

WEEKLY FOREIGN EXCHANGE OUTLOOK
01 Jul 2024 - 05 Jul 2024

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The dollar was helped by a disappointing performance by President Joe Biden in the first presidential debate late Thursday, increasing the chances of Republican candidate Donald Trump winning November's vote.
- Meanwhile, central banks' imbalances continue to favor the US Dollar, as the Fed maintains a firmly hawkish stance against the dovish lean of its major counterparts.
- Attention for this week, Powell will speak at the ECB Forum early in the week, followed by the ADP report and results from key Manufacturing and Services PMIs by the ISM. In addition, the FOMC will publish its Minutes of the June meeting and June's Nonfarm Payrolls emerge as the salient event towards the end of the week.

Lower Bound	104.12	Upper Bound	106.35
Forecast	Neutral		

Dollar News

- The dollar index hovered around 105.9 on Friday after PCE inflation in the US came in line with expectations and pointed to softening price pressures, strengthening the case for the Fed to lower borrowing costs this year.
- Core PCE prices increased 0.1% from the prior month, the smallest increase in six months while the annual rate eased to 2.6%, the least since early 2021.
- The probability of a rate cut by September increased to 66% from 64% prior to the release. The odds for a rate cut by November also increased to 78% from 76% and to 95% from 94% by December.
- Meanwhile, the US presidential debate where Donald Trump was perceived as the winner, also supported the greenback early in the session, as his policies may lead to increased inflationary pressures.

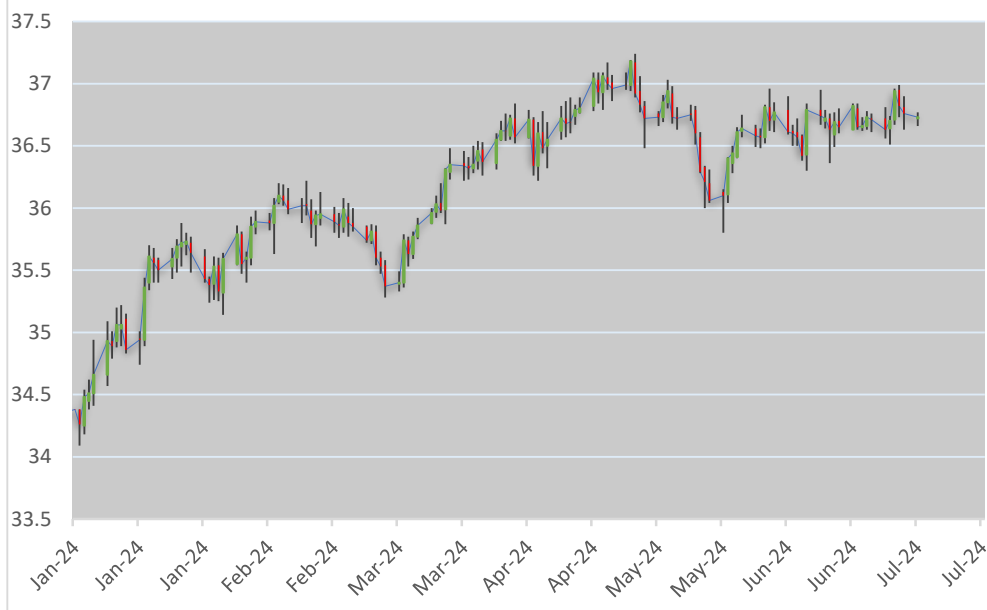
Dollar Index Performance

Last Week Close	105.80	Monthly High	106.13
Week Open	105.83	Monthly Low	103.99
Week Close	105.87	30 Days Average	105.06
Weekly High	106.13	90 Days Average	104.78
Weekly Low	105.37	YTD Change	+4.07%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Mfg PMI Final	Jun	1-Jul		51.7
Initial Jobless Clm	29 Jun, w/	3-Jul	235k	233k
S&P Global Comp Final PMI	Jun	3-Jul		54.6
S&P Global Svcs PMI Final	Jun	3-Jul		55.1
Factory Orders MM	May	3-Jul	0.3%	0.7%
ISM N-Mfg PMI	Jun	3-Jul	52.5	53.8
Non-Farm Payrolls	Jun	5-Jul	195k	272k
Unemployment Rate	Jun	5-Jul	4.0%	4.0%

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- This week baht will move in narrow range as market keep an eye on Powell speech and US non-farm payroll data that will be release on this Friday.
- Meanwhile, Thailand's Manufacturing Production Index (MPI) dipped by 1.5% year-on-year in May to 98.3 points, underscoring the sluggish manufacturing sector despite an increase in exports.

Thai Baht News

- In the beginning of last week, Baht depreciated against dollar as the dollar edged higher against other major currencies on Friday as data showed a strong U.S. economy and as the Federal Reserve's patient approach to interest-rate cuts stood in contrast to more dovish peers. However, Thai baht rebound on Friday as softer US PCE inflation data prompted speculation that the Fed may cut rate this year.

Thai Baht Performance

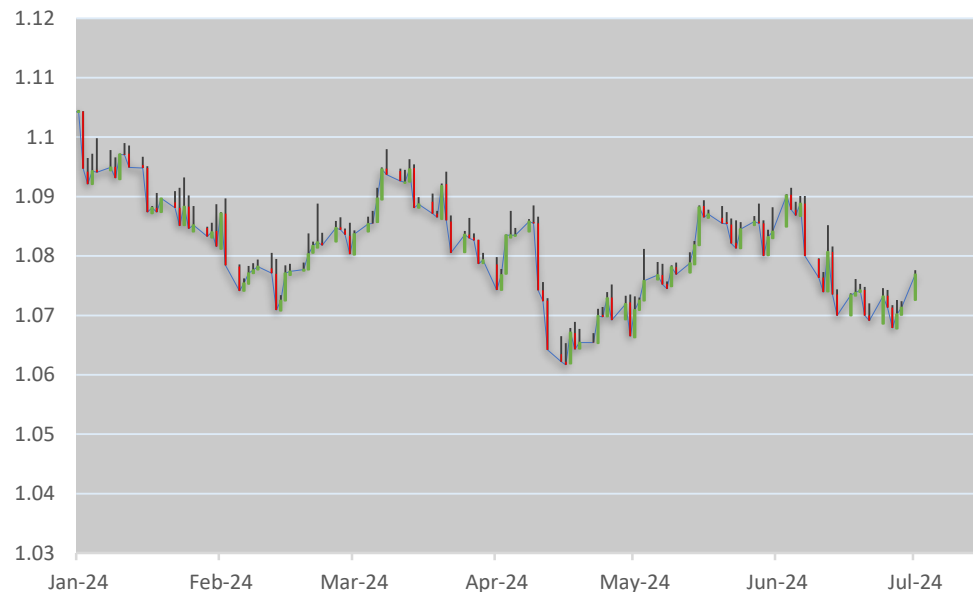
Last Week Close	36.73 THB/USD	Monthly High	36.77 THB/USD
Week Open	36.72 THB/USD	Monthly Low	36.68 THB/USD
Week Close	36.76 THB/USD	30 Days Average	36.65 THB/USD
Weekly High	36.99 THB/USD	90 Days Average	36.48 THB/USD
Weekly Low	36.51 THB/USD	YTD Change	+6.96%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing PMI SA	Jun	1-Jul		50.3
CPI Headline Inflation	Jun	5-Jul	1.00%	1.54%
CPI Core Inflation YY	Jun	5-Jul	0.40%	0.39%
CPI Index	Jun	5-Jul		108.84

Lower Bound	36.49	Upper Bound	36.91
Forecast	Appreciation		

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Euro Graph


Source: Thomson Reuters

Euro Outlook

- A sour market mood and central banks' imbalances kept EUR/USD under pressure. EUR/USD is at risk of retesting the year's low at 1.0600 and even falling further.
- The upcoming week, the Eurozone will publish the preliminary estimate for the June HICP and May Retail Sales.
- Additionally, investors are concerned about the expected success of Marine Le Pen's far-right National Rally party in France's parliamentary election on Sunday. Le Pen's party is expected to secure the most votes, followed by a leftist alliance called the New Popular Front. Macron's party lags in third place.

Euro News

• The Euro fell to around \$1.069, near a two-month low, as investors adjusted their expectations for further ECB policy easing following CPI figures. Preliminary data showed France's annual harmonised inflation rate slowed to 2.5%, as expected, while Spain's rate decreased to 3.5%, slightly above expectations. Meanwhile, Eurozone consumers continued to cut their inflation expectations and also grew more optimistic on employment prospects, an ECB survey showed. Earlier this week, ECB Governing Council member Olli Rehn suggested the potential for two more interest rate cuts this year.

Euro Index Performance

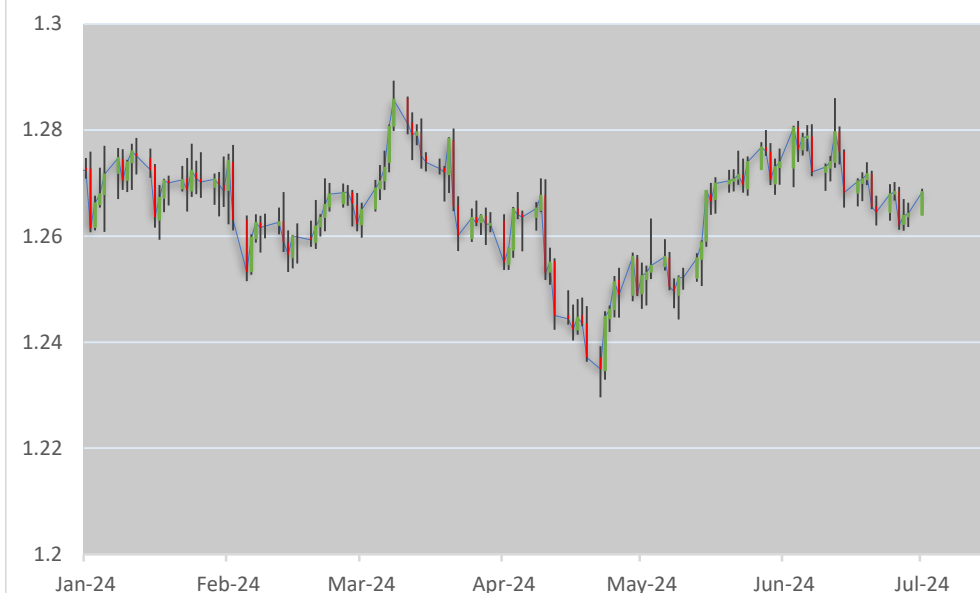
Last Week Close	1.0691 USD/EUR	Monthly High	1.0776 USD/EUR
Week Open	1.0686 USD/EUR	Monthly Low	1.0736 USD/EUR
Week Close	1.0713 USD/EUR	30 Days Average	1.0793 USD/EUR
Weekly High	1.0746 USD/EUR	90 Days Average	1.0792 USD/EUR
Weekly Low	1.0664 USD/EUR	YTD Change	-2.47%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
HCOB Mfg Final PMI	Jun	1-Jul	45.6	45.6
HICP Flash YY	Jun	2-Jul	2.5%	2.6%
Unemployment Rate	May	2-Jul	6.4%	6.4%
HCOB Services Final PMI	Jun	3-Jul	52.6	52.6
HCOB - Composite Final PMI	Jun	3-Jul	50.8	50.8

Lower Bound	1.0632	Upper Bound	1.0877
Forecast	Depreciation		

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

• The UK election will grab the eyeballs on Thursday, as Labour holds a 23-point lead over the Conservatives, according to the second and penultimate Ipsos voting intention poll of the election campaign. But, Rishi Sunak emerged as the most unpopular Prime Minister with Ipsos ever at this stage of the campaign. The outcome of the UK election is likely to have a significant impact on the Bank of England's policy actions and the Pound Sterling's medium-term outlook.

Pound Sterling News

• The British pound traded at \$1.264, not far from a six-week low, as investors evaluated new economic data and Britain's political future. The British economy grew 0.7% in Q1, slightly above initial estimates of 0.6% and the strongest growth in over two years. On the price front, headline inflation dropped to the Bank of England's 2% target. The BoE kept interest rates unchanged, fueling hopes for an August rate cut based on policymakers' comments.

Pound Sterling Performance

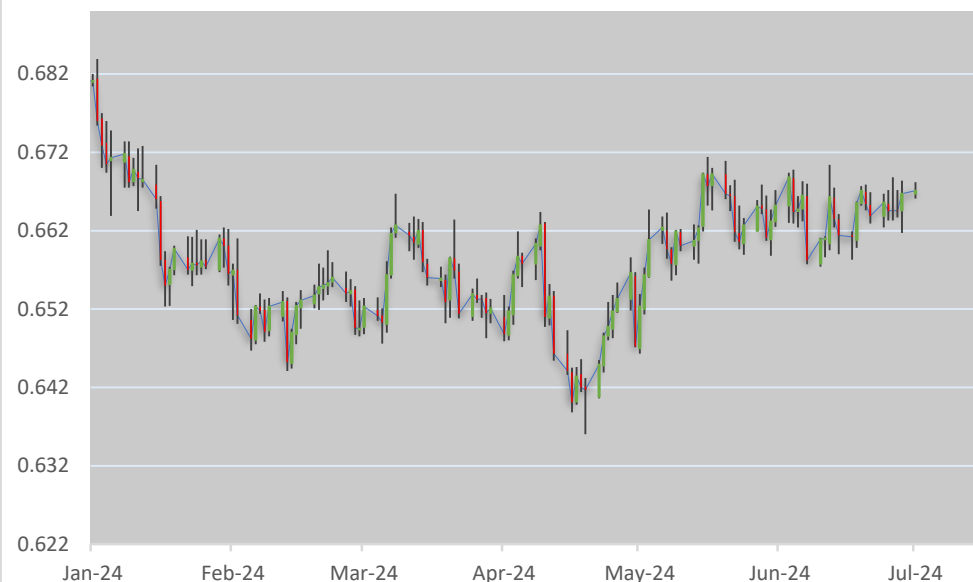
Last Week Close	1.2645 USD/GBP	Monthly High	1.2689 USD/GBP
Week Open	1.2645 USD/GBP	Monthly Low	1.2647 USD/GBP
Week Close	1.2642 USD/GBP	30 Days Average	1.2717 USD/GBP
Weekly High	1.2702 USD/GBP	90 Days Average	1.2642 USD/GBP
Weekly Low	1.2610 USD/GBP	YTD Change	-0.39%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Nationwide house price mm	Jun	1-Jul	-0.1%	0.4%
Nationwide house price yy	Jun	1-Jul	1.1%	1.3%
S&P GLOBAL MANUFACTURING PMI	Jun	1-Jul	51.4	51.4
S&P GLOBAL PMI: COMPOSITE - OUTPUT	Jun	3-Jul	51.7	51.7
S&P GLOBAL PMI: MSC COMPOSITE - OUTPUT	Jun	4-Jul		53.1
Overall Comprehensive Risk	Q3	4-Jul		8.97
Halifax House Prices MM	Jun	5-Jul		-0.1%

Lower Bound	1.2603	Upper Bound	1.2811
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Soft PCE data from the US may benefit the Aussie policy divergence between the RBA and Fed.
- The Australian economy demonstrates minor signs of weakness. However, the heightened inflation rates maintain a stubborn resilience, preventing the RBA from implementing potential rate cuts. The RBA is foreseen delaying rate cuts, making it one of the last G10 country central banks to adopt a reduction policy. These delayed cuts might enhance the further strengthening of the Aussie.

Australian Dollar News

• The Australian dollar rose to \$0.667 at the turn of the quarter, the highest in nearly one month, amid the diverging expectations for monetary policy between the Reserve Bank of Australia and the Federal Reserve. Australia's monthly CPI indicator increased by 4% annually in May, accelerating from 3.6% in April and exceeding market expectations of 3.8%. The result followed remarks from RBA policymakers noting that a rate hike was discussed in their latest meeting. Markets currently bet on a one-third chance that the RBA would hike rates in August following the data, while pricing out any chance for an RBA rate cut this year. Still, RBA Deputy Governor Hauser warned against tightening rates because of one hot reading.

Australian Dollar Performance

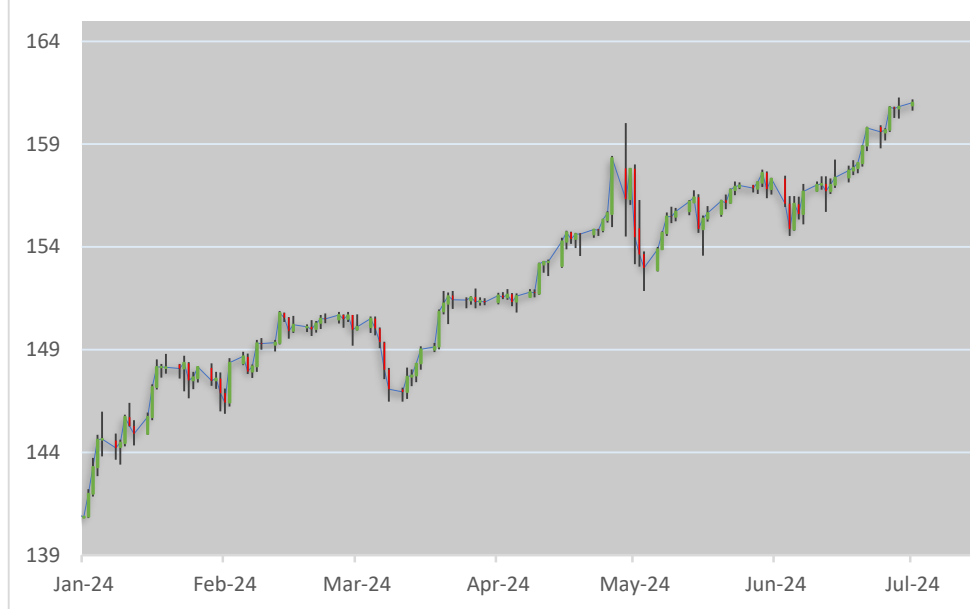
Last Week Close	0.6639 USD/AUD	Monthly High	0.66760 USD/AUD
Week Open	0.6639 USD/AUD	Monthly Low	0.66650 USD/AUD
Week Close	0.6667 USD/AUD	30 Days Average	0.65211 USD/AUD
Weekly High	0.6688 USD/AUD	90 Days Average	0.65548 USD/AUD
Weekly Low	0.6617 USD/AUD	YTD Change	-2.09%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Judo Bank Mfg PMI Final	Jun	1-Jul		47.5
Judo Bank Svs PMI Final	Jun	3-Jul		51.0
Judo Bank Comp PMI Final	Jun	3-Jul		50.6
Building Approvals	May	3-Jul	1.6%	-0.3%
Building Approval Total YY	May	3-Jul		27.3%
Retail Sales MM Final	May	3-Jul	0.3%	0.1%

Lower Bound	0.6594	Upper Bound	0.6689
Forecast	Depreciation		

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The Japanese Yen hovers around its 38-year low of 161.28.
- The Japanese Yen (JPY) remains tepid on Monday near its lowest level of 161.28 since 1986. However, its downside seems limited as an upbeat Japan's business confidence data lifted market sentiment. Additionally, the expected speculations about an imminent intervention by Japanese authorities support the JPY.

Japanese Yen News

- The Japanese yen weakened to around 161 per dollar, breaching that level for the first time since 1986 as the Ministry of Finance appointed Atsushi Mimura as Japan's top currency diplomat, replacing Masato Kanda. The appointment came as the yen's sharp depreciation put constant pressure on Japanese authorities to defend its currency, but have seemingly refused to intervene so far in the foreign exchange markets after having done so in late April.
- Earlier this week, Finance Minister Shunichi Suzuki warned that sudden, one-sided yen moves are undesirable and that authorities would take appropriate action when necessary. The yen has lost more than 2% against the dollar so far in June, extending its year-to-date decline to about 14% as the Bank of Japan took a more moderate approach in normalizing monetary policy than markets anticipated. Meanwhile, Japanese retail sales and industrial production data came in stronger-than-expected in May, while Tokyo's inflation accelerated in June.

Japanese Yen Performance

Last Week Close	159.79 JPY/USD	Monthly High	161.18 JPY/USD
Week Open	159.83 JPY/USD	Monthly Low	160.76 JPY/USD
Week Close	160.83 JPY/USD	30 Days Average	149.33 JPY/USD
Weekly High	161.27 JPY/USD	90 Days Average	147.11 JPY/USD
Weekly Low	158.80 JPY/USD	YTD Change	+14.11%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Tankan All Sm Capex Est	Q2	1-Jul	0.5%	-3.6%
JibunBK Mfg PMI Final SA	Jun	1-Jul		50.1
Monetary Base YY	Jun	2-Jul		0.71%
JibunBK Comp Op Final SA	Jun	3-Jul		50.0
JibunBK SVC PMI Final SA	Jun	3-Jul		49.8
Overall Comprehensive Risk	Q3	5-Jul		9.05

Lower Bound	157.00	Upper Bound	163.00
Forecast	Neutral		

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