

WEEKLY FOREIGN EXCHANGE OUTLOOK

17 Jan 2022 - 21 Jan 2022



Dollar Index

Dollar Index Graph



Source: Thomson Reuters

Dollar News

- The dollar index dropped against a basket of currencies after Fed Chair Powell's overall message at testimony was less hawkish than expected. He signaled that while the Fed will be normalizing policy but it has not yet decided on reducing its balance sheet.
- Moreover, the dollar fell to a fresh two-month low against other currencies after the CPI surged 7.0%, the biggest year-on-year increase since June 1982.
- Up until last Wednesday, the release of inflation data tended to spur risk aversion, as fears the US Federal Reserve would retrieve financial support sent stocks lower and government bond yields higher, to the benefit of the greenback. However, this time was different. Equities advanced, while government bond yields pretty much ignored the reading, and the dollar collapsed.

Dollar Index Performance

| | | | |
|------------------------|--------------|------------------------|---------------|
| Last Week Close | 95.75 | Monthly High | 96.91 |
| Week Open | 95.80 | Monthly Low | 94.63 |
| Week Close | 95.17 | 30 Days Average | 96.03 |
| Weekly High | 96.39 | 90 Days Average | 94.97 |
| Weekly Low | 94.63 | YTD Change | -0.77% |

Dollar Outlook

- Speculation about the Federal Reserve's next moves will likely dominate the dollar's trading – even though there are no speeches scheduled for the upcoming week. The bank is in a "blackout period" ahead of its January 26 decision.
- The US will not publish relevant data, although the macroeconomic calendar includes the usual weekly unemployment data and some housing-related figures.
- US covid cases have yet to peak. Hospitalizations have already hit a new peak of over 148,000 on average and could continue higher. An ongoing increase could weigh on sentiment.
- The correction of the dollar index is expected in next few weeks.

| | | | |
|--------------------|---------------------|--------------------|--------------|
| Lower Bound | 94.00 | Upper Bound | 96.00 |
| Forecast | Depreciation | | |

Dollar Index Economic Events

| Events | Period | Date | Forecast | Previous |
|--------------------------|--------|--------|----------|----------|
| NY Fed Manufacturing | Jan | 18-Jan | 25.00 | 31.90 |
| NAHB Housing Market Indx | Jan | 18-Jan | 84 | 84 |
| Building Permits: Number | Dec | 19-Jan | 1.701M | 1.717M |
| Housing Starts Number | Dec | 19-Jan | 1.650M | 1.679M |
| Initial Jobless Clm | Weekly | 20-Jan | 220k | 230k |
| Philly Fed Business Indx | Jan | 20-Jan | 20.0 | 15.4 |
| Existing Home Sales | Dec | 20-Jan | 6.43M | 6.46M |
| Exist. Home Sales % Chg | Dec | 20-Jan | | 1.9% |

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Thai Baht Graph



Source: Thomson Reuters

Thai Baht News

- The baht gained against the dollar due to soft dollar while local concerns over Covid-19 Omicron eased as the daily infection is still stable around 7-8k.
- The baht gradually gained last week and made the most appreciated level on Friday(14/1) at around 33.15 THB/USD level.
- The Bank of Thailand said the economy will take a 0.3% hit from an outbreak of Omicron variant while the BOT has tools ready should the Omicron-driven outbreak last longer than anticipated.
- The baht was supported after the consumer confidence Index in December rose to 46.2, up from 44.9 in November. This was the fourth consecutive month of improvement and the highest level in nine months since April 2021, as consumers tended to worry less about the Covid-19 situation in Thailand.

Thai Baht Performance

| | | | |
|------------------------|----------------------|------------------------|----------------------|
| Last Week Close | 33.62 THB/USD | Monthly High | 33.74 THB/USD |
| Week Open | 33.64 THB/USD | Monthly Low | 33.14 THB/USD |
| Week Close | 33.20 THB/USD | 30 Days Average | 33.44 THB/USD |
| Weekly High | 33.74 THB/USD | 90 Days Average | 33.36 THB/USD |
| Weekly Low | 33.13 THB/USD | YTD Change | -0.27% |

Thai Baht Outlook

- The Thai baht has been testing the significant support level at 33.15-33.20 THB/USD.
- We believe that if the USD/THB can stand at this support level, the baht may depreciate back this week.
- The market's eyes are on the number of the Covid-19 cases in Thailand along with December custom trade balance.
- We have to wait and see a reaction after first death from the highly contagious Omicron coronavirus variant was reported at the weekend.

Thai Baht Economic Events

| Events | Period | Date | Forecast | Previous |
|--------------------------|--------|--------|----------|----------|
| Custom-Based Export Data | Dec | 21-Jan | 12.50% | 24.70% |
| Custom-Based Import Data | Dec | 21-Jan | 17.15% | 20.50% |
| Customs-Based Trade Data | Dec | 21-Jan | 0.38B | 1.02B |

| | | | |
|--------------------|----------------|--------------------|--------------|
| Lower Bound | 33.15 | Upper Bound | 33.50 |
| Forecast | Neutral | | |

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- This week, it will be the turn of Germany and the EU to release the final readings of their December inflation figures, foreseen at 5.3% YoY and 5% YoY, respectively. In addition, the country will publish the January ZEW Survey, and the December Producer Price Index, while the Union will also offer the preliminary estimate of January Consumer Confidence.
- In the medium term, we believe that the euro is in a long-term upward corrective advance, 1.1500 is first target.

Euro News

- The EUR/USD pair finally woke up from its over-a-month lethargy, surging to 1.1480 level.
- The euro was supported after the greenback collapsed against all of its major rivals after the release of inflation datas.
- European policymakers maintain their wait-and-see stance. European Central Bank President Christine Lagarde said they understand that rising prices are a concern for many people and noted that they take this concern very seriously.
- The EU had a scarce macroeconomic calendar, releasing little data of interest. Germany reported Real GDP Growth, which printed 2.7%, better than the previous -4.6%, while the November EU Trade Balance posted a deficit of €1.3 billion.

Euro Index Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.1359 USD/EUR | Monthly High | 1.1482 USD/EUR |
| Week Open | 1.1351 USD/EUR | Monthly Low | 1.1273 USD/EUR |
| Week Close | 1.1414 USD/EUR | 30 Days Average | 1.1331 USD/EUR |
| Weekly High | 1.1482 USD/EUR | 90 Days Average | 1.1465 USD/EUR |
| Weekly Low | 1.1283 USD/EUR | YTD Change | +0.39% |

Euro Index Economic Events

| Events | Period | Date | Forecast | Previous |
|---------------------------------|--------|--------|----------|----------|
| Germany ZEW Economic Sentiment | Jan | 18-Jan | 32.7 | 29.9 |
| Germany ZEW Current Conditions | Jan | 18-Jan | -7.5 | -7.4 |
| Germany HICP Final YY | Dec | 19-Jan | 5.7% | 5.7% |
| France Business Climate Mfg | Jan | 20-Jan | 111 | 111 |
| Eurozone HICP Final MM | Dec | 20-Jan | 0.4% | 0.4% |
| Eurozone HICP Final YY | Dec | 20-Jan | 5.0% | 5.0% |
| Eurozone Consumer Confid. Flash | Jan | 21-Jan | -9.0 | -8.3 |

| | | | |
|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 1.1350 | Upper Bound | 1.1550 |
| Forecast | Appreciation | | |

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Pound Sterling

Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling News

- The pound gained last week and touched the 1.3750 USD/GBP level after immense dollar weakness.
- The other minor positive effect on the pound came from the COVID-19 front as the entire UK is now showing a downtrend in infections, promising a decline in hospitalizations and deaths down the road.
- Lastweek's economic figure including both industrial and manufacturing production were released too far better than expected.
- However, the pound was pressured as investors assessed the impact of a potential leadership change in the country as Prime Minister Boris Johnson faces the gravest crisis of his premiership after revelations about a series of gatherings in Downing Street during COVID-19 lockdowns.

Pound Sterling Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.3585 USD/GBP | Monthly High | 1.3748 USD/GBP |
| Week Open | 1.3585 USD/GBP | Monthly Low | 1.3432 USD/GBP |
| Week Close | 1.3673 USD/GBP | 30 Days Average | 1.3418 USD/GBP |
| Weekly High | 1.3748 USD/GBP | 90 Days Average | 1.3522 USD/GBP |
| Weekly Low | 1.3531 USD/GBP | YTD Change | +1.06% |

Pound Sterling Outlook

- Top UK economic figures, UK politics and ongoing Fed speculation are set to move the pair this week.
- The most significant release of the week is due on Wednesday, with the inflation report. The headline Consumer Price Index is set to edge up from November's 5.1% YoY. Retail Sales figures for December are also of interest.
- Although the pound was supported by many factors, the overbought of the currency has been seen. We believe that without a sticker shock from UK inflation, there is room for a considerable downside correction.

Pound Sterling Economic Events

| Events | Period | Date | Forecast | Previous |
|--------------------------|--------|--------|----------|----------|
| Claimant Count Unem Chng | Dec | 18-Jan | | -49.8k |
| ILO Unemployment Rate | Nov | 18-Jan | 4.2% | 4.2% |
| CPI YY | Dec | 19-Jan | 5.2% | 5.1% |
| Retail Sales MM | Dec | 21-Jan | -0.6% | 1.4% |
| Retail Sales Ex-Fuel MM | Dec | 21-Jan | -0.5% | 1.1% |
| Retail Sales YY | Dec | 21-Jan | 2.9% | 4.7% |

| | | | |
|--------------------|----------------|--------------------|---------------|
| Lower Bound | 1.3550 | Upper Bound | 1.3850 |
| Forecast | Neutral | | |

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 **Australian Dollar**

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar News

- The aussie, along with another currencies, strengthened against the dollar after the US struggles with toxic levels of inflation and the US Federal Reserve seems unable to respond in a proper, timed manner to those.
- However, the gain was limited as the currency was pressured by the latest Omicron wave in the country. New South Wales has reported the most COVID-19 deaths in a single day since the start of the pandemic.
- The local economic data released were upbeat. November Retail Sales jumped to 7.3% MoM, beating the 3.9% expected while the housing sector, as Home Loans in the same month were up a whopping 7.6%, while Building Permits rose 3.6%.
- However, encouraging Australian figures should be taken with a pinch of salt. The upbeat numbers are the result of the economic reopening, as the country finally gave up on fighting coronavirus with restriction.

Australian Dollar Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 0.7178 USD/AUD | Monthly High | 0.7314 USD/AUD |
| Week Open | 0.7158 USD/AUD | Monthly Low | 0.7131 USD/AUD |
| Week Close | 0.7206 USD/AUD | 30 Days Average | 0.7395 USD/AUD |
| Weekly High | 0.7314 USD/AUD | 90 Days Average | 0.7342 USD/AUD |
| Weekly Low | 0.7147 USD/AUD | YTD Change | -0.74% |

Australian Dollar Outlook

- The upcoming week will be a busy one in Asia, as on Monday, China will publish December Retail Sales and Industrial Production and Q4 Gross Domestic Product.
- Later into the week, Australia will unveil January Westpac Consumer Confidence, January Consumer Inflation Expectations, and December employment figures.
- Technically, the AUD/USD remains at an inflexion point without a clear directional bias. We maintain a neutral stance in a long term.

Australian Dollar Economic Events

| Events | Period | Date | Forecast | Previous |
|----------------------|--------|--------|----------|----------|
| Consumer Sentiment | Jan | 20-Jan | | -1.0% |
| Employment | Dec | 20-Jan | 30.0k | 366.1k |
| Full Time Employment | Dec | 20-Jan | | 128.3k |
| Participation Rate | Dec | 20-Jan | 66.2% | 66.1% |
| Unemployment Rate | Dec | 20-Jan | 4.5% | 4.6% |

| | | | |
|--------------------|----------------|--------------------|---------------|
| Lower Bound | 0.7100 | Upper Bound | 0.7300 |
| Forecast | Neutral | | |

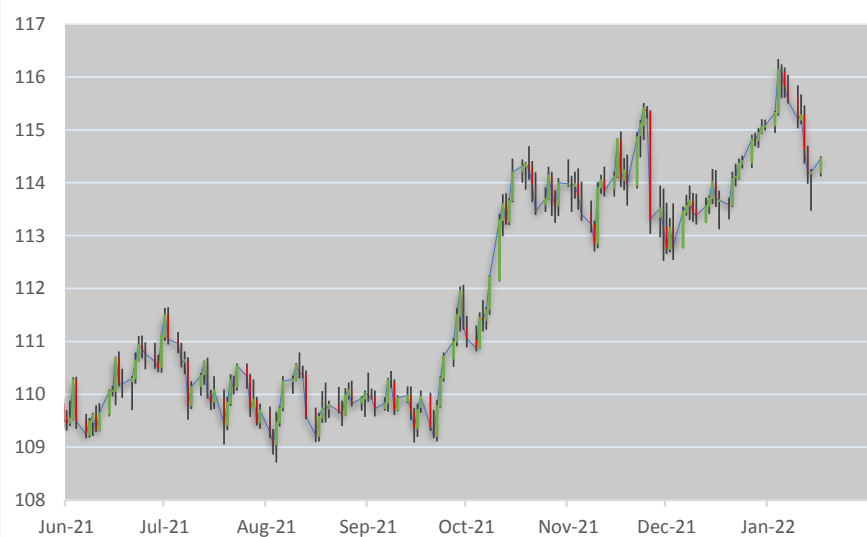
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Japanese Yen

Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The USD/JPY shed its remaining 2022 gains last week as markets discounted the economic disruption of Omicron variant impact. Infections peaks are expected in the next few weeks to this mild COVID variant, and the growth potential of the global economy sent the dollar backwards in most major pairs on rising risk acceptance.
- Even though the US core CPI climbed 5.5%, slightly more than the 5.4% prediction and a large increase from November's 4.9%, markets had largely priced in the results. The yield on the 10-year Treasury dropped after the release as well as the U.S.dollar.
- Japanese economic data provided no surprises. The Leading Economic and Coincident Indexes for November were better than expected.

Japanese Yen Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 115.55 JPY/USD | Monthly High | 116.34 JPY/USD |
| Week Open | 115.63 JPY/USD | Monthly Low | 113.49 JPY/USD |
| Week Close | 114.20 JPY/USD | 30 Days Average | 110.11 JPY/USD |
| Weekly High | 115.84 JPY/USD | 90 Days Average | 110.08 JPY/USD |
| Weekly Low | 113.47 JPY/USD | YTD Change | -0.56% |

Japanese Yen Outlook

- In the week ahead, the Bank of Japan meeting on Tuesday will produce no policy changes and if the bank reveals a new economic support package, it will have little market impact. National CPI for December will not alter the BOJ's view of inflation.
- The yen bias is neutral to appreciation, balancing strong technical support against rising risk-acceptance and stalled US Treasury rates.
- If US Treasury rates eschew 2.0% and risk-on market sentiment prospers with its negative implications for the US dollar, the USD/JPY will be hard pressed to recover.

Japanese Yen Economic Events

| Events | Period | Date | Forecast | Previous |
|-------------------------|--------|--------|----------|----------|
| Machinery Orders MM | Nov | 17-Jan | 1.4% | 3.8% |
| Machinery Orders YY | Nov | 17-Jan | 6.1% | 2.9% |
| JP BOJ Rate Decision | 18 Jan | 18-Jan | -0.10% | -0.10% |
| Exports YY | Dec | 20-Jan | 16.0% | 20.5% |
| Imports YY | Dec | 20-Jan | 42.8% | 43.8% |
| Trade Balance Total Yen | Dec | 20-Jan | -784.1B | -955.6B |
| CPI, Core Nationwide YY | Dec | 21-Jan | 0.6% | 0.5% |
| CPI, Overall Nationwide | Dec | 21-Jan | | 0.6% |

| | | | |
|--------------------|----------------|--------------------|---------------|
| Lower Bound | 113.00 | Upper Bound | 115.00 |
| Forecast | Neutral | | |

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