

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**29 Jan 2024 - 02 Feb 2024**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

- This week, the focus is on the FOMC decision that will could be current market dynamics. Despite no change in monetary policy is expected, but the Fed may embrace a more dovish position on the back of significant progress on the inflation front.
- Also, the market will be closely watching Fed Chair Jerome Powell's post policy meeting press conference for any insights into how officials have been interpreting recent economic data.
- Moreover, important U.S. economic data such as manufacturing PMI, non-farm payrolls, consumer confidence and the Treasury's refunding announcement will be also in focus this week.

<b>Lower Bound</b>	<b>102.50</b>	<b>Upper Bound</b>	<b>104.50</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Dollar News**

- Recent economic data and comments from Federal Reserve officials dampened expectations of rapid cuts in interest rates. Expectations for a cut from the Fed in March of at least 25 basis points (bps) have dipped below 50% according to CME's FedWatch Tool, with traders now targeting May as the likely month for a rate cut announcement.
- The U.S. dollar edged higher on Thursday (25/1) after data showed US Gross Domestic Product (GDP) was expanded by 3.3% in the last quarter of 2024 while investors projected a slower growth rate of 2% against 4.9% recorded in Q3, suggesting the Federal Reserve would be in no rush to cut interest rates amid a generally stable economy.
- However, the U.S. dollar inched lower on Friday (26/1), after data showed inflation rose modestly in December but was trending lower, which should keep the Federal Reserve on track to cut interest rates by the middle of the year.

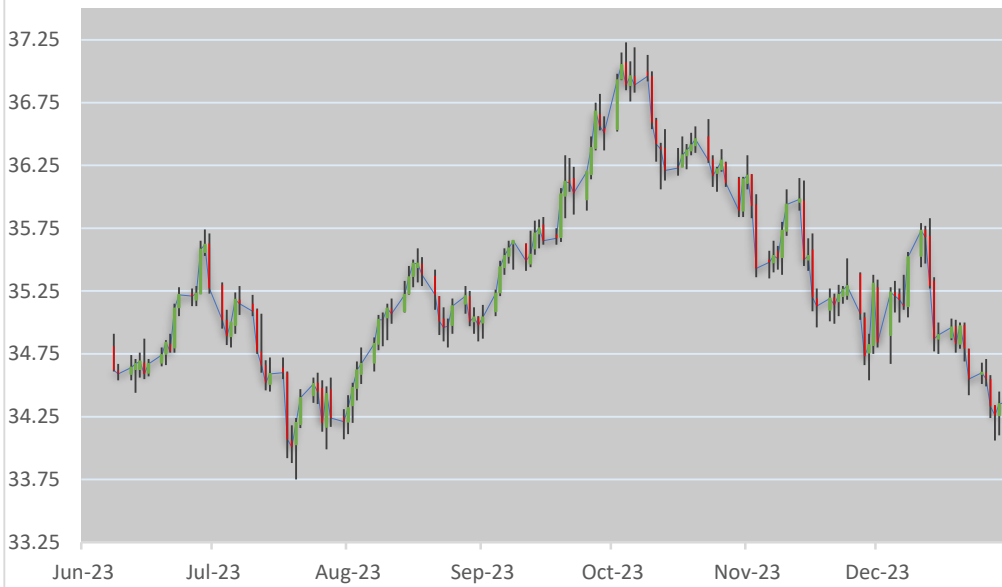
**Dollar Index Performance**

<b>Last Week Close</b>	<b>103.29</b>	<b>Monthly High</b>	<b>103.82</b>
<b>Week Open</b>	<b>103.24</b>	<b>Monthly Low</b>	<b>100.62</b>
<b>Week Close</b>	<b>103.43</b>	<b>30 Days Average</b>	<b>102.51</b>
<b>Weekly High</b>	<b>103.82</b>	<b>90 Days Average</b>	<b>104.31</b>
<b>Weekly Low</b>	<b>102.77</b>	<b>YTD Change</b>	<b>+2.14%</b>

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

Events	Period	Date	Forecast	Previous
Consumer Confidence	Jan	30-Jan	111.3	110.7
Fed Funds Tgt Rate	31 Jan	1-Feb	5.25-5.5	5.25-5.5
S&P Global Mfg PMI Final	Jan	1-Feb		50.3
ISM Manufacturing PMI	Jan	1-Feb	47.4	47.4
Non-Farm Payrolls	Jan	2-Feb	162k	216k
Unemployment Rate	Jan	2-Feb	3.7%	3.7%
Factory Orders MM	Dec	2-Feb		2.6%
U Mich Sentiment Final	Jan	2-Feb	78.8	78.8
Initial Jobless Clm		22 Jan, w/ 1-Feb		

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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- Baht was driven by the U.S. economic data and could move in a sideways up to 35.80 THB/USD if US economic data released later this week indicates a resilient US economy and further delays to the Federal Reserve's trim of interest rates.
- Also, weaker results than expected for the Thai economy have prompted continued capital outflows and will be pressure on the Thai baht.
- The market will be focus on FOMC meeting (30-31/1) and Thailand's export and import data that will be release on Wednesday (31/1).

<b>Lower Bound</b>	<b>35.40</b>	<b>Upper Bound</b>	<b>35.80</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Thai Baht News**

- Thai baht depreciated against the dollar as expectations for the first U.S. rate cut in an easing cycle have been pushed back to May from March, encouraging investors to hold dollars.
- However, Thai baht was supported after China's central bank announced a deep cut to bank reserves, in a move that will inject about \$140 billion of cash into the banking system and send a strong signal of support for a fragile economy and plunging stock markets.
- Thailand's customs-based exports rose for a fifth straight month in December, up 4.7% from a year earlier, the Commerce Ministry said on Friday (26/1). The reading compared with a forecast for a 6.0% year-on-year increase for December in a Reuters poll, and followed November's 4.9% rise. In December, imports fell 3.1% year-on-year, creating a trade surplus of \$0.97 billion.

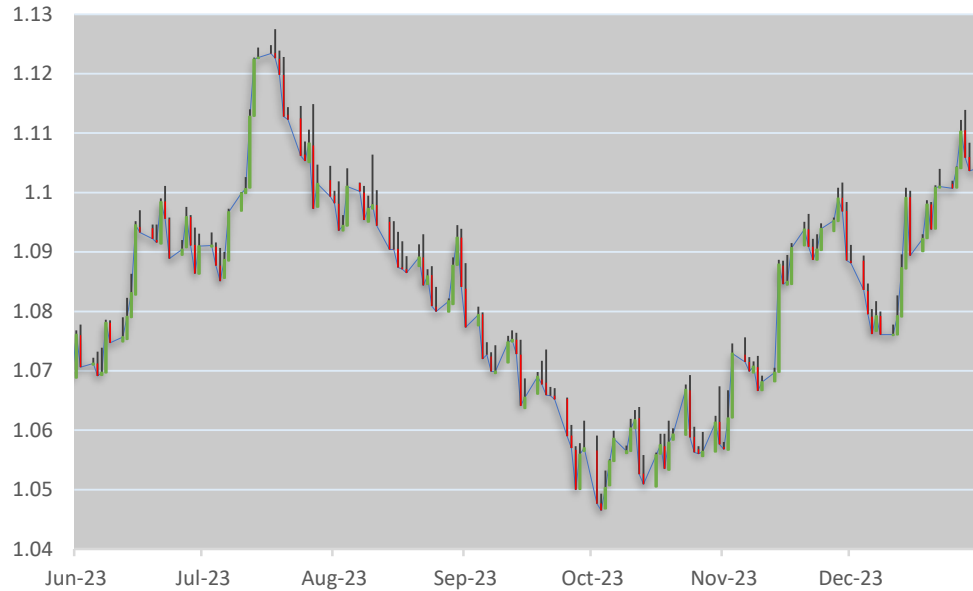
**Thai Baht Performance**

<b>Last Week Close</b>	<b>35.56</b> THB/USD	<b>Monthly High</b>	<b>35.88</b> THB/USD
<b>Week Open</b>	<b>35.53</b> THB/USD	<b>Monthly Low</b>	<b>34.12</b> THB/USD
<b>Week Close</b>	<b>35.64</b> THB/USD	<b>30 Days Average</b>	<b>34.96</b> THB/USD
<b>Weekly High</b>	<b>35.88</b> THB/USD	<b>90 Days Average</b>	<b>35.55</b> THB/USD
<b>Weekly Low</b>	<b>35.43</b> THB/USD	<b>YTD Change</b>	<b>+3.46%</b>

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

Events	Period	Date	Forecast	Previous
Exports YY	Dec	31-Jan		3.90%
Imports YY	Dec	31-Jan		9.50%
Trade Account	Dec	31-Jan		-0.20B
Current Account	Dec	31-Jan		-1.20B
Manufacturing PMI SA	Jan	1-Feb		45.1
Custom-Based Export Data	Dec	24-Jan		4.90%
Custom-Based Import Data	Dec	24-Jan		10.10%
Customs-Based Trade Data	Dec	24-Jan		-2.40B
Manufacturing Prod YY	Dec	25-Jan		-4.71%

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**Euro Graph**


Source: Thomson Reuters

**Euro News**

- The euro dropped against the US dollar after purchasing managers' index (PMI) surveys showed the euro zone economy's downturn eased somewhat in January, although it remained sluggish.
- The euro came under modest bearish pressure and declined below 1.0850 USD/EUR as ECB left key rates unchanged. On Thursday's ECB meeting and President Lagarde refrained from commenting on the possible timing of a rate cut. The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility remain unchanged at 4.50%, 4.75% and 4.00%, respectively.
- However, the euro rebounded from a six-week low of Friday (26/1) despite a survey showed German consumer sentiment fell to -29.7 points heading into February from a revised -25.4 the previous month, suggesting a sustained recovery for Europe's biggest economy remains some way away.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0897</b> USD/EUR	<b>Monthly High</b>	<b>1.1046</b> USD/EUR
<b>Week Open</b>	<b>1.0890</b> USD/EUR	<b>Monthly Low</b>	<b>1.0814</b> USD/EUR
<b>Week Close</b>	<b>1.0852</b> USD/EUR	<b>30 Days Average</b>	<b>1.0955</b> USD/EUR
<b>Weekly High</b>	<b>1.0932</b> USD/EUR	<b>90 Days Average</b>	<b>1.0787</b> USD/EUR
<b>Weekly Low</b>	<b>1.0811</b> USD/EUR	<b>YTD Change</b>	<b>-1.75%</b>

**Euro Outlook**

- For the ECB, money markets priced in an 80% chance of the first rate cut of 25 basis points in April, from 60% before the ECB statement. They also fully factored in 50 bps of cuts by June.
- This week, the FOMC meeting is also in focus and is widely expected to stand pat but comments from Chair Jerome Powell will be intensely scrutinized for clues as to when the U.S. central bank will start cutting rates.
- Moreover, Eurozone GDP in fourth quarter of 2023, economic sentiment, consumer confidence index, manufacturing PMI and unemployment rate will be in focus this week.

<b>Lower Bound</b>	<b>1.0750</b>	<b>Upper Bound</b>	<b>1.0950</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
GDP Flash Prelim YY	Q4	30-Jan	0.0%	0.0%
GDP Flash Prelim QQ	Q4	30-Jan	-0.1%	-0.1%
Business Climate	Jan	30-Jan		-0.45
Economic Sentiment	Jan	30-Jan	96.2	96.4
Industrial Sentiment	Jan	30-Jan	-8.9	-9.2
Consumer Confid. Final	Jan	30-Jan	-16.1	-16.1
HCOB Mfg Final PMI	Jan	1-Feb	46.6	46.6
HICP Flash YY	Jan	1-Feb	2.9%	2.9%
Unemployment Rate	Dec	1-Feb	6.4%	6.4%

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 **Pound Sterling**

**Pound Sterling Graph**



Source: Thomson Reuters

**Pound Sterling Outlook**

- Bank of England decision on interest rates is on focus on Thursday (1/2).
- The BoE is expected to keep interest rates on hold in a meeting and while it may drop its long-held warning that it will hike rates again if inflation rebounds it is expected to indicate that rates need to remain restrictive for an extended period.

**Pound Sterling News**

- The pound sterling traded lower after U.K. retail sales slumped 3.2% in December, the biggest drop in sales since January 2021, raising the risk that the U.K. economy entered recession late last year.
- However the pound sterling also climbed after a strong PMI reading caused traders to further dial back their bets on Bank of England rate cuts this year, a process that was kick-started by a stronger-than-expected inflation reading earlier this month.
- The latest U.K. jobs report showed that wage growth rose at the slowest pace in almost a year in the three months to November, but inflation unexpectedly rose to 4% in December.

**Pound Sterling Performance**

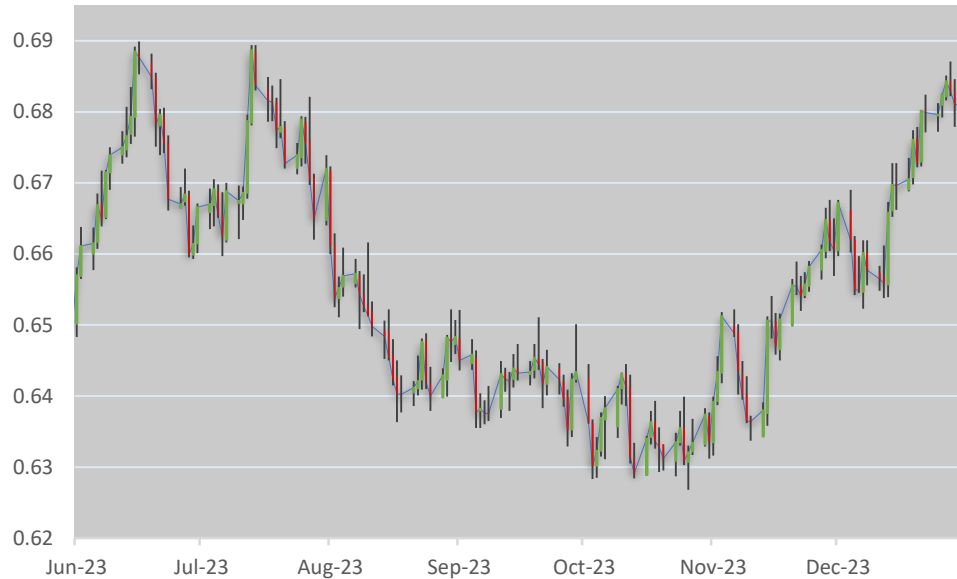
<b>Last Week Close</b>	<b>1.2700</b> USD/GBP	<b>Monthly High</b>	<b>1.2785</b> USD/GBP
<b>Week Open</b>	<b>1.2690</b> USD/GBP	<b>Monthly Low</b>	<b>1.2597</b> USD/GBP
<b>Week Close</b>	<b>1.2702</b> USD/GBP	<b>30 Days Average</b>	<b>1.2705</b> USD/GBP
<b>Weekly High</b>	<b>1.2774</b> USD/GBP	<b>90 Days Average</b>	<b>1.2468</b> USD/GBP
<b>Weekly Low</b>	<b>1.2646</b> USD/GBP	<b>YTD Change</b>	<b>-0.23%</b>

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

Events	Period	Date	Forecast	Previous
BOE Consumer Credit	Dec	30-Jan		2.005B
Mortgage Lending	Dec	30-Jan		-0.039B
Mortgage Approvals	Dec	30-Jan		50.067k
S&P GBL/CIPS Mfg PMI FNL	Jan	1-Feb		47.3
BOE Bank Rate	Jan	1-Feb	5.25%	5.25%
Nationwide house price mm	Jan	29-Jan		0.0%
Nationwide house price yy	Jan	29-Jan		-1.8%

<b>Lower Bound</b>	<b>1.2600</b>	<b>Upper Bound</b>	<b>1.2750</b>
<b>Forecast</b>	<b>Depreciation</b>		

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


Source: Thomson Reuters

**Australian Dollar Outlook**

- The short-term outlook for the Aussie dollar leans towards a more dovish stance. This perspective could gain further momentum if the Federal Reserve continues to delay expectations of an interest rate reduction in the coming months.
- Australia consumer inflation is also focus this week.
- Moreover, China purchasing managers index data will be in focus for more cues on the Chinese economy and can be related with Australian dollar as a trading partner.

<b>Lower Bound</b>	<b>0.6500</b>	<b>Upper Bound</b>	<b>0.6650</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Australian Dollar News**

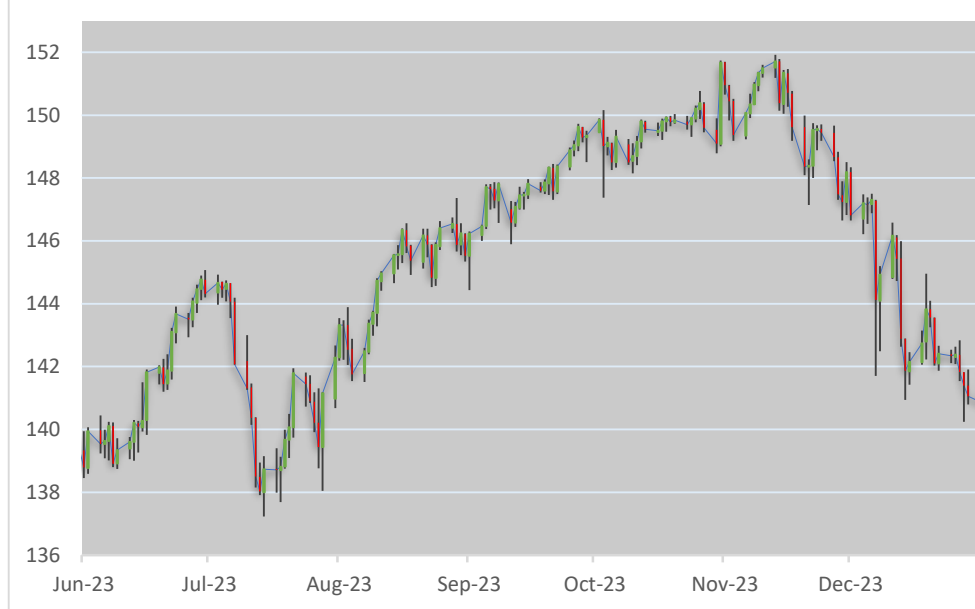
- The People's Bank of China announced that it will free up bank capital held with the central bank in February in the latest effort to support credit markets and the wider economy. The Chinese economy failed to impress in its first full year post Covid lockdowns as increasing protectionism and a global growth slowdown gripped the world's second largest economy. The central bank will loosen reserve requirement ratios for banks by 50 basis points (0.5%) after previously having lowered the requirement by 25 basis points in March and September last year.
- While this is a step in the right direction it remains to be seen if the latest move will appease investors as the massive Chinese property sector continues to weigh on investor concerns. The Australian dollar responded in a positive fashion but only provided a modest move higher against the dollar thus far.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6597</b> USD/AUD	<b>Monthly High</b>	<b>0.68390</b> USD/AUD
<b>Week Open</b>	<b>0.6586</b> USD/AUD	<b>Monthly Low</b>	<b>0.65260</b> USD/AUD
<b>Week Close</b>	<b>0.6574</b> USD/AUD	<b>30 Days Average</b>	<b>0.64889</b> USD/AUD
<b>Weekly High</b>	<b>0.6621</b> USD/AUD	<b>90 Days Average</b>	<b>0.64431</b> USD/AUD
<b>Weekly Low</b>	<b>0.6549</b> USD/AUD	<b>YTD Change</b>	<b>-3.22%</b>

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

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	Dec	30-Jan	-0.7%	2.0%
Weighted CPI YY	Dec	31-Jan	3.7%	4.3%
CPI SA MM	Dec	31-Jan		0.40%
CPI SA YY	Dec	31-Jan		4.40%
CPI QQ	Q4	31-Jan	0.8%	1.2%
CPI YY	Q4	31-Jan	4.3%	5.4%
Judo Bank Mfg PMI Final	Jan	1-Feb		50.3
Building Approvals	Dec	1-Feb	2.0%	1.6%
Building Approval Total YY	Dec	1-Feb		-1.6%


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- The yen has lacked directional conviction in recent sessions, moving between overhead resistance at 149.00 and horizontal support at 147.50.
- This week, the Federal Reserve's decision should be inject heightened volatility into financial markets.
- The market also watching on Japan's manufacturing PMI data and jobs data in this week.

<b>Lower Bound</b>	<b>147.50</b>	<b>Upper Bound</b>	<b>149.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Japanese Yen News**

- At the beginning of last week, the yen gained against US dollar after Bank of Japan keep monetary policy ultra-loose for now. Short-term rates are left at -0.1% and 10-year bond yield is around 0.0%.
- The Bank of Japan said that consumer inflation may be moving higher, giving a nudge towards tighter monetary policy conditions in the months ahead. The latest BoJ interest rate probabilities see a rough 50/50 chance of a rate hike at the April 26th central bank meeting.
- However, at the end of last week, the yen hovered above 147.50 JPY/USD although consumer price index inflation in Japan's capital fell more than expected in January, falling below the 2% level for the first time in 20 months.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>148.14 JPY/USD</b>	<b>Monthly High</b>	<b>148.80 JPY/USD</b>
<b>Week Open</b>	<b>148.27 JPY/USD</b>	<b>Monthly Low</b>	<b>140.82 JPY/USD</b>
<b>Week Close</b>	<b>148.16 JPY/USD</b>	<b>30 Days Average</b>	<b>148.20 JPY/USD</b>
<b>Weekly High</b>	<b>148.70 JPY/USD</b>	<b>90 Days Average</b>	<b>144.59 JPY/USD</b>
<b>Weekly Low</b>	<b>146.64 JPY/USD</b>	<b>YTD Change</b>	<b>+4.98%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Jobs/Applicants Ratio	Dec	30-Jan	1.28	1.28
Unemployment Rate	Dec	30-Jan	2.5%	2.5%
Industrial O/P Prelim MM SA	Dec	31-Jan	2.4%	-0.9%
Retail Sales YY	Dec	31-Jan	4.7%	5.3%
Large Scale Retail Sales YY	Dec	31-Jan		5%
Housing Starts YY	Dec	31-Jan	-6.2%	-8.5%
JibunBK Mfg PMI Final SA	Jan	1-Feb		48.0
Monetary Base YY	Jan	2-Feb		7.86%

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