

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**17 Feb 2025 - 21 Feb 2025**

**Dollar Index**
**Dollar Index Graph**


Source: Refinitiv

**Dollar Outlook**

- While tariffs could still push the dollar higher, it's uncertain if they will be the immediate catalyst for the next increase in USD. This situation leaves US exceptionalism to play a more significant role in driving near-term USD gains.
- PMI data and FOMC minutes from the January meeting will headline next week's economic calendar.

<b>Lower Bound</b>	<b>105.80</b>	<b>Upper Bound</b>	<b>107.75</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Dollar News**

- Last week started with dollar appreciating against major currencies. It was supported by President Trump's tariff threats and higher-than-expected CPI numbers. However, the dollar index ended the week 1.2% lower, amid better-than-feared tariff developments and PPI data suggests a more benign PCE inflation print.
- While the January US PPI came in higher than expected, components feeding into the core PCE were softer. This suggests a more optimistic inflation trajectory than CPI numbers indicate. Components that feed into PCE forecasts such as healthcare, airfares, and financial services were weaker than expected.
- President Trump signed a measure to propose reciprocal tariffs on a country-by-country basis to reduce the US trade deficit. These reciprocal tariffs aim to offset other countries' import tariffs on US goods and address non-tariff barriers.
- The market is now pricing in one rate cut in July (vs 1 rate cut in Sep previously).

**Dollar Index Performance**

<b>Last Week Close</b>	<b>108.04</b>	<b>Monthly High</b>	<b>110.18</b>
<b>Week Open</b>	<b>108.10</b>	<b>Monthly Low</b>	<b>106.57</b>
<b>Week Close</b>	<b>106.71</b>	<b>30 Days Average</b>	<b>108.31</b>
<b>Weekly High</b>	<b>108.52</b>	<b>90 Days Average</b>	<b>106.72</b>
<b>Weekly Low</b>	<b>106.57</b>	<b>YTD Change</b>	<b>-1.63%</b>

**Next Week's Dollar Index Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Housing Starts Number	Jan	19-Feb		1.499M
Philly Fed Business Indx	Feb	20-Feb		44.3
S&P Global Mfg PMI Flash	Feb	21-Feb		51.2
S&P Global Svcs PMI Flash	Feb	21-Feb		52.9
S&P Global Comp Flash PMI	Feb	21-Feb		52.7
Existing Home Sales	Jan	21-Feb		4.24M
U Mich Sentiment Final	Feb	21-Feb		67.8
Initial Jobless Clm		10 Feb, w/ 20-Feb		

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**Thai Baht**
**Thai Baht Graph**


Source: Refinitiv

**Thai Baht Outlook**

- Looking ahead, Thailand Q4 GDP is expected to rise from 3.0% YoY in Q3 2024 to 3.9% YoY, driven by a low base and primary industries.
- Due to growth challenges from US trade policy and Thailand's low inflation, market expects BOT to continue its monetary easing this year, predicting a 25 bps rate cut in Q2 2025, with the potential for additional easing (25-50 basis points) in the second half of the year.

**Thai Baht News**

- USDTHB fluctuated between 33.54-34.23, in line with major currencies. It ended the week appreciating against USD due to higher-than-expected January consumer confidence data.

- Moreover, World Bank highlights that Thailand faces fiscal risks due to increased spending. It recommends Thailand to reduce energy subsidies, raise tax revenue, and invest in infrastructure, technology, and human capital. Growth is projected to accelerate to 2.9% in 2025, driven by stronger domestic demand and fiscal stimulus, but is estimated to slow to 2.7% in 2026. Public debt is projected to rise to 70% of GDP in five years, driven by higher social spending and investments in human capital due to an aging population. It sees BOT's cautiously accommodative monetary stance as appropriate, with a focus on targeted household debt relief and maintaining financial stability.

**Thai Baht Performance**

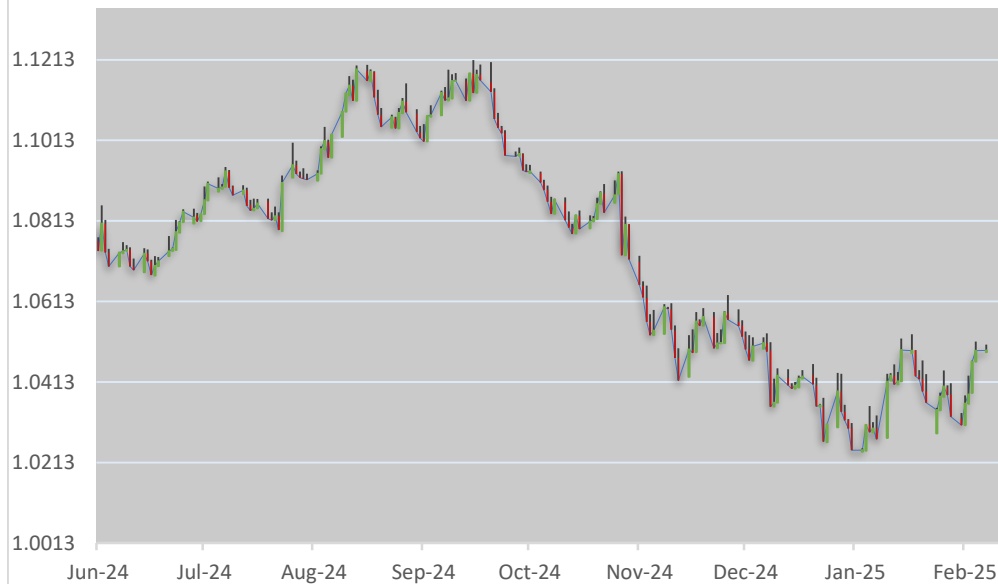
<b>Last Week Close</b>	<b>33.78</b> THB/USD	<b>Monthly High</b>	<b>34.23</b> THB/USD
<b>Week Open</b>	<b>33.82</b> THB/USD	<b>Monthly Low</b>	<b>33.51</b> THB/USD
<b>Week Close</b>	<b>33.70</b> THB/USD	<b>30 Days Average</b>	<b>34.05</b> THB/USD
<b>Weekly High</b>	<b>34.23</b> THB/USD	<b>90 Days Average</b>	<b>34.09</b> THB/USD
<b>Weekly Low</b>	<b>33.54</b> THB/USD	<b>YTD Change</b>	<b>-1.32%</b>

**Next Week's Thai Baht Economic Events**

Events	Period	Date	Forecast	Previous
GDP Growth YY	Q4	17-Feb	3.9%	3.0%
GDP Growth QQ SA	Q4	17-Feb	0.7%	1.2%
Custom-Based Export Data	Jan	21-Feb		8.70%
Custom-Based Import Data	Jan	21-Feb		14.90%
Customs-Based Trade Data	Jan	21-Feb		-0.01B
Manufacturing Prod YY	Jan	21-Feb		-2.11%

<b>Lower Bound</b>	<b>33.50</b>	<b>Upper Bound</b>	<b>34.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Euro Graph**


Source: Refinitiv

**Euro Outlook**

- The German election is coming up this Sunday, and investors are hopeful that the incoming coalition will increase spending and borrowing to stimulate growth. They are also watching to see if Germany will relax its debt brake rule in response to the threat of US tariffs. Notably, Germany is the only G7 economy with debt below 100% of GDP. Conservative leader Friedrich Merz, who is anticipated to lead the next government, has expressed willingness to consider limited reforms to the debt brake.

**Euro News**

- Euro moved within a narrow range, and ended the week appreciating against USD due to the potential Russia/Ukraine cease-fire. The ceasefire could lead to a resumption of gas supplies to Europe via Ukraine, German-led reconstruction efforts, and increase. Although it is not confirmed, negotiation between Putin and Zelensky is expected to be by Easter.
- Eurozone industrial production contracted more than expected, indicating that the sector's two-year recession is ongoing. According to Eurostat, output in the 20 euro-using countries decreased by 1.1% from November, falling short of the anticipated 0.6% decline.
- We expect euro to continue to strengthen against the dollar due to these positive momentums.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0327 USD/EUR</b>	<b>Monthly High</b>	<b>1.0514 USD/EUR</b>
<b>Week Open</b>	<b>1.0322 USD/EUR</b>	<b>Monthly Low</b>	<b>1.0150 USD/EUR</b>
<b>Week Close</b>	<b>1.0491 USD/EUR</b>	<b>30 Days Average</b>	<b>1.0378 USD/EUR</b>
<b>Weekly High</b>	<b>1.0514 USD/EUR</b>	<b>90 Days Average</b>	<b>1.0518 USD/EUR</b>
<b>Weekly Low</b>	<b>1.0279 USD/EUR</b>	<b>YTD Change</b>	<b>+1.36%</b>

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
Total Trade Balance SA	Dec	17-Feb		12.90B
Consumer Confid. Flash	Feb	20-Feb		-14.2
HCOB Mfg Flash PMI	Feb	21-Feb		46.6
HCOB Services Flash PMI	Feb	21-Feb		51.3
HCOB Composite Flash PMI	Feb	21-Feb		50.2
Reserve Assets Total	Jan	13-Feb		1,394.03B

<b>Lower Bound</b>	<b>1.0350</b>	<b>Upper Bound</b>	<b>1.0600</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Pound Sterling**
**Pound Sterling Graph**


Source: Refinitiv

**Pound Sterling Outlook**

- The upcoming PMI will provide more insights into recent private sector momentum. For Q1, we expect GDP to grow by 0.4% QoQ (1.5% annualized), driven by a substantial budget stimulus and momentum from December's data. However, there is uncertainty about how much January data will offset December's gains, and market anticipates growth to slow significantly for the rest of the year.

<b>Lower Bound</b>	<b>1.2500</b>	<b>Upper Bound</b>	<b>1.2650</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Pound Sterling News**

- Similar to Euro movement, GBP also appreciated against the dollar. This was due to the stronger-than-expected growth in the UK economy. It unexpectedly grew in the final quarter of last year by 0.1%, after failing to grow in the prior quarter. On an annual basis, the U.K. economy grew by 1.4%, an improvement from the revised 1.0% growth over the previous three months. Q4 demand was unexpectedly driven by a 0.8% quarterly increase in government consumption and a 3.9% surge in public investment. These gains offset stagnant private consumption, a 3.2% decline in business investment, and a negative impact from net trade.
- The UK central bank downgraded its growth forecasts for 2025, halving its projection from 1.5% to 0.75%, suggesting that further interest rate cuts are on the horizon.

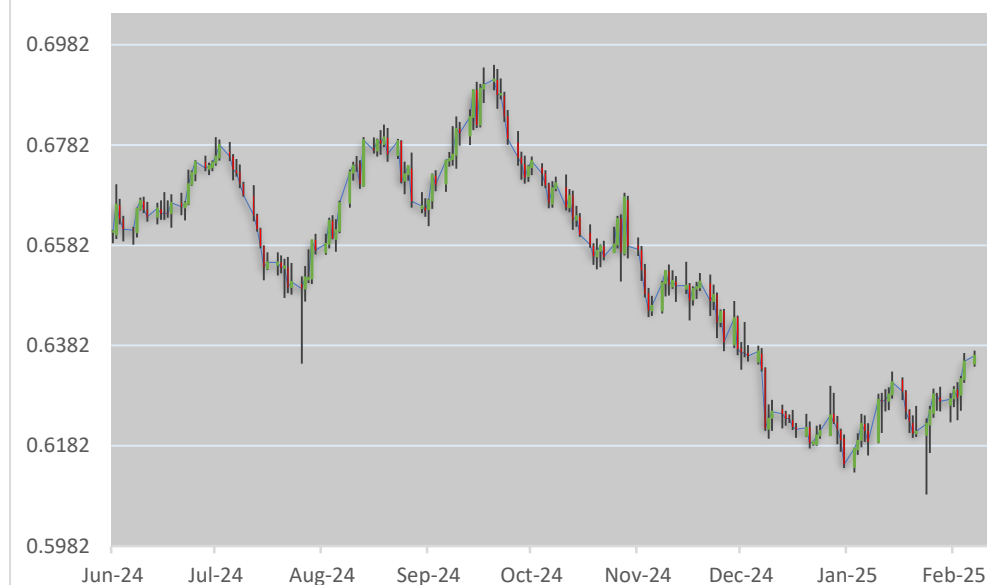
**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2409 USD/GBP</b>	<b>Monthly High</b>	<b>1.2630 USD/GBP</b>
<b>Week Open</b>	<b>1.2394 USD/GBP</b>	<b>Monthly Low</b>	<b>1.2250 USD/GBP</b>
<b>Week Close</b>	<b>1.2585 USD/GBP</b>	<b>30 Days Average</b>	<b>1.2380 USD/GBP</b>
<b>Weekly High</b>	<b>1.2630 USD/GBP</b>	<b>90 Days Average</b>	<b>1.2620 USD/GBP</b>
<b>Weekly Low</b>	<b>1.2329 USD/GBP</b>	<b>YTD Change</b>	<b>+0.65%</b>

**Next Week's Pound Sterling Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
House Price Rightmove YY	Feb	17-Feb		1.8%
ILO Unemployment Rate	Dec	18-Feb		4.4%
Core CPI YY	Jan	19-Feb		3.2%
CPI YY	Jan	19-Feb		2.5%
Retail Sales MM	Jan	21-Feb		-0.3%
Retail Sales Ex-Fuel MM	Jan	21-Feb		-0.6%
Flash Composite PMI	Feb	21-Feb		50.6
Nationwide house price mm	Feb	20-Feb		0.1%
Nationwide house price yy	Feb	20-Feb		4.1%

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**Australian Dollar**
**Australian Dollar Graph**


Source: Refinitiv

**Australian Dollar Outlook**

- Market expects the RBA to cut the policy rate by 25bp this week. However, AUD might face pressure given Australia's central bank may delay the rate cut due to uncertainties from Trump's new tariffs and strong US inflation data. The Australian government is lobbying for a tariff exemption, but the ripple effects of tariffs could still impact the economy.
- This week's labor force statistics for January will provide the first look at the 2025 labor market, with an expected unemployment rate increase to 4.1%, though seasonal adjustments may affect the data.

**Australian Dollar News**

- AUD appreciated against the dollar last week, in line with major currencies.
- Australian steel and aluminium exports to the US may face a 25% tariff starting March 12. However, Trump may postpone the implementation of reciprocal tariffs, which have led to a strengthening of AUD.
- Ahead of the upcoming RBA meeting, the January NAB business survey showed a rebound in business confidence but a decline in business conditions, likely due to seasonal noise. Labor market indicators pointed to a gradual softening, with the employment index flat and capacity utilization declining, aligning with expectations for further cooling in 2025.

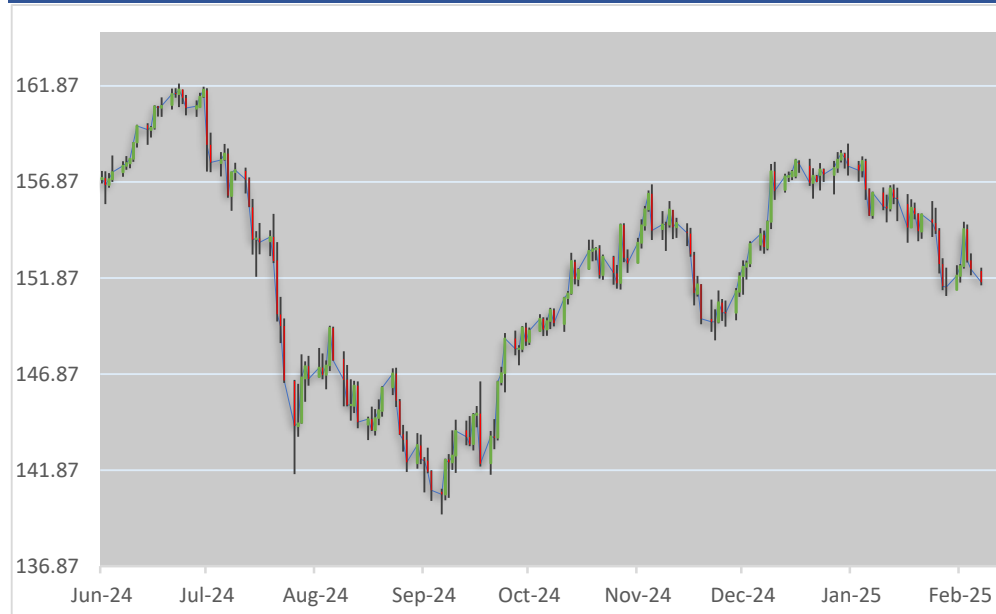
**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6271</b> USD/AUD	<b>Monthly High</b>	<b>0.63720</b> USD/AUD
<b>Week Open</b>	<b>0.6264</b> USD/AUD	<b>Monthly Low</b>	<b>0.60880</b> USD/AUD
<b>Week Close</b>	<b>0.6350</b> USD/AUD	<b>30 Days Average</b>	<b>0.64095</b> USD/AUD
<b>Weekly High</b>	<b>0.6367</b> USD/AUD	<b>90 Days Average</b>	<b>0.66141</b> USD/AUD
<b>Weekly Low</b>	<b>0.6229</b> USD/AUD	<b>YTD Change</b>	<b>+2.89%</b>

**Next Week's Australian Dollar Economic Events**

Events	Period	Date	Forecast	Previous
RBA Cash Rate	Feb	18-Feb	4.10%	4.35%
Composite Leading Idx MM	Jan	19-Feb		-0.02%
Wage Price Index YY	Q4	19-Feb		3.5%
Employment	Jan	20-Feb		56.3k
Unemployment Rate	Jan	20-Feb		4.0%
S&P Global Mfg PMI Flash	Feb	21-Feb		50.2
S&P Global Svs PMI Flash	Feb	21-Feb		51.2
S&P Global Comp PMI Flash	Feb	21-Feb		51.1

<b>Lower Bound</b>	<b>0.6250</b>	<b>Upper Bound</b>	<b>0.6450</b>
<b>Forecast</b>	<b>Depreciation</b>		


**Japanese Yen Graph**


Source: Refinitiv

**Japanese Yen Outlook**

- We expect the yen to appreciate against the dollar with a potential of it falling below 150 yen in the near future. However, one of the main factors behind the significant yen depreciation in recent years—Japan's policy rate being significantly negative in real terms—is unlikely to change soon, which is expected to continue limiting the yen's upside.

<b>Lower Bound</b>	<b>148.50</b>	<b>Upper Bound</b>	<b>153.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Japanese Yen News**

The Japanese yen appreciated against the dollar last week. This was supported by rising inflation expectations. Japan inflation is likely to hit 17-month-high in January on rising food prices and reduced energy subsidy. Investors are betting that the Bank of Japan will continue to increase interest rates.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>151.40 JPY/USD</b>	<b>Monthly High</b>	<b>155.88 JPY/USD</b>
<b>Week Open</b>	<b>151.25 JPY/USD</b>	<b>Monthly Low</b>	<b>150.94 JPY/USD</b>
<b>Week Close</b>	<b>152.33 JPY/USD</b>	<b>30 Days Average</b>	<b>148.61 JPY/USD</b>
<b>Weekly High</b>	<b>154.79 JPY/USD</b>	<b>90 Days Average</b>	<b>149.43 JPY/USD</b>
<b>Weekly Low</b>	<b>151.24 JPY/USD</b>	<b>YTD Change</b>	<b>-3.26%</b>

**Next Week's Japanese Yen Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
GDP QQ Annualised	Q4	17-Feb	1.0%	
Reuters Tankan N-Man Idx	Feb	19-Feb		
Machinery Orders MM	Dec	19-Feb		
Exports YY	Jan	19-Feb		
Imports YY	Jan	19-Feb		
Trade Balance Total Yen	Jan	19-Feb		
CPI, Core Nationwide YY	Jan	21-Feb		
CPI, Overall Nationwide	Jan	21-Feb		
JibunBK Comp Op Flash SA	Feb	21-Feb		

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