**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**Dollar Index**

**Dollar Index Graph**

- The dollar index weakened after the Labor Department said nonfarm payrolls rose by 199,000 last month, well short of the 400,000 estimate. But analysts noted underlying data in the report appeared sturdier, with the unemployment rate falling to 3.9% against expectations of 4.1% while earnings rose by 0.6%.
- The minutes showed Fed policymakers were concerned about rising inflation, which along with a tight labor market, could result in the Fed’s raising rates sooner than anticipated along with a reduction in its asset holdings.
- St. Louis Fed President James Bullard said the Fed could start reducing its balance sheet soon after it begins hiking. Even dovish San Francisco Fed President Mary Daly said the balance sheet reduction would follow normalising rates.

<table>
<thead>
<tr>
<th>Events</th>
<th>Period</th>
<th>Date</th>
<th>Forecast</th>
<th>Previous</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISM Manufacturing PMI</td>
<td>Dec</td>
<td>4-Jan</td>
<td>60.0</td>
<td>61.1</td>
</tr>
<tr>
<td>Initial Jobless Clm</td>
<td>27 Dec, w/ 6-Jan</td>
<td>197k</td>
<td>200k</td>
<td></td>
</tr>
<tr>
<td>Factory Orders MM</td>
<td>Nov</td>
<td>6-Jan</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>ISM N-Mfg PMI</td>
<td>Dec</td>
<td>6-Jan</td>
<td>66.9</td>
<td>69.1</td>
</tr>
<tr>
<td>Non-Farm Payrolls</td>
<td>Dec</td>
<td>7-Jan</td>
<td>400k</td>
<td>210k</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>Dec</td>
<td>7-Jan</td>
<td>4.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Average Earnings YY</td>
<td>Dec</td>
<td>7-Jan</td>
<td>4.2%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

**Dollar Index Performance**

- **Last Week Close**: 95.66  
- **Monthly High**: 96.91  
- **Weekly Open**: 95.68  
- **Monthly Low**: 95.54  
- **Weekly Close**: 95.75  
- **30 Days Average**: 96.17  
- **Weekly High**: 96.46  
- **90 Days Average**: 94.82  
- **Weekly Low**: 95.65  
- **YTD Change**: -0.05%

**Dollar Outlook**

- The dollar index tends to appreciated against other currencies as the increased expectations that the Fed will begin to hike interest rates at its March meeting, with futures on the federal funds rate implying a 90% chance of a hike, up from 80% earlier.
- The market's eyes are on Fed Chair Powell Testifies which is scheduled on Tuesday (11/1).
Thai Baht

Thai Baht Outlook
- The Thai baht could weaken against the dollar due to the concerns over the Covid-19 Omicron variant.
- Another point that may bring the baht lower is the strong dollar as investors expect the Fed to hike key rates at its March meeting.
- The market's eyes are on the number of Covid-19 cases in Thailand along with how can the government deal with it.

Thai Baht Performance

<table>
<thead>
<tr>
<th>Last Week Close</th>
<th>33.23 THB/USD</th>
<th>Monthly High</th>
<th>33.73 THB/USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week Open</td>
<td>33.23 THB/USD</td>
<td>Monthly Low</td>
<td>33.14 THB/USD</td>
</tr>
<tr>
<td>Week Close</td>
<td>33.62 THB/USD</td>
<td>30 Days Average</td>
<td>33.52 THB/USD</td>
</tr>
<tr>
<td>Weekly High</td>
<td>33.73 THB/USD</td>
<td>90 Days Average</td>
<td>33.33 THB/USD</td>
</tr>
<tr>
<td>Weekly Low</td>
<td>33.10 THB/USD</td>
<td>YTD Change</td>
<td></td>
</tr>
</tbody>
</table>

Thai Baht Economic Events

<table>
<thead>
<tr>
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<th>Period</th>
<th>Date</th>
<th>Forecast</th>
<th>Previous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing PMI SA</td>
<td>Dec</td>
<td>4-Jan</td>
<td>50.6</td>
<td></td>
</tr>
<tr>
<td>CPI Headline Inflation</td>
<td>Dec</td>
<td>5-Jan</td>
<td>2.56%</td>
<td>2.71%</td>
</tr>
<tr>
<td>CPI Core Inflation YY</td>
<td>Dec</td>
<td>5-Jan</td>
<td>0.30%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Forex Reserves</td>
<td>31 Dec, w/ 7-Jan</td>
<td>244.0B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency Swaps</td>
<td>31 Dec, w/ 7-Jan</td>
<td>34.3B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thai Baht News
- According to minutes of the central bank's last policy meeting, Thailand's outbreak of the Omicron coronavirus variant could have a larger and more prolonged impact than expected on an economic recovery.
- Thailand's headline consumer price index (CPI) rose less than expected by 2.17% in December from a year earlier, driven by higher oil and vegetable prices.
- Thailand's tourism-reliant economy faces fresh risks from Omicron, as the government on Thursday (6/1) raised its COVID-19 alert level due to rising infections driven by the variant.
- Investor confidence in Thai financial markets for the next three months has dropped to a five-month low, dented by concerns over the Omicron coronavirus variant.

Source: Thomson Reuters
- The euro strengthened against the greenback in the wake of the payrolls report, after showing little reaction to data showing euro zone inflation rose to 5% in December.
- German exports grew in November despite persisting supply bottlenecks in manufacturing, while industrial output fell.
- The Eurozone policymakers have said they expect inflation to gradually slow down in 2022 and a rate hike will likely not be needed this year.
- Germany’s 10-year bond yield lurched closer to positive territory on Thursday, just as borrowing costs across the euro area hit new highs in the face of a hawkish tone from the U.S. Federal Reserve and fresh signs of high German inflation.

Euro Outlook

- It is likely that the euro could drop against the dollar due to the policy divergence between the ECB and the Fed. It is possible that the Fed could hike its interest rate at its meeting on March, while there was no hints from the ECB about rate hike.
- In the medium term, the euro could rise against the dollar as the less concern over the Omicron variant could bring the capital inflows to the riskier asset.
**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**Pound Sterling**

**Pound Sterling Graph**

- The pound sterling held gains even after data showed growth in Britain's construction sector cooled in December as the Omicron variant of coronavirus spread.
- The pound appreciated even the number of Covid-19 cases are still high due to Omicron variant proving less disruptive to the economy than originally feared, analysts have said, with the government only lightly tightening restrictions so far.
- A Purchasing Managers' Index (PMI) survey for the services sector on Thursday showed the biggest loss of momentum since the country was last in lockdown, falling to a 10-month low in December.
- Prime Minister Boris Johnson announced a relaxation of the rules around travelling to England, scrapping the need for a pre-departure test.

**Pound Sterling Performance**

- Investors will closely watch to see if the Bank of England will further tighten policy, with a further interest rate rise expected as early as next month after a surprise hike in December. It could lead to the capital inflows to the pound.
- In the short term, the cable could appreciate against the greenback due to the less concern over the Covid-19 Omicron variant.

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**Source:** Thomson Reuters

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Please carefully examine the Important Disclosure on the last section of this material.
**Australian Dollar Graph**

- The Australian dollar was down by the minutes of the Fed's December meeting being more hawkish than expected.
- The daily infection rate of the Covid-19 in Australia surpassed 100,000 for the first time amid an outbreak of the Omicron variant.
- The aussie, along with another currencies, strengthened against the dollar after the downbeat US nonfarm payroll reported.

**Australian Dollar Performance**

<table>
<thead>
<tr>
<th></th>
<th>Last Week Close</th>
<th>Week Open</th>
<th>Week Close</th>
<th>Weekly High</th>
<th>Weekly Low</th>
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<tbody>
<tr>
<td>USD/AUD</td>
<td>0.7260</td>
<td>0.7252</td>
<td>0.7178</td>
<td>0.7277</td>
<td>0.7127</td>
</tr>
</tbody>
</table>

**Australian Dollar Outlook**

- The Australian dollar might move lower due to the higher chance of the Fed's rate hike on March.
- As the market treats the aussie as a commodity currency and the oil prices is in the upward trend, the aussie could appreciate against the greenback at some point as there were capital inflows to the riskier asset.

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<tr>
<td>Mfg PMI Final</td>
<td>Dec</td>
<td>4-Jan</td>
<td>57.4</td>
<td></td>
</tr>
<tr>
<td>ANZ Internet &amp; NewsPaper Job</td>
<td>Dec</td>
<td>5-Jan</td>
<td>7.4%</td>
<td></td>
</tr>
<tr>
<td>Services PMI Final</td>
<td>Dec</td>
<td>6-Jan</td>
<td>55.1</td>
<td></td>
</tr>
<tr>
<td>Comp PMI Final</td>
<td>Dec</td>
<td>6-Jan</td>
<td>54.9</td>
<td></td>
</tr>
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The yen has been the most prominent casualty of the dollar's strength in the first trading week of the year, as investors reckon the Bank of Japan will lag others on rate hikes.

Japan's Finance Minister Shunichi Suzuki stressed on Friday the need for currency stability and said he was watching market moves "carefully," in the wake of the yen's recent declines against the dollar.

- Data released on Friday (7/1) showed household spending fell for the fourth straight month and inflation-adjusted real wages slumped 1.6% in November from a year earlier.
- Japanese policymakers see little room to intervene in the currency market to arrest the yen's decline, with some conceding there is good reason for it to soften given Japan's weak economy, waning competitiveness and dire public finances.

- J.P. Morgan analysts say the yen's real effective rate, which tumbled to its lowest level in 50 years, is set to fall further and slash consumers' spending power.
- The Japanese yen is likely to depreciate against the dollar as the central bank made no changes to its ultra-easy policies at its December rate review except for a partial scale-down of the pandemic funding programme, as inflation remains below its 2% target. Meanwhile, the Fed could hike the rate in March.
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