

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**02 Jan 2023 - 06 Jan 2023**

**Dollar Index**
**Dollar Index Graph**


Source: Thomson Reuters

**Dollar Outlook**

- As the Fed ends its tightening cycle and U.S. economic trends worsen, we believe the greenback will enter a period of cyclical depreciation and weaken against most foreign currencies for the remainder of this year.
- On the data front, On Tuesday the S&P Global Manufacturing PMI for December is due in the US. On Wednesday the US will release the ISM Manufacturing and the Federal Reserve the FOMC December meeting minutes. The key report of the week will be on Friday, the US official employment report. Non-farm payrolls are expected to slow down to 200K in December from 263K of November.

|                    |                     |                    |               |
|--------------------|---------------------|--------------------|---------------|
| <b>Lower Bound</b> | <b>102.50</b>       | <b>Upper Bound</b> | <b>104.50</b> |
| <b>Forecast</b>    | <b>Depreciation</b> |                    |               |

**Dollar Index News**

- The US Dollar Index (DXY) fell against other currencies as markets bet a Federal Reserve tightening cycle may be nearing an end.
- Fed officials including Chair Jerome Powell though have stressed since then that policy tightening will be prolonged, with a higher terminal rate, fueling worries of a U.S. slowdown.
- House prices in the US remained unchanged on a monthly basis in October, the monthly data showed on Tuesday. This reading came in below the market expectation for an increase of 0.8%.
- International trade deficit of the US declined by \$15.5 billion to \$83.3 billion in November from \$98.8 billion in October.
- The Chicago Purchasing Manufacturing Index (PMI) for December exceeded estimates of 40.5 at 44.9 but remained in contractionary territory.

**Dollar Index Performance**

|                        |               |                        |               |
|------------------------|---------------|------------------------|---------------|
| <b>Last Week Close</b> | <b>104.31</b> | <b>Monthly High</b>    | <b>107.99</b> |
| <b>Week Open</b>       | <b>#N/A</b>   | <b>Monthly Low</b>     | <b>103.39</b> |
| <b>Week Close</b>      | <b>103.39</b> | <b>30 Days Average</b> | <b>105.03</b> |
| <b>Weekly High</b>     | <b>104.79</b> | <b>90 Days Average</b> | <b>108.78</b> |
| <b>Weekly Low</b>      | <b>103.39</b> | <b>YTD Change</b>      | <b>-0.03%</b> |

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

| Events                | Period | Date             | Forecast | Previous |
|-----------------------|--------|------------------|----------|----------|
| ISM Manufacturing PMI | Dec    | 4-Jan            | 48.5     | 49.0     |
| Non-Farm Payrolls     | Dec    | 6-Jan            | 200k     | 263k     |
| Unemployment Rate     | Dec    | 6-Jan            | 3.7%     | 3.7%     |
| Factory Orders MM     | Nov    | 6-Jan            | -0.7%    | 1.0%     |
| ISM N-Mfg PMI         | Dec    | 6-Jan            | 55.0     | 56.5     |
| Initial Jobless Clm   |        | 26 Dec, w/ 5-Jan |          |          |

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
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**Thai Baht**
**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- Thailand's economy remained on the recovery path, boosted by increased tourism and domestic consumption while exports deteriorated as global demand slowed, the central bank has announced.
- China's move should help Thailand's tourism sector in 2023, The BOT's current forecast for foreign tourist arrivals next year is at 22 million.
- The BOT forecast growth of 3.2% this year and 3.7% in 2023. Last year's growth of 1.5% was among the slowest in the region.
- On the data front, investor will keep an eye on manufacturing PMI data due on Wednesday and CPI data due on Thursday.

**Thai Baht News**

- Thai Baht appreciated against the dollar.
- Thailand's household debt to gross domestic product ratio dropped to 86.8% in the third quarter from 88.1% in the previous quarter, as the economy continued to recover.
- Bank of Thailand (BOT) Governor Sethaput Suthiwartnarueput said earlier this month that the high level of household debt could disrupt the economic recovery and needed to be brought down to sustainable levels.
- The BOT has raised its key rate by a total 75 basis points since August to 1.25% to curb inflation and ensure the recovery continues. It will next review policy on January 25, when most economists expect a further gradual rate hike.

**Thai Baht Performance**

|                        |                      |                        |               |         |
|------------------------|----------------------|------------------------|---------------|---------|
| <b>Last Week Close</b> | <b>34.76</b> THB/USD | <b>Monthly High</b>    | <b>34.62</b>  | THB/USD |
| <b>Week Open</b>       | <b>34.43</b> THB/USD | <b>Monthly Low</b>     | <b>34.29</b>  | THB/USD |
| <b>Week Close</b>      | <b>34.61</b> THB/USD | <b>30 Days Average</b> | <b>34.94</b>  | THB/USD |
| <b>Weekly High</b>     | <b>34.81</b> THB/USD | <b>90 Days Average</b> | <b>36.45</b>  | THB/USD |
| <b>Weekly Low</b>      | <b>34.47</b> THB/USD | <b>YTD Change</b>      | <b>-0.84%</b> |         |

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

| Events                 | Period | Date             | Forecast | Previous |
|------------------------|--------|------------------|----------|----------|
| Manufacturing PMI SA   | Dec    | 4-Jan            |          | 51.1     |
| CPI Headline Inflation | Dec    | 5-Jan            | 6.00%    | 5.55%    |
| CPI Core Inflation YY  | Dec    | 5-Jan            | 3.26%    | 3.22%    |
| CPI Index              | Dec    | 5-Jan            |          | 107.92   |
| Forex Reserves         |        | 26 Dec, w/ 6-Jan |          |          |

|                    |                     |                    |              |
|--------------------|---------------------|--------------------|--------------|
| <b>Lower Bound</b> | <b>34.00</b>        | <b>Upper Bound</b> | <b>35.00</b> |
| <b>Forecast</b>    | <b>Appreciation</b> |                    |              |

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**02 Jan 2023 - 06 Jan 2023**

**Euro Graph**


Source: Thomson Reuters

**Euro News**

- The euro advanced modestly in the last trading day of 2022.
- European Central Bank Governing Council member Klaas Knot said on Tuesday he believes that the central bank has only just passed the halfway point of its tightening cycle and needs to be “in there for the long game” to tame high inflation.
- European Central Bank President Christine Lagarde stressed rate hikes would need to continue and said at the weekend that Euro zone wages are growing quicker than earlier thought and ECB must prevent this from adding to already high inflation.
- While the euro area economy is also heading for a recession, concerns about gas supply over the winter have eased, meaning a downturn may not be as bad as feared just a few months ago.

**Euro Index Performance**

|                        |                       |                        |               |         |
|------------------------|-----------------------|------------------------|---------------|---------|
| <b>Last Week Close</b> | <b>1.0614</b> USD/EUR | <b>Monthly High</b>    | <b>1.0706</b> | USD/EUR |
| <b>Week Open</b>       | <b>1.0609</b> USD/EUR | <b>Monthly Low</b>     | <b>1.0651</b> | USD/EUR |
| <b>Week Close</b>      | <b>1.0702</b> USD/EUR | <b>30 Days Average</b> | <b>1.0563</b> | USD/EUR |
| <b>Weekly High</b>     | <b>1.0713</b> USD/EUR | <b>90 Days Average</b> | <b>1.0146</b> | USD/EUR |
| <b>Weekly Low</b>      | <b>1.0603</b> USD/EUR | <b>YTD Change</b>      | <b>-0.23%</b> |         |

**Euro Outlook**

- While the Eurozone faces near-term growth challenges, a hawkish European Central Bank (ECB) should limit the extent of the euro's decline. Moreover, as 2023 progresses, weaker U.S. economic growth and ultimately U.S. recession should weigh on the greenback, while eventual Fed rate cuts should also be a drag on the U.S. currency. With the Eurozone's medium-term growth outlook somewhat steadier and the ECB unlikely to be as dovish as the Fed, we expect a solid recovery in the euro.

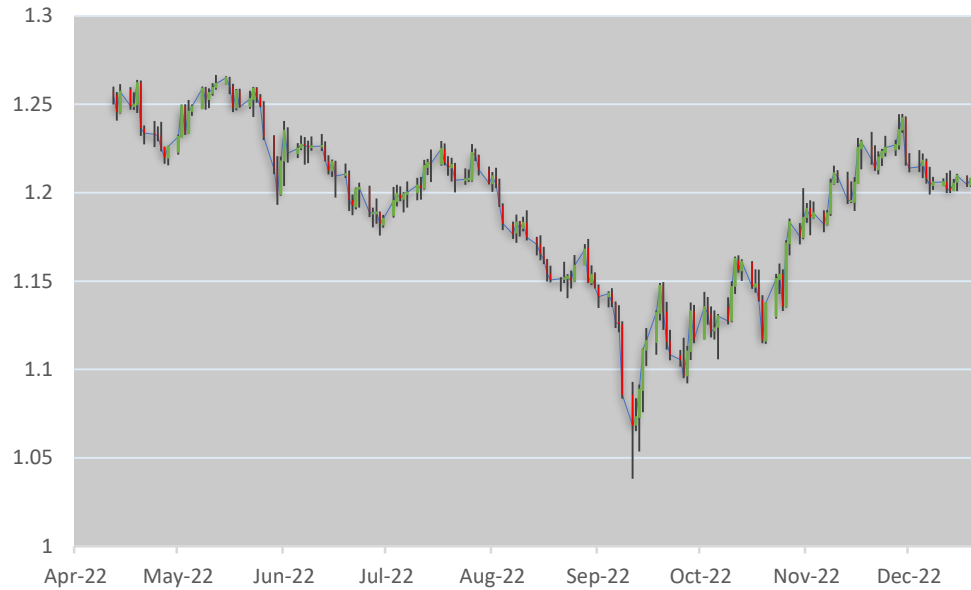
- On Tuesday, Germany will publish the preliminary estimate of the December Consumer Price Index, foreseen up by 10.7% YoY.

**Next Week's Euro Economic Events**

| Events                    | Period | Date  | Forecast | Previous |
|---------------------------|--------|-------|----------|----------|
| S&P Global Mfg Final PMI  | Dec    | 2-Jan | 47.8     | 47.8     |
| Unemployment Chg SA       | Dec    | 3-Jan | 14k      | 17k      |
| Unemployment Rate SA      | Dec    | 3-Jan | 5.6%     | 5.6%     |
| CPI Prelim YY             | Dec    | 3-Jan | 8.9%     | 10.0%    |
| S&P Global Serv Final PMI | Dec    | 4-Jan | 49.1     | 49.1     |
| S&P Global Comp Final PMI | Dec    | 4-Jan | 48.8     | 48.8     |
| Industrial Orders MM      | Nov    | 6-Jan | -0.5%    | 0.8%     |
| Consumer Confid. Final    | Dec    | 6-Jan | -22.2    | -22.2    |

|                    |                     |                    |               |
|--------------------|---------------------|--------------------|---------------|
| <b>Lower Bound</b> | <b>1.0600</b>       | <b>Upper Bound</b> | <b>1.0750</b> |
| <b>Forecast</b>    | <b>Appreciation</b> |                    |               |

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
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**Pound Sterling Graph**


Source: Thomson Reuters

**Pound Sterling Outlook**

- We forecast a protracted recession in the United Kingdom, reinforced by the government's fiscal consolidation in its Autumn Statement, While we also see the U.K. central bank easing monetary policy by late 2023. Against this backdrop, we expect the pound to be an underperformer within the G10 currencies, showing renewed weakness through early 2023 and only a modest rebound thereafter.
- This week, investors will keep an eye on the UK Final Manufacturing PMI data.

**Pound Sterling News**

- The Pound Sterling (GBP) pares its losses against the US Dollar (USD) due to risk aversion dominating the last trading day of 2022.
- In the meantime, the lack of economic data in the UK economic calendar keeps investors adrift to the latest developments linked to the energy crisis in the UK. According to the Times, UK's finance minister Jeremy Hunt has been weighing how much assistance to provide companies when an existing six-month energy support program worth £18 billion expires in March of 2023.

**Pound Sterling Performance**

|                        |                       |                        |               |         |
|------------------------|-----------------------|------------------------|---------------|---------|
| <b>Last Week Close</b> | <b>1.2058</b> USD/GBP | <b>Monthly High</b>    | <b>1.2098</b> | USD/GBP |
| <b>Week Open</b>       | <b>1.2042</b> USD/GBP | <b>Monthly Low</b>     | <b>1.2035</b> | USD/GBP |
| <b>Week Close</b>      | <b>1.2097</b> USD/GBP | <b>30 Days Average</b> | <b>1.2136</b> | USD/GBP |
| <b>Weekly High</b>     | <b>1.2125</b> USD/GBP | <b>90 Days Average</b> | <b>1.1647</b> | USD/GBP |
| <b>Weekly Low</b>      | <b>1.1999</b> USD/GBP | <b>YTD Change</b>      | <b>-0.13%</b> |         |

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

| Events                     | Period | Date  | Forecast | Previous |
|----------------------------|--------|-------|----------|----------|
| S&P GLBL/CIPS Mfg PMI FNL  | Dec    | 3-Jan | 44.7     | 44.7     |
| Overall Comprehensive Risk | Q1     | 5-Jan |          | 9.01     |
| Composite PMI Final        | Dec    | 5-Jan | 49.0     | 49       |
| Halifax House Prices MM    | Dec    | 6-Jan |          | -2.3     |
| Halifax House Prices YY    | Dec    | 6-Jan |          | 4.7      |
| All-Sector PMI             | Dec    | 6-Jan |          | 48.4     |

|                    |                |                    |               |
|--------------------|----------------|--------------------|---------------|
| <b>Lower Bound</b> | <b>1.1950</b>  | <b>Upper Bound</b> | <b>1.2150</b> |
| <b>Forecast</b>    | <b>Neutral</b> |                    |               |

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**02 Jan 2023 - 06 Jan 2023**

**Australian Dollar**
**Australian Dollar Graph**


Source: Thomson Reuters

**Australian Dollar Outlook**

- AUD/USD is trading above 0.6800, back on the bids in Tuesday's Asian trading. The pair is helped by the renewed selling in the US Dollar and upbeat Chinese PMI amid holiday-thinned market conditions.
- The RBA has taken their foot off the tightening pedal despite inflation anticipated to go higher through 2023 according to their own forecasts. The path of this disparity might be crucial for AUD/USD this year.
- Elsewhere, China could be another notable piece of the Aussie Dollar puzzle. The tilt away from their zero-case Covid-19 policy may have significant impacts on Australian exports.

|                    |                     |                    |               |
|--------------------|---------------------|--------------------|---------------|
| <b>Lower Bound</b> | <b>0.6750</b>       | <b>Upper Bound</b> | <b>0.6900</b> |
| <b>Forecast</b>    | <b>Appreciation</b> |                    |               |

**Australian Dollar News**

- The Australian dollar managed to put together an end-of-the-year rally, rising around 2% since December 23rd.
- In a week short on economic news, one of the highlights was China's announcement that international tourists would no longer be required to enter quarantine upon arrival. This marks another step in China's rush to reopen, a massive shift from its harsh zero-Covid policy that choked economic activity.
- Australia is watching these developments closely. China is Australia's largest trading partner, and how well China's economy performs can have a strong impact on the direction of the Australian dollar.

|                        |                       |                        |                        |
|------------------------|-----------------------|------------------------|------------------------|
| <b>Last Week Close</b> | <b>0.6717</b> USD/AUD | <b>Monthly High</b>    | <b>0.68340</b> USD/AUD |
| <b>Week Open</b>       | <b>0.6692</b> USD/AUD | <b>Monthly Low</b>     | <b>0.67730</b> USD/AUD |
| <b>Week Close</b>      | <b>0.6813</b> USD/AUD | <b>30 Days Average</b> | <b>0.63823</b> USD/AUD |
| <b>Weekly High</b>     | <b>0.6821</b> USD/AUD | <b>90 Days Average</b> | <b>0.66866</b> USD/AUD |
| <b>Weekly Low</b>      | <b>0.6684</b> USD/AUD | <b>YTD Change</b>      | <b>+0.19%</b>          |

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

| <b>Events</b>           | <b>Period</b> | <b>Date</b> | <b>Forecast</b> | <b>Previous</b> |
|-------------------------|---------------|-------------|-----------------|-----------------|
| AIG Manufacturing Index | Dec           | 2-Jan       |                 |                 |
| Mfg PMI Final           | Dec           | 3-Jan       |                 |                 |
| Services PMI Final      | Dec           | 5-Jan       |                 |                 |
| Comp PMI Final          | Dec           | 5-Jan       |                 |                 |


**Japanese Yen**
**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen News**

- The Japanese yen appreciated against the dollar.
- Bank of Japan (BOJ) Governor Haruhiko Kuroda said that the decision to tweak the yield curve control strategy was "absolutely no a first step" towards an exit from ultra-loose monetary policy, making it difficult for the Japanese Yen to find demand.
- The yen also came under pressure amid more signals from the Bank of Japan that a surprise policy tweak last week was not the start of a scrapping of stimulus.
- A summary of opinions from the meeting though, released Wednesday, showed policymakers backing a continuation of ultra-accommodative policy, even as they discussed growing prospects the country could see higher wage growth and sustained inflation next year.

|                        |                       |                        |                       |
|------------------------|-----------------------|------------------------|-----------------------|
| <b>Last Week Close</b> | <b>132.79</b> JPY/USD | <b>Monthly High</b>    | <b>131.39</b> JPY/USD |
| <b>Week Open</b>       | <b>132.77</b> JPY/USD | <b>Monthly Low</b>     | <b>129.52</b> JPY/USD |
| <b>Week Close</b>      | <b>131.11</b> JPY/USD | <b>30 Days Average</b> | <b>138.65</b> JPY/USD |
| <b>Weekly High</b>     | <b>134.49</b> JPY/USD | <b>90 Days Average</b> | <b>135.34</b> JPY/USD |
| <b>Weekly Low</b>      | <b>130.76</b> JPY/USD | <b>YTD Change</b>      | <b>-1.12%</b>         |

**Japanese Yen Outlook**

- The Bank of Japan's policy tweak as clearly consistent with and supportive of yen outperformance over the medium-to-long term. We have previously noted the yen as a likely outperformer in 2023
- On the data front, On Tuesday the S&P Global Manufacturing PMI for December is due in Japan. On Thursday Japan will release Consumer Confidence data

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

| Events                     | Period | Date  | Forecast | Previous |
|----------------------------|--------|-------|----------|----------|
| JibunBK Mfg PMI Final SA   | Dec    | 4-Jan |          | 48.8     |
| Monetary Base YY           | Dec    | 5-Jan |          | -6.28    |
| JibunBK Comp Op Final SA   | Dec    | 6-Jan |          | 50       |
| JibunBK SVC PMI Final SA   | Dec    | 6-Jan |          | 51.7     |
| Overall Comprehensive Risk | Q1     | 6-Jan |          | 8.97     |

|                    |                     |                    |               |
|--------------------|---------------------|--------------------|---------------|
| <b>Lower Bound</b> | <b>129.00</b>       | <b>Upper Bound</b> | <b>132.00</b> |
| <b>Forecast</b>    | <b>Appreciation</b> |                    |               |

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