

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**18 Jan 2021 - 22 Jan 2021**

 **Dollar Index**

**Dollar Index Graph**

**Dollar News**



Source: Thomson Reuters

- The dollar edged lower against other major currencies ahead of Biden stimulus proposal as US political issues remained investors cautious. Meanwhile, investors keep an eye on whether this process will delay the issuance of a new round of stimulus. The report states that Biden is set to announce a major economic stimulus package to cure US citizens and businesses affected by the COVID-19 outbreak. This measure would be worth several trillions of dollars.
- Federal Reserve Chair Jerome Powell struck a dovish tone in comments at a virtual meeting indicated that US central bank would not raise interest rates anytime soon and rejected suggestions the Fed might start reducing its bond purchases in the near term.
- President-elect Joe Biden unveiled a \$1.9 trillion stimulus package proposal to jump-start the economy and response to the coronavirus pandemic.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>90.10</b>	<b>Monthly High</b>	<b>91.20</b>
<b>Week Open</b>	<b>90.07</b>	<b>Monthly Low</b>	<b>89.21</b>
<b>Week Close</b>	<b>90.22</b>	<b>30 Days Average</b>	<b>90.26</b>
<b>Weekly High</b>	<b>90.88</b>	<b>90 Days Average</b>	<b>92.09</b>
<b>Weekly Low</b>	<b>89.92</b>	<b>YTD Change</b>	<b>+0.97%</b>

**Dollar Outlook**

**Dollar Index Economic Events**

- Washington will very much be the focus of the world's attention this coming week as Joe Biden is inaugurated as the 46th US President on Wednesday.
- Washington on Tuesday will also see Janet Yellen's confirmation hearing as US Treasury Secretary.
- We doubt the dollar needs to rally much on these remarks. US data this week will focus on housing (doing well) and whether US initial claims show another unwelcome spike.

Events	Period	Date	Forecast	Previous
Philly Fed Business Indx	Jan	21-Jan	12.0	11.1
Housing Starts Number	Dec	21-Jan	1.560M	1.547M
Initial Jobless Clm	16 Jan, w/	21-Jan	868k	965k
Markit Comp Flash PMI	Jan	22-Jan		55.3
Markit Mfg PMI Flash	Jan	22-Jan	56.5	57.1
Markit Svcs PMI Flash	Jan	22-Jan	53.5	54.8
Existing Home Sales	Dec	22-Jan	6.54M	6.69M

<b>Lower Bound</b>	<b>90.00</b>	<b>Upper Bound</b>	<b>91.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Thai Baht Graph**

**Thai Baht News**



Source: Thomson Reuters

• The baht remarkably strengthened after the dollar pulled back. While, Prime Minister Prayuth Chan-ocha said that more supporting measures to alleviate COVID-19 impact has been approved. These include soft loans, lower utility bills and support for unemployment. However, an additional sum of a monthly 3,500 baht per person for two months would be considered next week.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>30.06 THB/USD</b>	<b>Monthly High</b>	<b>30.19 THB/USD</b>
<b>Week Open</b>	<b>30.04 THB/USD</b>	<b>Monthly Low</b>	<b>29.82 THB/USD</b>
<b>Week Close</b>	<b>30.02 THB/USD</b>	<b>30 Days Average</b>	<b>30.05 THB/USD</b>
<b>Weekly High</b>	<b>30.17 THB/USD</b>	<b>90 Days Average</b>	<b>30.69 THB/USD</b>
<b>Weekly Low</b>	<b>29.94 THB/USD</b>	<b>YTD Change</b>	<b>+0.50%</b>

**Thai Baht Outlook**

**Thai Baht Economic Events**

- Markets await any development in news or events to indicate the currency's movement as the new round of stimulus in the US.
- Market also eyes on the COVID-19 situation and vaccination in Thailand.

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Dec	22-Jan		-3.65%
Custom-Based Import Data	Dec	22-Jan		-0.99%
Customs-Based Trade Data	Dec	22-Jan		0.05B

<b>Lower Bound</b>	<b>29.80</b>	<b>Upper Bound</b>	<b>30.20</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Euro Graph**



Source: Thomson Reuters

**Euro Outlook**

- European policymakers will take centre stage this week – a week which sees meetings of both the ECB and EU leaders. On the former, little is expected of the ECB after December’s easing measures. However, we would expect President Lagarde to say that the ECB is ‘monitoring the exchange rate carefully’, wary of the euro’s impact on an already subdued inflation rate.
- The EU summit on Wednesday looks set to focus on the co-ordination of the vaccination roll-out and also the implementation of the EU Recovery Fund. On the subject of politics, Monday will also see the market review the results of the CDU leadership contest in Germany.

<b>Lower Bound</b>	<b>1.1980</b>	<b>Upper Bound</b>	<b>1.2170</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Euro News**

- Chancellor Angela Merkel mentioned that German would need 8-10 weeks of strict measures if the infected cases continued to rise.
- The euro pulled back slightly by Italian political risks after former PM Matteo Renzi withdraw his Italia Viva party from the country’s ruling coalition in a largely unpopular move that could end in fresh elections.
- The euro dropped after German reports showed that the economy is likely contracted by around 5% in 2020 according to initial estimates and Italy’s government is suffering a political crisis.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.2218</b> USD/EUR	<b>Monthly High</b>	<b>1.2349</b> USD/EUR
<b>Week Open</b>	<b>1.2215</b> USD/EUR	<b>Monthly Low</b>	<b>1.2066</b> USD/EUR
<b>Week Close</b>	<b>1.2078</b> USD/EUR	<b>30 Days Average</b>	<b>1.2202</b> USD/EUR
<b>Weekly High</b>	<b>1.2225</b> USD/EUR	<b>90 Days Average</b>	<b>1.1939</b> USD/EUR
<b>Weekly Low</b>	<b>1.2072</b> USD/EUR	<b>YTD Change</b>	<b>-1.13%</b>

**Dollar Index Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
HICP Final MM	Dec	20-Jan	0.3%	-0.3%
HICP Final YY	Dec	20-Jan	-0.3%	-0.3%
ECB Refinancing Rate	Jan	21-Jan		0.00%
ECB Deposit Rate	Jan	21-Jan		-0.50%
Markit Mfg Flash PMI	Jan	22-Jan	54.6	55.2
Markit Serv Flash PMI	Jan	22-Jan	45.0	46.4
Markit Comp Flash PMI	Jan	22-Jan	47.9	49.1

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 **Pound Sterling**

**Pound Sterling Graph**



Source: Thomson Reuters

**Pound Sterling Outlook**

- GBP has been the best performing G10 currency this week, benefiting from the mix of (a) the market re-pricing the odds of the Bank of England moving into the negative rate territory after Governor Bailey's comments earlier in the week; (b) faster roll-out of vaccination in the UK vs other major economies (EZ, US).
- On the UK data front, the focus will be on the Dec CPI (Wed) which is expected to increase modestly, yet staying well below the 2% target, Dec retail sales (Friday) and Jan PMIs (Friday). The latter two should improve vs the prior reading, but any effect on GBP should be limited.

<b>Lower Bound</b>	<b>1.3420</b>	<b>Upper Bound</b>	<b>1.38</b>
<b>Forecast</b>	<b>Neutral</b>		

**Pound Sterling News**

- The pound sterling fell against the dollar after many analyses increased their market pricing of negative interest rates from the Bank of England as early as May 2021 following fresh lockdown measures against COVID-19.
- The pound sterling recovered after the Bank of England (BOE) Governor Andrew Bailey downplayed negative rates expectations, saying that negative rates are a controversial issues.
- The pound sterling continued its gains after reaching its almost 2 years high at 1.3700 against the dollar as the UK's vaccination outlook is showing a positive development.

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.3563</b> USD/GBP	<b>Monthly High</b>	<b>1.3709</b> USD/GBP
<b>Week Open</b>	<b>1.3565</b> USD/GBP	<b>Monthly Low</b>	<b>1.3453</b> USD/GBP
<b>Week Close</b>	<b>1.3586</b> USD/GBP	<b>30 Days Average</b>	<b>1.3514</b> USD/GBP
<b>Weekly High</b>	<b>1.3709</b> USD/GBP	<b>90 Days Average</b>	<b>1.3214</b> USD/GBP
<b>Weekly Low</b>	<b>1.3449</b> USD/GBP	<b>YTD Change</b>	<b>-0.68%</b>

**Pound Sterling Economic Events**

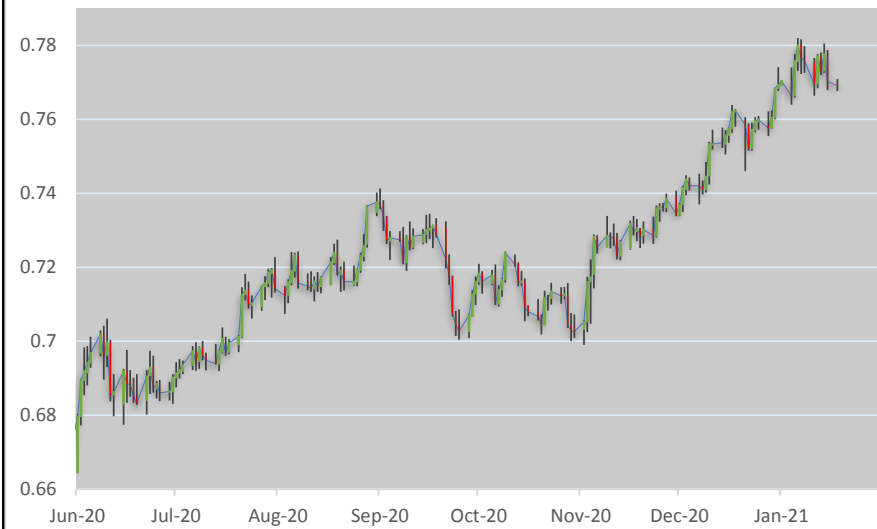
<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
CPI YY	Dec	20-Jan	0.5%	0.3%
Retail Sales MM	Dec	22-Jan	0.9%	-3.8%
Retail Sales Ex-Fuel MM	Dec	22-Jan	0.7%	-2.6%
Retail Sales YY	Dec	22-Jan	3.9%	2.4%
Flash Composite PMI	Jan	22-Jan	45.7	50.4
Flash Manufacturing PMI	Jan	22-Jan	53.0	57.5
Flash Services PMI	Jan	22-Jan	45.5	49.4

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 **Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar Outlook**

- Next week, the main data point to watch is the December jobs report. As per our economist's preview of the release ("Australian labour growth to slow") we expect a slowdown in the employment recovery, with the December increase in hiring at 67k vs 90k last month.
- With no other key drivers data-wise for AUD next week – except some spill-over from China's growth data on Monday – and the USD that may continue to inch higher (see USD section above), we could see AUD/USD come under some mild pressure next week.

<b>Lower Bound</b>	<b>0.7630</b>	<b>Upper Bound</b>	<b>0.7790</b>
<b>Forecast</b>	<b>Neutral</b>		

**Australian Dollar News**

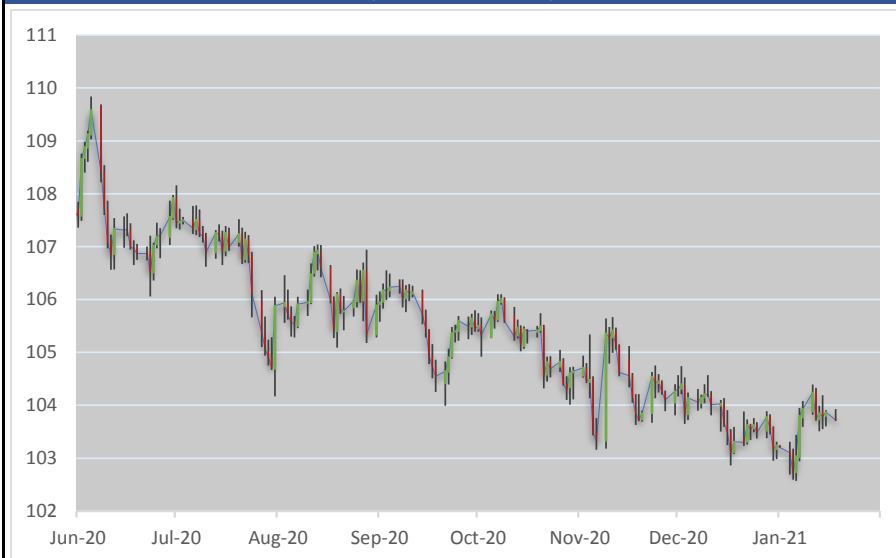
- The Australian dollar fell against USD even China show better than expected inflation numbers.
- The Australian dollar continuing fell against the greenback after China trade data beat the expectation and Biden stimulus news.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.7759</b> USD/AUD	<b>Monthly High</b>	<b>0.7820</b> USD/AUD
<b>Week Open</b>	<b>0.7755</b> USD/AUD	<b>Monthly Low</b>	<b>0.7643</b> USD/AUD
<b>Week Close</b>	<b>0.7702</b> USD/AUD	<b>30 Days Average</b>	<b>0.7187</b> USD/AUD
<b>Weekly High</b>	<b>0.7805</b> USD/AUD	<b>90 Days Average</b>	<b>0.7194</b> USD/AUD
<b>Weekly Low</b>	<b>0.7664</b> USD/AUD	<b>YTD Change</b>	<b>-0.01%</b>

**Australian Dollar Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Employment	Dec	21-Jan	50.0k	90.0k
Unemployment Rate	Dec	21-Jan	6.7%	6.8%
Mfg PMI Flash	Jan	22-Jan		56.0
Services PMI Flash	Jan	22-Jan		57.4
Comp PMI Flash	Jan	22-Jan		57.0


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- In Japan, the highlight of the week will be Friday's BoJ meeting. The worsening Covid situation in Japan will no doubt be weighing on the BoJ minds, as will deflation (which may get worse when the December CPI figure is released on Friday).
- No fresh easing is expected from the BoJ and instead speculation is growing that the BoJ will scale back its ETF stock buying programme – given the strength in equities and the BoJ's substantial ownership of this ETF sector.

<b>Lower Bound</b>	<b>103.30</b>	<b>Upper Bound</b>	<b>104.40</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Japanese Yen News**

- The yen gained as a result of the weaker dollar. Still, Japan economy is clouded with fears of dimming economy. An expansion of Japan's latest state of emergency over the coronavirus pandemic to February 7 is expected to adversely affect the country's economy by 2.1 trillion yen, or 0.4 percent of annual gross domestic product.
- The yen traded in a narrow range as Prime Minister Yoshihide Suga announced a state of emergency for seven additional provinces, including Osaka and Aichi. To expand measures to cope with the epidemic situation of COVID-19 To cover all over the country.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>103.93 JPY/USD</b>	<b>Monthly High</b>	<b>104.39 JPY/USD</b>
<b>Week Open</b>	<b>103.88 JPY/USD</b>	<b>Monthly Low</b>	<b>102.60 JPY/USD</b>
<b>Week Close</b>	<b>103.87 JPY/USD</b>	<b>30 Days Average</b>	<b>105.66 JPY/USD</b>
<b>Weekly High</b>	<b>104.39 JPY/USD</b>	<b>90 Days Average</b>	<b>106.47 JPY/USD</b>
<b>Weekly Low</b>	<b>103.51 JPY/USD</b>	<b>YTD Change</b>	<b>+0.53%</b>

**Japanese Yen Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Exports YY	Dec	21-Jan	2.4%	-4.2%
Imports YY	Dec	21-Jan	-14.0%	-11.1%
Trade Balance Total Yen	Dec	21-Jan	942.8B	366.1B
JP BOJ Rate Decision	21 Jan	21-Jan	-0.10%	-0.10%
CPI, Core Nationwide YY	Dec	22-Jan	-1.1%	-0.9%
CPI, Overall Nationwide	Dec	22-Jan	-0.9%	-0.9%
Jibun Bank Mfg PMI Flash	Jan	22-Jan		50.0

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