Current Conditions	Feb	17-Jan		

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Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling News

- GBP/USD extended the previous week's recovery and hit four-week highs near 1.2250, as sellers refuse to give up on the United States Dollar (USD) amid dovish US Federal Reserve (Fed) expectations.
- Comments from Bank of England (BoE) Chief Economist Huw Pill, also helped the British Pound extend its recovery momentum. Pill sounded upbeat on the economic prospects, citing, "Supply disruptions appear to have eased in recent months."
- The UK's Office for National Statistics reported that the Gross Domestic Product (GDP) expanded by 0.1% in November following October's 0.5% growth. Although this reading came in better than the market expectation for a contraction of 0.2%, it failed to help the Pound Sterling regather its bullish momentum.
- UK Manufacturing Production drops 0.5% MoM in November vs. -0.2% expected.

Pound Sterling Performance

Last Week Close	1.2092 USD/GBP	Monthly High	1.2287	USD/GBP
Week Open	1.2092 USD/GBP	Monthly Low	1.1842	USD/GBP
Week Close	1.2226 USD/GBP	30 Days Average	1.2140	USD/GBP
Weekly High	1.2248 USD/GBP	90 Days Average	1.1702	USD/GBP
Weekly Low	1.2085 USD/GBP	YTD Change	+1.54%	

Pound Sterling Outlook

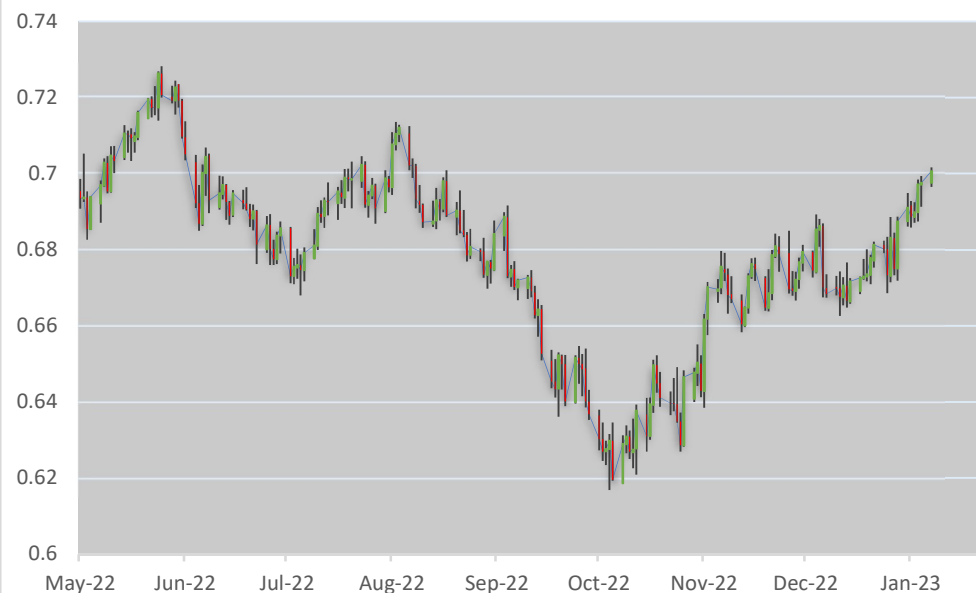
- UK economy has been fueling speculations that the BOE is nearing the end of the current rate-hiking cycle.
- Wednesday's Consumer Price Index data from the United Kingdom will be closely scrutinized for fresh hints on the Bank of England policy outlook this year.
- December inflation numbers are expected to show that inflationary pressures continue to subside, however they are still forecast to remain in double digit territory. CPI is expected to remain above 10%. This means that we can expect to see another significant rate hike from the Bank of England when it meets in just over 2 weeks' time.

Lower Bound Forecast	1.2050	Upper Bound	1.2400
	Appreciation		

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Dec	17-Jan		30.5k
ILO Unemployment Rate	Nov	17-Jan		3.7%
HMRC Payrolls Change	Dec	17-Jan		107k
Core CPI YY	Dec	18-Jan		6.3%
CPI YY	Dec	18-Jan		10.7%
Retail Sales MM	Dec	20-Jan		-0.4%
Retail Sales Ex-Fuel MM	Dec	20-Jan		-0.3%
Retail Sales YY	Dec	20-Jan		-5.9%

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- An escalation in inflation print and retail demand might force the RBA to tighten policy further.
- The market participants are continuously chattering over the reopening of China after stretched lockdown led by the Covid-19 epidemic. The economists believe that China's reopening from the Covid restrictions will likely boost Australian economic growth by around 1.0%.
- Rising bets for smaller Fed rate hikes should cap the USD and limit the downside for the Aussie.

Australian Dollar News

- AUD rose against the dollar having earlier touched a four-month peak of \$0.6907, as China's re-opening of its border, and increasing hopes of Fed slowing the pace of interest rate hikes boosted risk sentiment.
- The Australian Dollar failed to pick strength despite higher-than-anticipated Australian inflation and Retail Sales data.
- The data from Australia showed on Tuesday that Retail Sales rose by 1.4% on a monthly basis in November following October's 0.2% contraction. This reading came in higher than the market expectation for an increase of 0.6%.
- Additionally, the Consumer Price Index (CPI) rose to 7.4% on a yearly basis in November from 6.9% in October.
- Australia trade surplus unexpectedly grew in November, which is expected to have remained steady in December.

Last Week Close	0.6875 USD/AUD	Monthly High	0.70160 USD/AUD
Week Open	0.6875 USD/AUD	Monthly Low	0.66890 USD/AUD
Week Close	0.6976 USD/AUD	30 Days Average	0.64668 USD/AUD
Weekly High	0.6994 USD/AUD	90 Days Average	0.66751 USD/AUD
Weekly Low	0.6858 USD/AUD	YTD Change	+2.96%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Employment	Dec	19-Jan		64.0k
Participation Rate	Dec	19-Jan		0.7%
Unemployment Rate	Dec	19-Jan		0M

Lower Bound	0.6700	Upper Bound	0.7150
Forecast	Appreciation		


Japanese Yen
Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen News

- JPY rose against the dollar as the dollar eased across the board while the US treasury yields fell. Markets risk sentiment has improved from reduced Fed hike fears and on hopes of China reopening its borders weighing on both safe-haven dollar and yen.
- JPY slightly lower against the dollar as the dollar edged up along with US treasury yields. Data showed Tokyo inflation accelerated during December meeting expectations while consumer spending declined indicating higher inflation is taking toll on household spending power.
- JPY rose against the dollar as the dollar eased after data showed US CPI unexpectedly fell for the first time in more than 2-1/2 years in December. Meanwhile the yen found support in growing market expectations of a policy shift by the BoJ.

Last Week Close	132.07 JPY/USD	Monthly High	134.77 JPY/USD
Week Open	131.92 JPY/USD	Monthly Low	127.47 JPY/USD
Week Close	127.88 JPY/USD	30 Days Average	141.55 JPY/USD
Weekly High	132.87 JPY/USD	90 Days Average	136.95 JPY/USD
Weekly Low	127.45 JPY/USD	YTD Change	-2.69%

Japanese Yen Outlook

- The Bank of Japan was planning to review the side effects of massive monetary easing in next week's policy meeting.
- Furthermore, second-round effects of yield curve control (YCC) removal via changes in global portfolio flows could provide further support to the JPY and exert tightening pressures on the cross currencies basis.
- The Japanese Yen is set to gain further ground on the back of monetary policy expectations from the Bank of Japan. They consider possible a slide under 120.00 for later in 2023.

Lower Bound	125.00	Upper Bound	131.00
Forecast	Appreciation		

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Corp Goods Price MM	Dec	16-Jan		0.6%
Corp Goods Price YY	Dec	16-Jan		9.3%
JP BOJ Rate Decision	18 Jan	18-Jan		-0.10%
Machinery Orders MM	Nov	18-Jan		5.4%
Exports YY	Dec	19-Jan		20.0%
Imports YY	Dec	19-Jan		30.3%
Trade Balance Total Yen	Dec	19-Jan		-2,029.0B
CPI, Core Nationwide YY	Dec	20-Jan		3.7%
CPI, Overall Nationwide	Dec	20-Jan		3.8%

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