

WEEKLY FOREIGN EXCHANGE OUTLOOK

31 Jan 2022 - 04 Feb 2022



Dollar Index

Dollar Index Graph



Source: Thomson Reuters

Dollar News

- The dollar headed for its best week in seven months as traders priced in a year of aggressive US Interest rate hikes. Federal Reserve chair Jerome Powell unleashed bets on five or more hikes this year after he left the door open to raising rates faster than in previous cycles.
- Data showing U.S. GDP growing a better-than-expected 6.9% quarter-on-quarter in the fourth quarter of 2021, as well as the best annual growth in nearly four decades, raised expectations that the first interest rate increase could be as much as 50 basis points instead of the traditional 25 bps.
- U.S. Treasury yields eased, with 10-year yields falling to about 1.77% below two-year highs of nearly 1.9% hit on Monday. The two-year Treasury yield, which often moves in step with rate expectations, slid 2.8 basis points to 1.164%, but was still much higher for the week.

Dollar Index Performance

Last Week Close	95.65	Monthly High	97.44
Week Open	95.65	Monthly Low	94.63
Week Close	97.23	30 Days Average	96.00
Weekly High	97.44	90 Days Average	95.32
Weekly Low	95.65	YTD Change	+1.22%

Dollar Outlook

- There is a heavy barrage of economic data out of the US, with the ISM manufacturing survey on Tuesday, before the services print on Thursday, and the all-important employment report on Friday.
- Nonfarm payrolls are expected to clock in at 233k in January. That seems low compared to the more impressive prints last year, but a slowdown in jobs growth is natural as the economy approaches full employment.
- The correction of the dollar index is expected as market has already priced in Fed rate outlook. A solid job report could add a finishing touch to the dollar recent rally.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg PMI Final	Jan	1-Feb		55.0
ISM Manufacturing PMI	Jan	1-Feb	57.5	58.7
Initial Jobless Clm	29 Jan, w/i	3-Feb	245k	260k
Markit Comp Final PMI	Jan	3-Feb		50.8
Markit Svcs PMI Final	Jan	3-Feb		50.9
Factory Orders MM	Dec	3-Feb	-0.2%	1.6%
ISM N-Mfg PMI	Jan	3-Feb	59.3	62.0
Non-Farm Payrolls	Jan	4-Feb	155k	199k
Unemployment Rate	Jan	4-Feb	3.9%	3.9%
Average Earnings YY	Jan	4-Feb	5.2%	4.7%

Lower Bound	96.00	Upper Bound	98.00
Forecast	Neutral		

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The Thai baht may test the resistance level of 33.50 and 33.80 THB/USD. Given policy divergence between FED and BOT.
- The BOT is expected to maintain a dovish monetary policy stance through most of 2022 to support the economic recovery and provide accommodative credit conditions for small and medium-sized businesses.
- The government is fully prepared for the resumption of the Test & Go scheme. If economy and tourism gradually improve in the near term, THB may regain strength.

Lower Bound	33.00	Upper Bound	33.60
Forecast	Depreciation		

Thai Baht News

- The Thai baht weakened by 1.5% to 33.40 after markets priced in more Fed hikes.
- Thailand's export growth in December soared by 24.2 percent year on year, beating a forecast of 15.5%. The Commerce Ministry expected the country's exports to continue growing at around 3-4 percent in 2022.
- Imports jumped 33.4% in December from a year earlier and rose 29.8% in the whole of 2021
- The country recorded a trade deficit of \$354 million in December and a trade surplus of \$3.57 billion in all 2021.

Thai Baht Performance

Last Week Close	32.91 THB/USD	Monthly High	33.74 THB/USD
Week Open	32.95 THB/USD	Monthly Low	32.81 THB/USD
Week Close	33.42 THB/USD	30 Days Average	33.31 THB/USD
Weekly High	33.45 THB/USD	90 Days Average	33.34 THB/USD
Weekly Low	32.90 THB/USD	YTD Change	+0.30%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Dec	31-Jan	5.25%	4.84%
Exports YY	Dec	31-Jan		23.70%
Imports YY	Dec	31-Jan		13.50%
Trade Account	Dec	31-Jan		4.20B
Current Account	Dec	31-Jan		0.30B
Manufacturing PMI SA	Jan	1-Feb		49.5
CPI Headline Inflation	Jan	4-Feb		2.17%
CPI Core Inflation YY	Jan	4-Feb		0.29%

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The European Central Bank is not expected to signal anything new when it wraps up its own meeting on Thursday. Economic growth is stuck in slow gear and the labor market is still far from full employment, keeping wages subdued and therefore downplaying concerns of persistent inflation.
- The outlook for the euro remains negative. Money markets are still pricing in 20 basis points of rate hikes this year, which seems unrealistic and allows scope for disappointment. Political risk is back on the radar too, given the possibility of early elections in Italy and France as well as geopolitical tensions in Eastern Europe.

Lower Bound	1.1000	Upper Bound	1.1300
Forecast	Depreciation		

Euro News

- For the week, the EUR slid by 1.70% to \$1.1151. Ultimately, the EUR struggled with monetary policy divergence weighing heavily on the EUR in the week. The hawkish FED also sank the European boerses.
- According to prelim figures, the Eurozone's Composite PMI fell from 53.1 to an 11-month low 52.4 versus a forecasted 52.6 in January. The decline came in spite of Germany's manufacturing PMI rising from 57.4 to 60.5.
- Germany's GDP numbers for the 4th quarter disappointed. Quarter-on-quarter, the German economy contracted by 0.7%.

Euro Index Performance

Last Week Close	1.1340 USD/EUR	Monthly High	1.1482 USD/EUR
Week Open	1.1341 USD/EUR	Monthly Low	1.1122 USD/EUR
Week Close	1.1143 USD/EUR	30 Days Average	1.1325 USD/EUR
Weekly High	1.1345 USD/EUR	90 Days Average	1.1413 USD/EUR
Weekly Low	1.1119 USD/EUR	YTD Change	-1.82%

Euro Index Economic Events

Events	Period	Date	Forecast	Previous
GDP Flash Prelim YY	Q4	31-Jan	4.7%	3.9%
GDP Flash Prelim QQ	Q4	31-Jan	0.3%	2.2%
Markit Mfg Final PMI	Jan	1-Feb	59.0	59.0
Unemployment Rate	Dec	1-Feb	7.1%	7.2%
HICP Flash YY	Jan	2-Feb	4.3%	5.0%
HICP-X F&E Flash YY	Jan	2-Feb	2.1%	2.7%
Markit Serv Final PMI	Jan	3-Feb	51.2	51.2
Markit Comp Final PMI	Jan	3-Feb	52.4	52.4
ECB Refinancing Rate	Feb	3-Feb	0.00%	0.00%
ECB Deposit Rate	Feb	3-Feb	-0.50%	-0.50%

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling News

- The Pound fell by 1.12% to end the week at \$1.3401. The pound took losses after Fed signaled more rate hikes. It also extended weakness during the week due to strong US Q4 GDP.
- In January, UK services PMI slipped from 53.6 to 53.3, with the manufacturing PMI declining from 57.9 to 56.9. As a result, the composite PMI slipped from 53.6 to 53.4.
- UK politic also weighed the pound. UK PM Boris Johnson resignation remains a strong possibility as the partygate scandal drags on.

Pound Sterling Performance

Last Week Close	1.3554 USD/GBP	Monthly High	1.3748 USD/GBP
Week Open	1.3554 USD/GBP	Monthly Low	1.3359 USD/GBP
Week Close	1.3404 USD/GBP	30 Days Average	1.3509 USD/GBP
Weekly High	1.3565 USD/GBP	90 Days Average	1.3497 USD/GBP
Weekly Low	1.3355 USD/GBP	YTD Change	-0.86%

Pound Sterling Outlook

- The Bank of England will likely forge ahead with tightening monetary policy when it concludes its meeting on Thursday. Investors expect the BoE to lift interest rates by 25bps to 0.25% next Thursday following strong labour market and inflation data for December
- That would be great news for sterling as such a move argues for higher yields over time, widening rate differentials in its favor. Hence, if policymakers pull the trigger on balance sheet normalization and raise rates, the pound could enjoy the benefits. The updated inflation forecasts will also attract attention.

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Nationwide house price mm	Jan	1-Feb	0.6%	1.0%
Nationwide house price yy	Jan	1-Feb	10.8%	10.4%
Markit/CIPS Mfg PMI Final	Jan	1-Feb	56.9	56.9
Reserve Assets Total	Jan	3-Feb		203,709.23M
BOE Bank Rate	Feb	3-Feb	0.50%	0.25%
GB BOE QE Corp	Feb	3-Feb	20B	20B

Lower Bound	1.3200	Upper Bound	1.3600
Forecast	Appreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- The Australian economy has enjoyed a strong spell of growth in recent months, after the strict lockdowns were lifted. The labor market is now stronger than it was pre-pandemic, consumption has been solid, and inflationary pressures seem to be intensifying.
- The Reserve Bank of Australia may try to dampen rate hike bets on Tuesday, signaling that the improvements in the economy suggest rates will likely rise this year, but also warning that the five rate hikes priced into markets are excessive. If they successfully push back against market pricing, the aussie could take another hit.

Lower Bound	0.6900	Upper Bound	0.7200
Forecast	Neutral		

Australian Dollar News

- It was a particularly bearish week for the Aussie Dollar which tumbled by 2.74% to \$0.6988 amid bullish dollar post-Fed.
- In spite of a pickup in inflationary pressure, the Aussie Dollar struggled, with the RBA expected to stand pat near-term. In the 4th quarter, Australia's annual rate of inflation accelerated from 3.0% to 3.5% with business confidence sinking at the end of the year.
- The latest PMIs suggest the Omicron outbreak restrained economic growth in January, and there's a risk that the slowdown in China spills over into Australia given their close trading relationship.

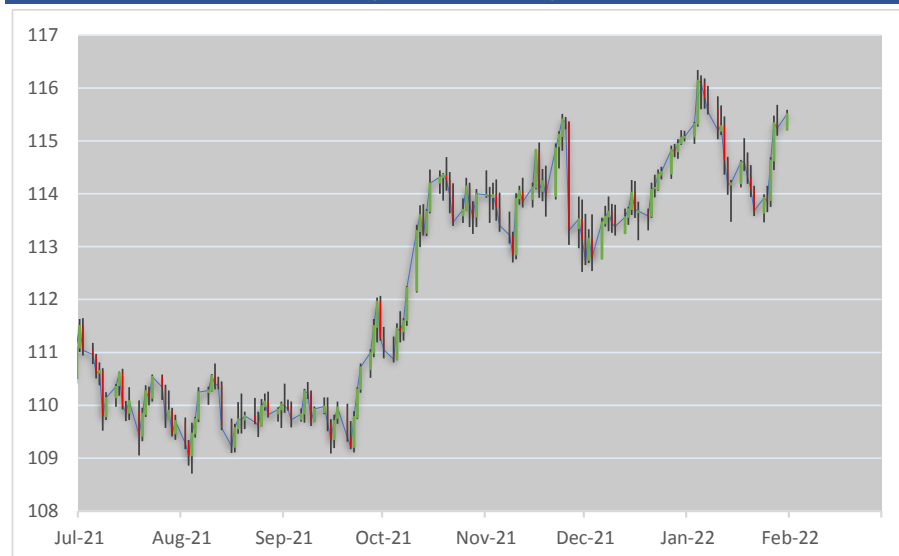
Australian Dollar Performance

Last Week Close	0.7183 USD/AUD	Monthly High	0.7314 USD/AUD
Week Open	0.7173 USD/AUD	Monthly Low	0.6968 USD/AUD
Week Close	0.6986 USD/AUD	30 Days Average	0.7278 USD/AUD
Weekly High	0.7187 USD/AUD	90 Days Average	0.7313 USD/AUD
Weekly Low	0.6966 USD/AUD	YTD Change	-3.43%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Private Sector Credit	Dec	31-Jan		0.9%
Housing Credit	Dec	31-Jan		0.7%
Retail Sales MM Final	Dec	1-Feb		7.3%
RBA Cash Rate	Feb	1-Feb	0.10%	0.10%
Building Approvals	Dec	3-Feb	0.5%	3.6%
Trade Balance G&S (A\$)	Dec	3-Feb		9,423M

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Japanese Yen
Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Industrial production and retail sales figures will be the key stats due out on Monday. January's finalized service sector PMI will also draw interest on Friday.
- The Japanese yen continue to pose weakness against the dollar as rate differentials and increased levels of market volatility provide support for the greenback. There is resistance at 115.54, followed by 116.88 and support level at 113.18 and 112.16

Japanese Yen News

- The Japanese Yen fell by 1.39% to ¥115.61 against the U.S Dollar after US hike expectation surge.
- The all-important services PMI stumbled from 52.1 to 46.6, raising concerns over the economic outlook. Inflationary pressures also eased, with the annual rate of core inflation softening from 0.5% to 0.2%.
- BOJ Governor Haruhiko Kuroda said Friday it was premature to raise the bank's rate targets. The BOJ would maintain its ultra-loose monetary policy even as its global counterparts move towards exiting crisis-mode policies.

Japanese Yen Performance

Last Week Close	113.68 JPY/USD	Monthly High	116.34 JPY/USD
Week Open	113.64 JPY/USD	Monthly Low	113.48 JPY/USD
Week Close	115.24 JPY/USD	30 Days Average	110.94 JPY/USD
Weekly High	115.68 JPY/USD	90 Days Average	110.40 JPY/USD
Weekly Low	113.46 JPY/USD	YTD Change	+0.32%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Industrial O/P Prelim MM SA	Dec	31-Jan	-0.8%	7.0%
Retail Sales YY	Dec	31-Jan	2.7%	1.9%
Housing Starts YY	Dec	31-Jan	7.8%	3.7%
Jobs/Applicants Ratio	Dec	1-Feb	1.16	1.15
Unemployment Rate	Dec	1-Feb	2.8%	2.8%
Jibun Bank Mfg PMI	Jan	1-Feb		54.6
Services PMI	Jan	3-Feb		52.1

Lower Bound	114.00	Upper Bound	116.50
Forecast	Depreciation		

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