

WEEKLY FOREIGN EXCHANGE OUTLOOK
18 Jul 2022 - 22 Jul 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- This week will see US flash PMI (22/7) in focus after last month's data pointed to a US demand falling as inflation rate s hit 40- years highs, but leading indicators of inflation fell. Growth is expected to slow in July. Also, Building permits are due on Tuesday (19/7) follow by housing starts, and existing home sales on Wednesday (20/7), Philly Fed manufacturing index on Thursday (21/7) and the flash July PMIs on Friday (22/7).
- In a relatively quieter week, investors may sit on the sidelines as they await the next FOMC decision on July 27, unless of course there are fresh risk-off episodes that drive more funds into the world's number one reserve currency.

Dollar News

- US nonfarm payrolls increased by 372,000 jobs last month, the Labor department reported on Friday, better than expected at 250,000 jobs.
- Expectations that the Fed could raise rates by 100 bps skyrocketed after US inflation hit a fresh four-decade high of 9.1% y/y in June, fuelling the dollar rally. The dollar index soared to 20-year highs above the 109 level in the aftermath.
- On data front, US June retail sales was at 1%. While, Michigan consumer sentiment index of July was at 51.1, better than the previous month. However, US June industrial production was at - 0.2%, below the expectation.

Dollar Index Performance

Last Week Close	107.01	Monthly High	109.29
Week Open	106.90	Monthly Low	102.15
Week Close	107.91	30 Days Average	105.37
Weekly High	109.29	90 Days Average	102.57
Weekly Low	106.92	YTD Change	+12.28%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Housing Starts Number	Jun	19-Jul	1.585M	1.549M
Existing Home Sales	Jun	20-Jul	5.38M	5.41M
Initial Jobless Clm		16 Jul, w/e 21-Jul	240k	244k
Philly Fed Business Indx	Jul	21-Jul	0.0	-3.3
S&P Global Mfg PMI Flash	Jul	22-Jul	52.0	52.7
S&P Global Svcs PMI Flash	Jul	22-Jul	52.6	52.7
S&P Global Comp Flash PMI	Jul	22-Jul		52.3

Lower Bound	102.89	Upper Bound	109.31
Forecast	Appreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- On data front, market keeps an eye on June Thailand Export and Import data on Friday (22/7). Exports expected to rise 10.5%, Imports expected to rise 10.5%.
- The baht may trade in high volatility from thin market and profit taking from technical view (overbought signal) amid the hiking policy rate from many central banks around the world.

Thai Baht News

- Daranee Saeju, senior director at the Bank of Thailand (BOT) told to media on Friday (8/7) that “The baht's weakness has been moderate compared with regional currencies, mainly due to dollar strength. And The central bank has no baht levels in mind.”
- Thailand’s consumer confidence index (CCI) increased in June for the first time in six months, buoyed by emerging signs of economic recovery due to the continued easing of Covid-19 control measures and improved business activities.
- Thai baht depreciated to the weakest level in 7 years against the dollar once again as expectations for aggressive Fed rate hike lent support demand for the dollar.

Thai Baht Performance

Last Week Close	35.86 THB/USD	Monthly High	36.73 THB/USD
Week Open	34.43 THB/USD	Monthly Low	35.33 THB/USD
Week Close	36.62 THB/USD	30 Days Average	35.47 THB/USD
Weekly High	36.73 THB/USD	90 Days Average	34.46 THB/USD
Weekly Low	35.82 THB/USD	YTD Change	+9.84%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Jun	22-Jul	10.00%	10.50%
Custom-Based Import Data	Jun	22-Jul	20.80%	24.10%
Customs-Based Trade Data	Jun	22-Jul	-1.70B	-1.87B
Forex Reserves	11 Jul, w/e 22-Jul		218.6B	
Currency Swaps	11 Jul, w/e 22-Jul		28.6B	

Lower Bound	35.75	Upper Bound	36.77
Forecast	Depreciation		

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Euro Graph



Source: Thomson Reuters

Euro News

- The euro dropped against the dollar, hitting its lowest level in nearly two decades and flirting with exchange parity. While there are concerns that Russia will continue to cut natural gas supplies to Europe even after Nord Stream 1 completes maintenance on July 21.
- The euro was trading near the parity vs the dollar as downgraded official economic forecasts for the Eurozone and political conflict in Italy as Italian Prime Minister Mario Draghi announced he was resigning after coalition partner Five Star withdrew its support in a confidence vote. The coalition fell apart when Five Star leader Giuseppe Conte accused Draghi of not doing enough to tackle the economic crisis. Italian President Sergio Mattarella rejected the resignation offer from the former ECB chief and still Italian PM and urged him not to quit.

Euro Index Performance

Last Week Close	1.0183 USD/EUR	Monthly High	1.0477 USD/EUR
Week Open	1.0172 USD/EUR	Monthly Low	0.9953 USD/EUR
Week Close	1.0087 USD/EUR	30 Days Average	1.0404 USD/EUR
Weekly High	1.0183 USD/EUR	90 Days Average	1.0642 USD/EUR
Weekly Low	0.9950 USD/EUR	YTD Change	-11.15%

Euro Outlook

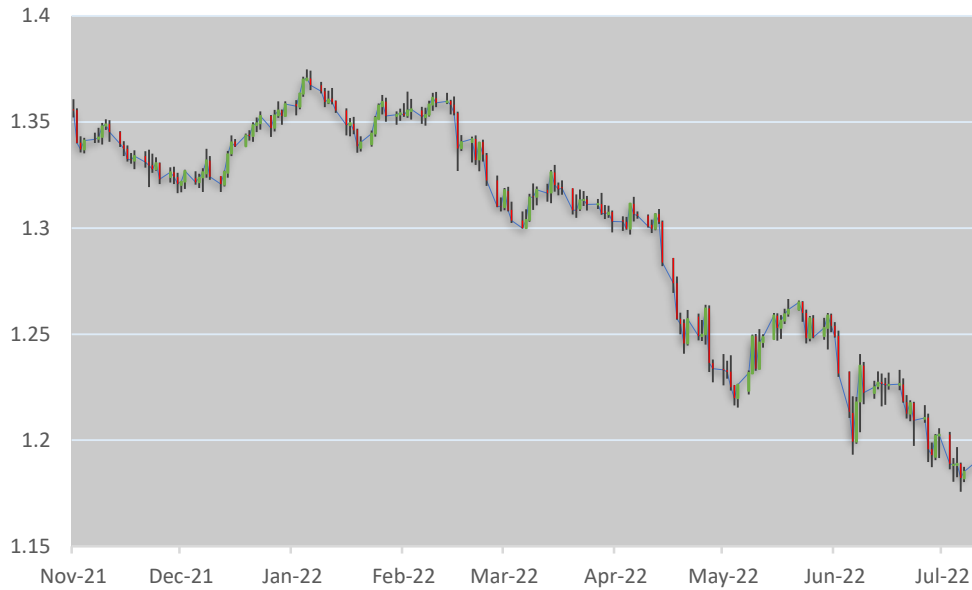
- There can be no doubt that the ECB is late to the game when it comes to the tightening race, but policymakers will be hoping to send the right message when they hike rates for the first time in more than a decade on Thursday, by 25 basis point.
- However, the euro will face more danger on Friday from S&P Global's flash PMI data (22/7) for July. Economic activity slowed markedly in June as businesses were impacted from soaring input costs and energy prices, as well as easing demand. A further slowdown is expected in July, with the composite PMI forecast to edge down from 52.0 to 51.0.

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Flash	Jul	20-Jul	-24.5	-23.6
ECB Refinancing Rate	Jul	21-Jul	0.25%	0.00%
ECB Deposit Rate	Jul	21-Jul	-0.25%	-0.50%
S&P Global Mfg Flash PMI	Jul	22-Jul	51.0	52.0
S&P GLBL SVC Flash PMI	Jul	22-Jul	51.3	52.4
S&P Global Comp Flash PMI	Jul	22-Jul	50.1	51.3
S&P Global Mfg Flash PMI	Jul	22-Jul	51.0	52.1
S&P Global Serv Flash PMI	Jul	22-Jul	52.0	53.0
S&P Global Comp Flash PMI	Jul	22-Jul	51.0	52.0

Lower Bound	0.9950	Upper Bound	1.0150
Forecast	Depreciation		

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- In the UK, the pound could hit some turbulence amid a flurry of data releases. Kicking things off on Tuesday (19/7) is the employment report, followed by CPI numbers on Wednesday (20/7) and retail sales and the flash PMIs on Friday (22/7).
- The British economy eked out a surprise growth in May and GDP was revised higher in the prior two months. This puts the Bank of England in a much more comfortable position to speed up its rate increases in August. Yet, sterling has kept on slipping against the dollar.

Lower Bound	1.1750	Upper Bound	1.2000
Forecast	Depreciation		

Pound Sterling News

- The pound sterling fell against dollar as an unfavorable macroeconomic backdrop overshadowed concerns about politics after Prime Minister Boris Johnson announced his resignation.
- In the mid of the week, the sterling slightly higher, boosted by the news that the UK economy expanded unexpectedly in May, with GDP rising 0.5% on the month, with health services a major driver of growth. While, manufacturing output arrived at 1.4% m/m in May vs expected at 0.1%.

Pound Sterling Performance

Last Week Close	1.2027 USD/GBP	Monthly High	1.2165 USD/GBP
Week Open	1.2027 USD/GBP	Monthly Low	1.1761 USD/GBP
Week Close	1.1852 USD/GBP	30 Days Average	1.2143 USD/GBP
Weekly High	1.2039 USD/GBP	90 Days Average	1.2567 USD/GBP
Weekly Low	1.1757 USD/GBP	YTD Change	-12.09%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Jun	19-Jul		-19.7k
ILO Unemployment Rate	May	19-Jul	3.8%	3.8%
CPI YY	Jun	20-Jul	9.2%	9.1%
Retail Sales MM	Jun	22-Jul	-0.4%	-0.5%
Retail Sales Ex-Fuel MM	Jun	22-Jul	-0.4%	-0.7%
Retail Sales YY	Jun	22-Jul	-5.3%	-4.7%
Flash Manufacturing PMI	Jul	22-Jul	52.0	52.8
Flash Services PMI	Jul	22-Jul	53.1	54.3

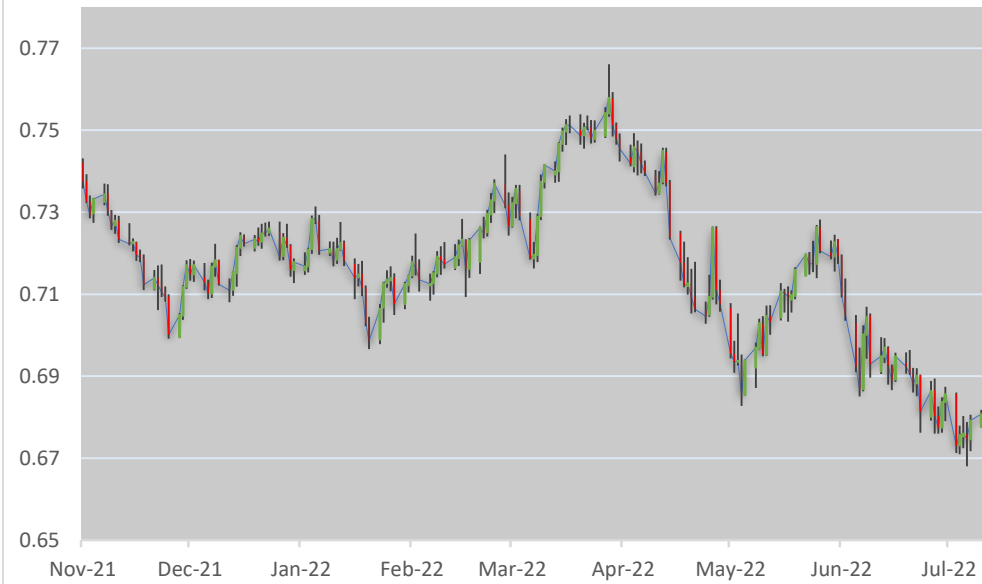
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Australian Dollar

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- This week market focus on the monetary policy meeting minutes on Tuesday (19/7), which may do little to influence the exchange rate as the central bank appears to be on a preset course in normalizing monetary policy. Besides, investors will be looking for the speech from RBA governor Phillip Lowe on Wednesday (20/7) and flash PMI data on Friday (22/7).
- The RBA takes the labour market into consideration a lot, and we think the latest numbers might pave the way for ever larger than 50 bps rate hikes.

Australian Dollar News

- The Australian dollar is currently looking at a significant divergence between internal and external drivers.
- The latest jobs numbers data came in very strong, as unemployment dropped to the lowest on record (3.5%) thanks to a sharp increase (88k) in employment, driven mostly by full-time jobs, which generally implies a greater impact on disposable incomes than part-time hirings.
- However, The AUD trimmed following a report that US prices paid by producers continued to high, following suit the path of US consumer inflation, further cementing the case for further aggressive tightening by the Fed.

Australian Dollar Performance

Last Week Close	0.6856 USD/AUD	Monthly High	0.69030 USD/AUD
Week Open	0.6856 USD/AUD	Monthly Low	0.66820 USD/AUD
Week Close	0.6792 USD/AUD	30 Days Average	0.71330 USD/AUD
Weekly High	0.6860 USD/AUD	90 Days Average	0.72341 USD/AUD
Weekly Low	0.6680 USD/AUD	YTD Change	-6.24%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Jul	22-Jul		56.2
Services PMI Flash	Jul	22-Jul		52.6
Comp PMI Flash	Jul	22-Jul		52.6

Lower Bound	0.6700	Upper Bound	0.6900
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The BoJ also meets, and again the weak currency is in focus as policymakers have stressed that their focus will be on supporting the economy if necessary.
- The PMI strengthened in June, but flash figures (22/7) will be eagerly awaited to see if this post-Omicron growth momentum fades. Japan's CPI data (22/7) will also be eyed. The core consumer price index, which only excludes food prices and is targeted by the BoJ, stood at 2.1% y/y in May and is projected to edge up to 2.2% in June.

Lower Bound	136.50	Upper Bound	139.00
Forecast	Depreciation		

Japanese Yen News

- The yen was supported by safe-haven demand after former Japanese Prime Minister Shinzo Abe was shot on Friday (8/7) while campaigning for a parliamentary election.
- Following the much-awaited meeting with US Treasury Secretary Janet Yellen on Tuesday (12/7), Japanese Finance Minister Shunichi Suzuki said that he told his US counterpart that "we are concerned about rapid yen weakening recently"
- The yen is rising to the new high at 139.38 JPY/USD after the US released CPI and PPI data which was higher than expectations and did not show a slowdown. With inflation running hotter-than-expected, the Fed is seen raising rate aggressively.

Japanese Yen Performance

Last Week Close	136.08 JPY/USD	Monthly High	139.39 JPY/USD
Week Open	136.00 JPY/USD	Monthly Low	134.75 JPY/USD
Week Close	138.53 JPY/USD	30 Days Average	117.99 JPY/USD
Weekly High	139.39 JPY/USD	90 Days Average	115.67 JPY/USD
Weekly Low	135.98 JPY/USD	YTD Change	+20.08%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Exports YY	Jun	21-Jul	17.5%	15.8%
Imports YY	Jun	21-Jul	45.7%	48.9%
Trade Balance Total Yen	Jun	21-Jul	-1,509.7B	-2,385.8B
JP BOJ Rate Decision	21 Jul	21-Jul	-0.10%	-0.10%
CPI, Core Nationwide YY	Jun	22-Jul	2.2%	2.1%
CPI, Overall Nationwide	Jun	22-Jul		2.5%
JibunBK Mfg PMI Flash SA	Jul	22-Jul		52.7
Chain Store Sales YY	Jun	22-Jul		0.9%

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