

WEEKLY FOREIGN EXCHANGE OUTLOOK

31 May 2021 - 04 Jun 2021

 **Dollar Index**

Dollar Index Graph

Dollar News



Source: Thomson Reuters

- The dollar has been still in a depressing mode as a long list of Federal Reserve officials have taken to the stage, repeating the same message – the rise in inflation is transitory, and the economy has a long way to go.
- Heavyweight Fed Governors Lael Brainard and Randal Quarles were joined by Esther George reiterated that that Fed is set to continue buying bonds at the current \$120 billion/month pace, rejecting talk of tapering it down.
- However, the US Dollar Index started reversed off fresh multi-month lows last Friday (31/5) with DXY relinquishing much of the gains on the heels of Friday's US PCE Inflation data.
- The core PCE price index was released on Friday(28/5) at 3.1% YoY and 0.7% MoM which were better than expectation.

Dollar Index Performance

Last Week Close	90.02	Monthly High	91.44
Week Open	90.03	Monthly Low	89.54
Week Close	89.98	30 Days Average	90.54
Weekly High	90.44	90 Days Average	91.17
Weekly Low	89.54	YTD Change	+0.12%

Dollar Outlook

- Despite the Fed's rhetorical insistence that interest rates will not rise until the economy and labor market are fully healed, markets are waiting for the first crack in that wall of assurance. It could come during Fed Chair Jerome Powell's press conference following the June FOMC meeting.
- American statistics in the week ahead, particularly the payroll report for May on Friday(4/5) should confirm the economy's progress. The stronger the report the better for the US Treasury rates and the dollar. The Institute for Supply Management (ISM) Purchasing Managers' Indexes for services and manufacturing in May will also be carefully vetted.
- We believe the dollar index will gradually rebound this week ahead of the release of the economic data. If the release of May NFPs is upbeat, many investors may turn dollar to the bull again.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg PMI Final	May	1-Jun		61.5
ISM Manufacturing PMI	May	1-Jun	60.7	60.7
Initial Jobless Clm	29 May, w/e	3-Jun	395000	406000
Markit Comp Final PMI	May	3-Jun		68.1
Markit Svcs PMI Final	May	3-Jun		70.1
ISM N-Mfg PMI	May	3-Jun	63	62.7
Non-Farm Payrolls	May	4-Jun	650000	266000
Unemployment Rate	May	4-Jun	5.9	6.1
Average Earnings YY	May	4-Jun	1.6	0.3
Factory Orders MM	Apr	4-Jun	-0.2	1.1

Lower Bound	89.50	Upper Bound	92.00
Forecast	Appreciation		

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Thai Baht Graph
Thai Baht News


Source: Thomson Reuters

- The baht hit most appreciated level at around 31.25 THB/USD since the middle of the week after technically do lower high and lower low pattern for many days.
- The baht gradually appreciated following the weakness of the U.S. Dollar, net foreign inflow in Thai bond market and the strong custom export data.
- Thai custom Exports expanded by 13.09 percent year-on-year to USD 21.43 billion in April 2021, compared with market consensus of a 9.6 percent growth and after an 8.37 percent gain a month earlier while Imports rose by 20.79 percent year-on-year which result in the trade balance is at 0.18 billion USD.
- However, the ongoing covid situation and repatriation of dividend payments by most companies was keeping pressure on the baht.

Thai Baht Performance

Last Week Close	31.37 THB/USD	Monthly High	31.51 THB/USD
Week Open	31.38 THB/USD	Monthly Low	31.04 THB/USD
Week Close	31.24 THB/USD	30 Days Average	31.30 THB/USD
Weekly High	31.39 THB/USD	90 Days Average	30.71 THB/USD
Weekly Low	31.22 THB/USD	YTD Change	+4.38%

Thai Baht Outlook

- Although an executive decree last week allowed the government to borrow up to 500 billion baht to fight Covid-19, the concern over continuous Covid spread situation and the increase of the cluster inside the capital still weigh on the currency.
- The current account for April are expected to be released on Monday (31/5) expected to widen in deficits while inflation data will be also in focus (4/6).
- We believe that the baht, this week, may move in a range ahead of the NFP data. The currency may settle at the support around 31.20-31.30 THB/USD then would choose the direction again after the clear direction of Dollar index. The local importer's month end flow and the foreign flow in capital market will be closely eyed.

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Apr	31-May	14.6	4.12
Exports YY	Apr	31-May		15.8
Imports YY	Apr	31-May		15.1
Trade Account	Apr	31-May		3400000000
Current Account	Apr	31-May		-800000000
Manufacturing PMI SA	May	1-Jun		50.7
CPI Headline Inflation	May	4-Jun		3.41
CPI Core Inflation YY	May	4-Jun		0.3

Lower Bound	31.01	Upper Bound	31.40
Forecast	Neutral		

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Euro Graph



Source: Thomson Reuters

Euro News

- The Euro surged to the highest level at 1.2266 USD/EUR last week, its highest since January, but trimmed gains ahead of the close.
- The Euro had been boosted by easing of countries' lockdown and progress of vaccination across the union while economic data were mixed. as the country's GFK Consumer Confidence Survey printed at -7 for June, missing expectations, while the IFO Survey indicated that May's Business Climate improved by more than expected, from 96.6 to 99.2. On Friday, the market knew that May Consumer Confidence in the EU improved as expected from -8.1 to -6.1, while the Economic Sentiment Indicator jumped to 114.5.
- The European Central Bank is on a different channel from the Fed as Policymakers have repeated multiple times that the monetary policy will remain "very accommodative" amid persistent low inflation. ECB Governing Council member François Villeroy de Galhau said "Our monetary policy can be patient, as the euro area inflation is well below other jurisdictions."

Euro Index Performance

Last Week Close	1.2179 USD/EUR	Monthly High	1.2266 USD/EUR
Week Open	1.2176 USD/EUR	Monthly Low	1.1987 USD/EUR
Week Close	1.2189 USD/EUR	30 Days Average	1.2128 USD/EUR
Weekly High	1.2266 USD/EUR	90 Days Average	1.2025 USD/EUR
Weekly Low	1.2131 USD/EUR	YTD Change	-0.19%

Euro Outlook

- A scarce macroeconomic calendar and the absence of explosive news maintained major pairs within limited ranges.
- Germany will publish the preliminary estimate of May inflation figures and April Retail Sales. The EU will also unveil the preliminary estimate of its May Consumer Price Index, foreseen steady at 1.6% YoY, and April Retail Sales.
- Technically, the euro has been at the brink of a bearish breakout as demand for the greenback accelerated heading into the weekly close. We think that the chance of returning to stand above 1.22 level is quite limited now and may slightly drop in the coming week.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg Final PMI	May	1-Jun	62.8	62.8
HICP Flash YY	May	1-Jun	1.9	1.6
HICP-X F&E Flash YY	May	1-Jun	0.9	0.8
Unemployment Rate	Apr	1-Jun	8.1	8.1
Markit Serv Final PMI	May	3-Jun	55.1	55.1
Markit Comp Final PMI	May	3-Jun	56.9	56.9

Lower Bound	1.2000	Upper Bound	1.2300
Forecast	Depreciation		

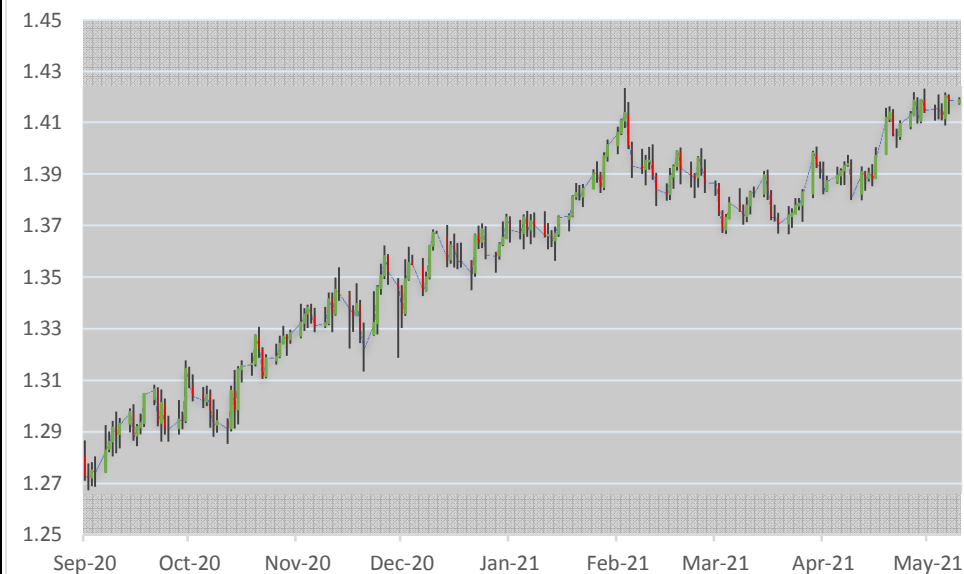
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Pound Sterling

Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling Outlook

- Markit's final Purchasing Managers' Indexes (PMIs) for May are of interest, but Bank of England Governor Andrew Bailey's public appearances are of higher importance.
- The pound technically remains in an uptrend despite failing to break above the yearly high of 1.4240 USD/GBP as the currency pair has never looked back at 1.4000 level after breaking that line in early May.
- The downtrend of the currency may happen if May's U.S.nonfarm Payrolls is outstanding paving the way for the Fed to increase its taper talk.

Pound Sterling News

- GBP/USD has been unable to take advantage of dollar weakness and can't advance further due to the rapid spread of the COVID-19 variant first detected in India. While studies proved that existing vaccines are effective against these strains, and numbers remain small, the creeping increase in cases is worrying.
- The Brexit issues also weighed on the pound as The UK and the EU remain at odds about the Northern Irish protocol, a component of Britain's exit from the bloc that remains a point of contention.

Pound Sterling Performance

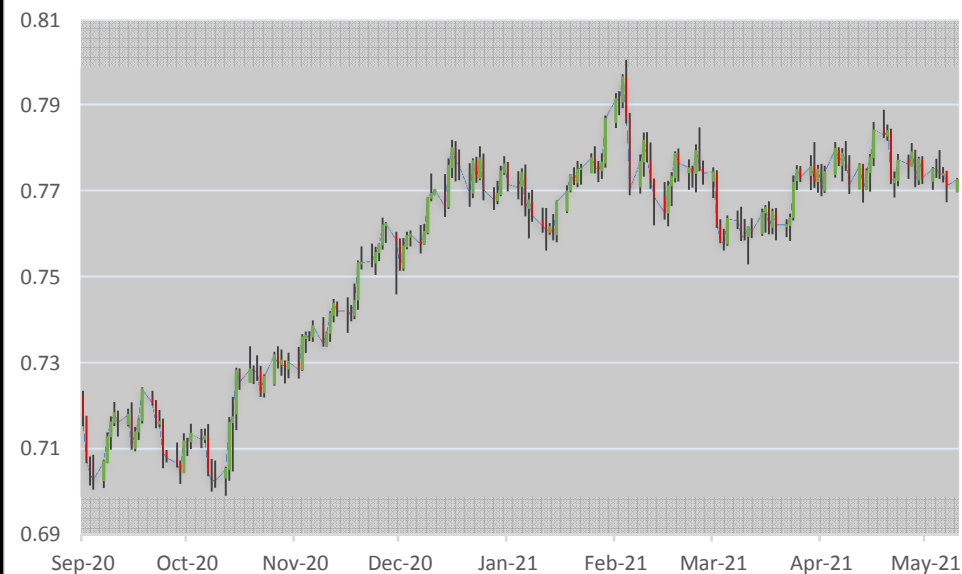
Last Week Close	1.4147 USD/GBP	Monthly High	1.4233 USD/GBP
Week Open	1.4157 USD/GBP	Monthly Low	1.3801 USD/GBP
Week Close	1.4187 USD/GBP	30 Days Average	1.4026 USD/GBP
Weekly High	1.4218 USD/GBP	90 Days Average	1.3897 USD/GBP
Weekly Low	1.4090 USD/GBP	YTD Change	+3.72%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Nationwide house price mm	May	1-Jun	0.8	2.1
Nationwide house price yy	May	1-Jun	9.5	7.1
Markit/CIPS Mfg PMI Final	May	1-Jun	66.1	66.1
Reserve Assets Total	May	3-Jun		1.7896E+11
Halifax House Prices MM	May	7-Jun		1.4

Lower Bound	1.4000	Upper Bound	1.4300
Forecast	Neutral		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar News

- The AUD/USD pair ended a third consecutive week with losses, settling around the 0.7700 threshold.
- Australian economic calendar was scarce and mixed. The country published the Westpac Leading Index, which printed at 0.2% in April, below the previous 0.45%. Q1 Private Capital Expenditure rose in the first quarter of the year by 6.3%, much better than the 2% expected.
- The Reserve Bank of Australia has still made it clear that regardless of better macroeconomic figures, they will maintain rates on hold at least until 2024.
- Although the commodity price especially Gold soared, with spot gold hitting \$1,912.70 a troy ounce. None of them was enough to push the aussie higher against its American rival but limited AUD/USD slump.

Australian Dollar Performance

Last Week Close	0.7731 USD/AUD	Monthly High	0.7890 USD/AUD
Week Open	0.7725 USD/AUD	Monthly Low	0.7676 USD/AUD
Week Close	0.7713 USD/AUD	30 Days Average	0.7700 USD/AUD
Weekly High	0.7796 USD/AUD	90 Days Average	0.7676 USD/AUD
Weekly Low	0.7675 USD/AUD	YTD Change	+0.39%

Australian Dollar Outlook

- On Tuesday (1/6), the country will release the AIG Performance of Manufacturing Index and the Commonwealth Bank Manufacturing PMI. Also, the RBA will have a monetary policy meeting and announce whether they decide to revise their current monetary policy or not. A change seems unlikely at this point, and policymakers will likely refrain from being hawkish.
- On Wednesday (2/6), Australia will release its Q1 GDP, foreseen at -1.8% from -1.1% previously. Later into the week, the country will offer May Services PMIs and housing-related figures.
- Technically, the AUD/USD pair is at risk of falling further in the longer-term perspective. The daily and weekly chart signaled the bearish trend as the immediate support level is the 0.7660/70 USD/AUD area.

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Building Approvals	Apr	1-Jun	-10	17.4
Current Account Balance SA	Q1	1-Jun	1.82E+10	1.45E+10
Net Exports Contribution	Q1	1-Jun	-1.1	-0.1
RBA Cash Rate	Jun	1-Jun	0.1	0.1
Real GDP QQ SA	Q1	2-Jun	1	3.1
Real GDP YY SA	Q1	2-Jun	0.2	-1.1
Retail Sales MM Final	Apr	3-Jun	1.1	1.1
Trade Balance G&S (A\$)	Apr	3-Jun	8000000000	5574000000

Lower Bound	0.7600	Upper Bound	0.7900
Forecast	Depreciation		

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The USD/JPY had a strong week running sharply higher on Wednesday, Thursday and Friday, hit a seven-week high reaching as high as 110.20 JPY/USD before easing and last traded around 109.77 JPY/USD at week close.
- The gain of the yen against the greenback and other major currencies has been limited ,citing trouble with Japan's recovery from the pandemic compared with Europe and Britain.
- Japanese data was limited to Tokyo CPI which showed moderating annual deflation. The Bank of Japan (BOJ) reduced its economic assessment for May and can be expected to keep its economic support measures in place for the foreseeable future.
- Rising Covid-19 cases in parts of Japan, various pandemic control measures and the slow vaccination rollout were in contrast to the conditions in the US and helped to undermine any safe-have trades to the yen.

Japanese Yen Performance

Last Week Close	108.94 JPY/USD	Monthly High	110.19 JPY/USD
Week Open	108.93 JPY/USD	Monthly Low	108.35 JPY/USD
Week Close	109.81 JPY/USD	30 Days Average	104.15 JPY/USD
Weekly High	110.19 JPY/USD	90 Days Average	104.24 JPY/USD
Weekly Low	108.55 JPY/USD	YTD Change	+6.38%

Japanese Yen Outlook

- The U.S. Dollar bias over JPY is higher as the diverging performance of the US and Japan. The overall condition of the U.S. economy and its immediate prospects, far surpasses that of Japan.
- The implications of US growth and inflation point to a change in Federal Reserve policy and higher interest rates, sooner rather than later while the contrast to the BOJ could not be more pointed.
- The start of second quarter statistics in housing, construction and household Spending for April will give a glimpse at economic prospects though they are unlikely to change the negative narrative.
- Technically,the upside break of the range of the last six weeks has turned momentum indicators positive.Even though the USD/JPY failed to hold 110.00 JPY/USD after reaching 110.20 JPY/USD on Friday, as long as support at 109.70 JPY/USD remains intact a renewed push seems likely.

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Industrial O/P Prelim MM SA	Apr	31-May	4.1	1.7
Jibun Bank Mfg PMI	May	1-Jun		52.5
Services PMI	May	3-Jun		49.5

Lower Bound	109.00	Upper Bound	112.00
Forecast	Depreciation		

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