

WEEKLY FOREIGN EXCHANGE OUTLOOK

08 Aug 2022 - 12 Aug 2022

 **Dollar Index**

Dollar Index Graph



Source: Thomson Reuters

Dollar Outlook

- The US monthly inflation will be reported on Wednesday(10/8), which will have a strong market impact, as the current inflation rate stands at the highest level since November 1981 at 9.1%. Hotter CPI figures will reinforce the need for a super-sized rate hike by the Fed at its next meeting, which could lift the dollar

- Besides, US-China tensions over Taiwan, recession fears and Fed tightening expectations will continue to lead sentiment.

Dollar News

- The US dollar's weakness extended at the start of the week on Monday, as risk flows dominated amid a reduced probability of a 75 bps Fed rate hike in September.
- However, the greenback sprung back to life towards the mid-week, amid recession fears amplified alongside escalating geopolitical tensions as US House of Representatives Speaker Nancy Pelosi's visit to Taiwan.
- On Friday (5/8), nonfarm Payrolls in the US rose by 528,000 in July, this reading followed June's increase of 398,000 (revised from 372,000) and came in better than the market expectation of 250,000. The Unemployment Rate edged lower to 3.5%.
- After the announcement, the odds for a 75 bps hike in September jumped to 61% from the 40% ahead of the release, which triggers a sharp spike in the US Treasury bond yields.
- As a result, the US dollar edged higher in a correction of some of the sharpest daily drop in more than two weeks.

Dollar Index Performance

Last Week Close	105.90	Monthly High	109.29
Week Open	105.83	Monthly Low	103.77
Week Close	105.69	30 Days Average	106.55
Weekly High	107.43	90 Days Average	103.89
Weekly Low	105.05	YTD Change	+11.08%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
CPI MM, SA	Jul	10-Aug	0.2%	1.3%
CPI Wage Earner	Jul	10-Aug		292.542
Initial Jobless Clm	6 Aug, w/e	11-Aug	263k	260k
PPI Machine Manuf'ing	Jul	11-Aug		167.2
Import Prices YY	Jul	12-Aug		10.7%
U Mich Sentiment Prelim	Aug	12-Aug	52.2	51.5

Lower Bound	105.00	Upper Bound	107.50
Forecast	Neutral		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Investor will keep an eye on MPC meeting on 10 Aug 2022. It was believed that the BOT will finally join its regional and global peers in normalizing its pandemic-era stimulus as 0.25% rate hike is widely expected.
- The reaction to the MPC of the baht should be closely monitored as well as foreign capital inflow in both bond and stock market.
- We believe that in near to medium term, the baht will be supported as the local economy is depend on export and tourism which are still in a good shape and therefore too far from recession which is recently mention in both USA and Europe.

Lower Bound	35.50	Upper Bound	36.25
Forecast	Appreciation		

Thai Baht News

- The baht strengthened during the week, logging a strong start to the month, after a reduced probability of a 75 bps Fed rate hike in September.
- The baht was also supported as Prime Minister Prayut Chan-o-cha insists that Thailand's financial status remains stable and strong thanks to prudent and disciplined monetary and fiscal policy. Moreover, the number of foreign tourists is projected to reach 6 million this year and 19 million next year, attributing the encouraging signs to the country's economic prospects, with GDP expected to grow by 3.3% this year and 4.2% in 2023.
- The Trade Policy and Strategy Office reported that headline inflation, gauged by the consumer price index (CPI), slowed to a 7.61% year-on-year rise in July after a sharp increase of 7.66% in June which accelerated from a 7.1% increase in May and a 4.7% rise in April. This figure may reduce the possibility of rate hike in near future.

Thai Baht Performance

Last Week Close	36.29 THB/USD	Monthly High	36.36 THB/USD
Week Open	34.43 THB/USD	Monthly Low	35.55 THB/USD
Week Close	35.76 THB/USD	30 Days Average	36.16 THB/USD
Weekly High	36.36 THB/USD	90 Days Average	34.95 THB/USD
Weekly Low	35.51 THB/USD	YTD Change	+7.38%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
1-Day Repo Rate	10 Aug	10-Aug	0.75%	0.50%

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Euro Graph


Source: Thomson Reuters

Euro News

- Last week, the EUR/USD pair closed in the red around 1.0180, down for the week, although still trapped in the 200-pip range set in mid-July.
- The euro has traded in a range between 1.0100-1.0300 USD/EUR for almost two consecutive weeks after slowing economic progress and limited effect from its monetary policy movement.
- European data signals a contraction spiral just beginning in the Union as German and EU Retail Sales fell into negative territory in June, while manufacturing output in the region stood in contraction territory in July. Services activity in Germany is also contracting. Finally, Industrial Production and Factory Orders in the European most developed economy contracted on an annual basis in July.

Euro Index performance

Last Week Close	1.0218 USD/EUR	Monthly High	1.0293 USD/EUR
Week Open	1.0216 USD/EUR	Monthly Low	1.0124 USD/EUR
Week Close	1.0181 USD/EUR	30 Days Average	1.0231 USD/EUR
Weekly High	1.0293 USD/EUR	90 Days Average	1.0503 USD/EUR
Weekly Low	1.0121 USD/EUR	YTD Change	-10.41%

Euro Outlook

- Inflation will take centre stage next week as Germany will release the final estimates of its July Consumer Price Index, expected to confirm an increase of 7.5% YoY.
- We still have negative bias on the euro in the medium term as the region faces the worst energy crisis in its history, with prices soaring and adding pressure on already hot inflation amid supply-chain issues. We think the upcoming winter will be tough for the region and will take its toll on the EUR.

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Sentix Index	Aug	8-Aug	-24.7	-26.4
German CPI Final MM	Jul	10-Aug	0.9%	0.9%
German CPI Final YY	Jul	10-Aug	7.5%	7.5%
German HICP Final MM	Jul	10-Aug	0.8%	0.8%
German HICP Final YY	Jul	10-Aug	8.5%	8.5%
Industrial Production MM	Jun	12-Aug	0.0%	0.8%
Industrial Production YY	Jun	12-Aug	0.7%	1.6%

Lower Bound	1.0100	Upper Bound	1.0300
Forecast	Depreciation		

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Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling Outlook

- UK quarterly GDP(11/8) are likely to hog the limelight as it's the first estimate of the Q2 GDP and will hold utmost significance for the pound traders, especially given, the BOE's latest gloomy economic outlook.
- The country's manufacturing and industrial production data will also be released in parallel.
- In the near term, according to the dollar weakness, we think the pound is neutral-upwards biased where first resistance would be 1.2200 which was 50-day SMA and psychological level.

Pound Sterling News

- At the beginning of the week, the pound built on previous week's 150 pips gains and hit the highest level in four weeks at 1.2293, in anticipation of a 50 bps rate hike by the BOE to combat inflation.
- After meeting, the currency pair came under renewed selling pressure after the pound wilted on the BOE's projection of a recession later this year. The central bank hiked the key rates by 50 bps to 1.75%, as widely expected but mentioned that it is not on a pre-set tightening path.
- The downbeat UK data undermined the pound further, as it showed that the country's business activity service sector expanded at its weakest pace in 17 months. The UK final S&P Services PMI dropped to 52.6 in July from 54.3 in June vs. 53.3 expectations.
- On Friday(5/8), the dollar gathered strength after upbeat NFP data and forced GBP/USD to extend its slide toward 1.2000 before rebounding.

Pound Sterling Performance

Last Week Close	1.2166 USD/GBP	Monthly High	1.2293 USD/GBP
Week Open	1.2163 USD/GBP	Monthly Low	1.2004 USD/GBP
Week Close	1.2071 USD/GBP	30 Days Average	1.2039 USD/GBP
Weekly High	1.2293 USD/GBP	90 Days Average	1.2391 USD/GBP
Weekly Low	1.2001 USD/GBP	YTD Change	-10.67%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
GDP Est 3M/3M	Jun	12-Aug	-0.2%	0.4%
GDP Estimate MM	Jun	12-Aug	-1.3%	0.5%
GDP Estimate YY	Jun	12-Aug	1.2%	3.5%
Manufacturing Output MM	Jun	12-Aug	-1.2%	1.4%
GDP Prelim QQ	Q2	12-Aug	-0.2%	0.8%
GDP Prelim YY	Q2	12-Aug	2.8%	8.7%

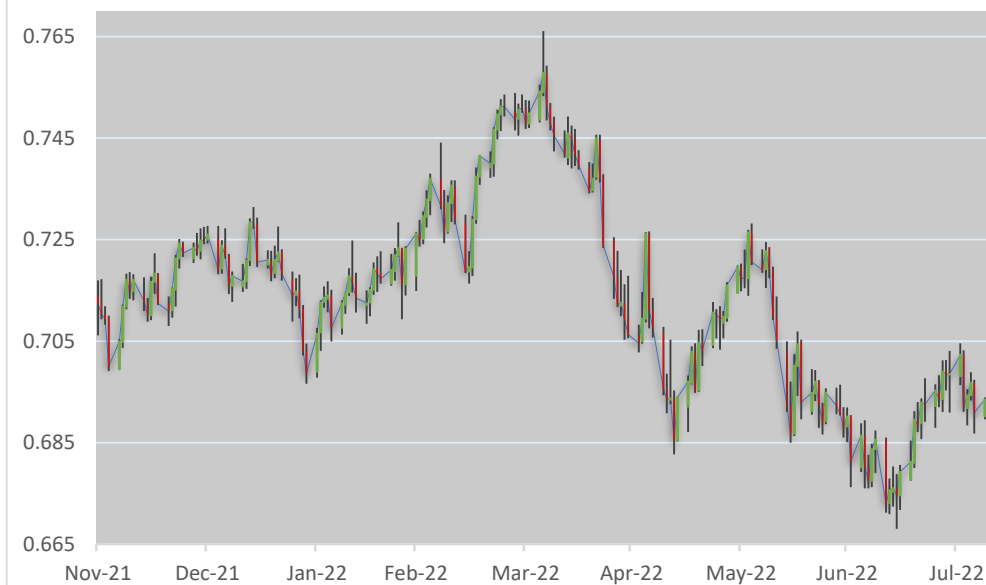
Lower Bound	1.1950	Upper Bound	1.2300
Forecast	Neutral		

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 **Australian Dollar**

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- The AUD/USD is downward biased after it has been battered by a doubling of market expectations in the Nonfarm Payrolls outcome. Moreover, a lack of notable economic data out this week may left the AUD vulnerable to losses.
- Technically, the AUD/USD currency pair tried to break above the 0.7050 level, an area that has been imported a couple of times now, so as long as we stay below there, I think it's likely that we will continue the sellers on short-term rallies.

Australian Dollar News

- The AUD/USD pair slipped below the psychological support of 0.7000 swiftly as the Reserve Bank of Australia (RBA) announced an interest rate hike by 50bps to 1.85%, in line with the market expectations.
- In its statement on Monetary Policy, released on Friday(5/8), the RBA indicated it is seeking to bring inflation down in a way that keeps the economy on an "even keel". Economist believe this language indicated that the RBA to revert to a steady pace of consecutive 25 bps rate hikes at its next several meetings, which would bring the Cash Rate to 3.10% by early 2023.
- The aussie plummeted to a 2-week low below 0.6900 on Friday(5/8) as US jobs knocked risk appetite.

Australian Dollar Performance

Last Week Close	0.6985 USD/AUD	Monthly High	0.70460 USD/AUD
Week Open	0.6981 USD/AUD	Monthly Low	0.68700 USD/AUD
Week Close	0.6909 USD/AUD	30 Days Average	0.70695 USD/AUD
Weekly High	0.7046 USD/AUD	90 Days Average	0.72347 USD/AUD
Weekly Low	0.6868 USD/AUD	YTD Change	-4.46%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Consumer Sentiment	Aug	9-Aug		-3.0%
NAB Business Conditions	Jul	9-Aug		13
NAB Business Confidence	Jul	9-Aug		1

Lower Bound	0.6750	Upper Bound	0.7050
Forecast	Depreciation		

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen News

- At the beginning of the week, the yen hit the most appreciated level (around 130.50) since mid-June against the dollar as investors weighed the likelihood that the Federal Reserve will not raise interest rates as aggressively as some had expected.
- However, The USD/JPY was soaring during the week, reached a fresh weekly high at 135.50, after the headline NFP print smashed consensus estimates and showed that the US economy added a whopping 528K jobs in July.
- This revived bets for a larger interest rate hike at the September FOMC policy meeting. This, in turn, results in the widening of the US-Japan rate differential, which, along with a strong pickup in the US dollar demand, provides a solid boost to the USD/JPY pair.

Japanese Yen Performance

Last Week Close	133.19 JPY/USD	Monthly High	135.57 JPY/USD
Week Open	133.20 JPY/USD	Monthly Low	130.42 JPY/USD
Week Close	134.97 JPY/USD	30 Days Average	123.13 JPY/USD
Weekly High	135.49 JPY/USD	90 Days Average	117.71 JPY/USD
Weekly Low	130.39 JPY/USD	YTD Change	+17.64%

Japanese Yen Outlook

- As we've seen on Friday (5/8), the USD/JPY pair caught aggressive bids and jumps to over a one-week high. Spot prices confirm a near-term breakout through the 134.50-134.55 intermediate hurdle, suggesting that any pullback could be seen as a buying opportunity.
- We believe that in the short to medium term, the yen depreciation is still likely. The decision of the Bank of Japan is to continue with its easing policy and we would expect that any change in the policy environment is set to be left to Kuroda's successor after Q1 2023.

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Current Account NSA JPY	Jun	8-Aug	-703.8B	128.4B
Current Account Bal SA	Jun	8-Aug		8,200M
Trade Bal Cust Basis SA	Jun	8-Aug		-1,186,700M
M2 Money Supply	Jul	9-Aug		1,201,896,700M
Broad Money	Jul	9-Aug		2,062.3T
Corp Goods Price MM	Jul	10-Aug	0.4%	0.7%
Corp Goods Price YY	Jul	10-Aug	8.4%	9.2%

Lower Bound	132.00	Upper Bound	137.00
Forecast	Depreciation		

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