Investors are looking ahead for Trade Balance (Tuesday), ISM Services (Tuesday) and Nonfarm Payrolls (Friday).

We are forecasting a small decline in the ISM services index for September. During August, the new orders component of the index edged lower, as did the backlog of orders sub-index.

We expect payrolls to rebound in September. The Delta wave appears to have peaked earlier in the month, which should help ease COVID-related concerns. We anticipate a 500K gain in payrolls for September. Furthermore, we look for the unemployment rate to decline to 5.1% and average hourly earnings to rise 0.4%.

The greenback, in the meantime, remained apathetic and practically ignored recent Fed speak (Powell included), which added further strength to the transitory narrative around inflation (although elevated prices might now last longer than anticipated), underpinned the case for QE tapering “soon” and reiterated that the labour market need to improve further to reach the tapering threshold.

Data released last week showed the production and housing sectors continued to hum, despite ongoing supply constraints, while consumers kept spending, despite some trepidation about the economic outlook.

US 10-year yields keep trading in 1.50% level.
Thai Baht Outlook

• However, the baht will not strengthen clearly soon until risk factors are solved especially debt ceiling negotiation in the US. Risk factors also include floods and the new Covid-19 wave.
• If the strengthening of the dollar might slow down as the market takes more risks in step with an economic recovery, which would help the baht to strengthen again.
• Tourism Authority of Thailand (TAT) updated that the quarantine period of persons who have already received complete doses of Covid-19 vaccine will be reduced from 14 to 7 days, starting from October,1

Thai Baht News

• The Thai baht depreciated against the U.S dollar due to sales of Thai assets and the risk-off market.
• Last week, the baht fluctuated across the level between of 33.31 to 33.97, the weakest in four years.
• The Monetary Policy Committee, under the Bank of Thailand (BOT), maintain its policy rate unchanged at 0.5% while maintained its estimation of gross domestic product (GDP) in 2021 at 0.7 per cent expansion, but increased its forecast of 2022 GDP to 3.9 per cent from its August estimation of 3.7 per cent.
• Thai Chamber of Commerce chairman said that the easing up of lockdown measures and reopening of more businesses from October 1 will improve the confidence of the business sector and increase people’s spending in October.

<table>
<thead>
<tr>
<th>Event</th>
<th>Period</th>
<th>Date</th>
<th>Forecast</th>
<th>Previous</th>
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<tbody>
<tr>
<td>CPI Headline Inflation</td>
<td>Sep</td>
<td>5-Oct</td>
<td>0.7%</td>
<td>0.0%</td>
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<tr>
<td>CPI Core Inflation YY</td>
<td>Sep</td>
<td>5-Oct</td>
<td>0.0B</td>
<td>0.0B</td>
</tr>
<tr>
<td>CPI Index</td>
<td>Sep</td>
<td>5-Oct</td>
<td>99.6</td>
<td>99.6</td>
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<tr>
<td>Consumer Confidence Idx</td>
<td>Sep</td>
<td>7-Oct</td>
<td>39.6</td>
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<tr>
<td>Overall Comprehensive Risk</td>
<td>Q4</td>
<td>8-Oct</td>
<td>4.4</td>
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<tr>
<td>Forex Reserves</td>
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<tr>
<td>Currency Swaps</td>
<td>27 Sep, w/8-Oct</td>
<td>32500M</td>
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</table>
EUR/USD continues to see the euro weakening against the dollar, as the buck stomps down all before it. The start of tapering by the ECB has not helped the euro, with real interest rates still stubbornly negative.

The worry for Europe’s policymakers must be that market watchers and beginning to see signs of a weakening in the credibility of ECB’s transitory inflation mantra.

Economic sentiment indicators rose for most of the continent’s major economies, up in Spain, Germany and the Netherlands, although was down in France and Italy.

As the third quarter of 2021 was ending, there was still no indication that the ECB was considering changing its view that Eurozone inflation will be “transitory.” There remains every chance, therefore, that it will begin to tighten its monetary policy long after the US Federal Reserve and many other central banks, and that the EUR/USD weakness seen in Q3 will continue.

The latest flash PMIs from France, Germany and the UK saw further sharp slowdowns in September, with rising costs and weaker consumer confidence leading to weaker economic activity.
The sterling remained on the backfoot as Investors remained nervous about the UK rising inflation concerns. The “stagflation” fear due to the higher inflation, dismal economic growth and high unemployment were failed to subside even after the recent data suggested that UK economic growth for Q2 was revised higher to 5.5% against the market expectations of 4.8%.

On Thursday, the UK Current Account was reported at -8.6B far above the -15.8B estimate and higher versus -8.9B in the previous reporting period, while the Final GDP rose by 5.5% versus 4.8% expected.

The Chartered Institute of Purchasing & Supply and IHS Markit Economics released the situation in the UK manufacturing sector (PMI). The figure rose to 57.1, better than 56.3 foreseen by analysts.

The era of UK Quantitative Easing (QE) is coming to an end and the Bank of England (BoE) may well start increasing interest rates in early 2022 as inflation begins to stalk the UK economy.

The UK central bank will finish its GBP 895 billion bond-buying spree by the end of this year, effectively tightening monetary conditions and setting the course for higher UK interest rates in 2022.

Rising energy prices, worker shortages, stagflation worries keep sterling weaker against majors.
The aussie lost its momentum after the factory activity in Australia weakened in September while stagnation in Asia, including the second biggest economy China. Furthermore, the risk sentiment was dented by the resignation of New South Wales Premier over a corruption probe amid the COVID-19 outbreak in the country.

The risk of China defaulting on Evergrande and growing concerns about the pace of the global economic recovery has caused investors to abandon risky assets.

Investors will eyes on RBA rate decision on Tuesday (5/10), there had been a widespread expectation that the RBA might look at delaying its decision to start tapering its weekly bond purchase program from A$5bn to A$4bn a week last month, due to the various lockdowns being imposed by the Australian government.

As we look to this week’s October meeting the outlook for the economy hasn’t markedly improved, although that isn’t surprising given that a lot of restrictions still remain in place.
### WEEKLY FOREIGN EXCHANGE OUTLOOK

#### Japanese Yen

**Japanese Yen Graph**

- The Japanese yen gains on its safe-haven appeal, despite concerns over the pace of economic recovery in China and Japan. Industrial output declined in August whereas Retail sales fell by 3.2% in August against the market expectations of a 1% drop.
- Furthermore, the Bank of Japan (BOJ) Governor Haruhiko Kuroda said that the central bank will continue to support Japan’s economic recovery with its massive stimulus.
- The safe-haven Japanese Yen benefited against most of its peers last week as a bout of risk aversion rippled through financial markets.

<table>
<thead>
<tr>
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<th>Period</th>
<th>Date</th>
<th>Forecast</th>
<th>Previous</th>
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</thead>
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<tr>
<td>CPI Tokyo Ex fresh food YY</td>
<td>Sep</td>
<td>5-Oct</td>
<td>0.2%</td>
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<td>CPI, Overall Tokyo</td>
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<td>5-Oct</td>
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<tr>
<td>Services PMI</td>
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<td>5-Oct</td>
<td>-1.5</td>
<td>0.7</td>
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<tr>
<td>All Household Spending YY</td>
<td>Aug</td>
<td>8-Oct</td>
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<td>-0.9</td>
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<td>All Household Spending MM</td>
<td>Aug</td>
<td>8-Oct</td>
<td>1540.9B</td>
<td>1910.8B</td>
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</table>

| Source: Thomson Reuters |

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**Japanese Yen Outlook**

- The Yen’s path forward this week will likely remain driven by safe-haven flows and the broader market’s direction.
- The Bank of Japan rate decision and CPI data, while important to the Yen at a more granular level, is unlikely to have an outsized impact. •Political factors within Japan may also affect Yen direction as the country prepares to select its next leader for the governing Liberal Democratic Party.
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