

WEEKLY FOREIGN EXCHANGE OUTLOOK
03 Feb 2025 - 07 Feb 2025

Dollar Index
Dollar Index Graph


Source: Refinitiv

Dollar Outlook

- Chair Powell highlighted that the Federal Open Market Committee (FOMC) is monitoring the policies enacted by US President Donald Trump closely.
- Additionally, Powell remarked that while inflation is gradually approaching the median target levels, the current economic conditions, alongside concerns regarding President Trump's extensive trade policies, mean the Fed is not in a hurry to alter the restrictiveness of monetary policy rates.
- The CME FedWatch tool projects an 80.0% chance for no change in the Fed's policy rate for its next meeting on March 19.

Lower Bound	107.35	Upper Bound	109.98
Forecast	Appreciation		

Dollar News

- US Dollar Index jumps to near 108.00 after Trump said late Monday that he plans to impose tariffs on imported computer chips, pharmaceuticals and steel in an effort to bring production to the United States, boosting the Greenback.
- The dollar slightly gained against the basket. While the Federal Reserve held interest rates steady at 4.25%-4.50% as widely expected but removed prior language stating that inflation was making progress toward the 2% target. This adjustment was initially seen as hawkish before Powell downplayed its significance.
- The United States Q4 GDP growth slowed to 2.3%, missing the 2.6% forecast and falling from 3.1% in Q3. This lower-than-expected reading raised concerns about slowing economic momentum.
- U.S. PCE rose 0.3% last month, the largest increase since last April.

Dollar Index Performance

Last Week Close	107.44	Monthly High	110.18
Week Open	107.47	Monthly Low	106.97
Week Close	108.37	30 Days Average	108.51
Weekly High	109.88	90 Days Average	106.07
Weekly Low	106.97	YTD Change	+0.95%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
ISM Manufacturing PMI	Jan	3-Feb		49.3
Factory Orders MM	Dec	4-Feb		-0.4%
ISM N-Mfg PMI	Jan	5-Feb		54.1
Initial Jobless Clm	27 Jan, w/e	6-Feb		207k
Non-Farm Payrolls	Jan	7-Feb		256k
Unemployment Rate	Jan	7-Feb		4.1%
Average Earnings YY	Jan	7-Feb		3.9%
U Mich Sentiment Prelim	Feb	7-Feb		71.1

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Thai Baht Graph


Source: Refinitiv

Thai Baht Outlook

- Thailand's Finance Ministry has forecast economic growth exceeding 3% for 2025, driven by strong domestic consumption, tourism recovery and increased investment.
- Bank of Thailand (BOT) governor Sethaput Suthiwartnarueput has expressed worry over the country's economic growth this year after the government handout scheme failed to lift consumption in the fourth quarter of 2024.
- The BOT chief estimated last year's GDP growth at 2.7%, adding that this year's figure would be affected by negative sentiment due to several factors.
- The Thai central bank is projected to hold rates at its first two meetings scheduled for Feb 26 and March 12.

Thai Baht News

- The strength of the dollar, seen as a safe asset amid worries about the US stock market performance and geopolitical issues, has exerted pressure on many currencies during these uncertain times.
- USD/THB likely to remain well bid within a 33.50-34.00 consolidation range supported by Trump tariff threats; Feb 1 deadline for China tariffs looms
- The Thai Baht moved in a narrow range as FED held the interest rate unchanged while the trading volume is very thin from Chinese New Year celebration.
- The Bank of Thailand (BoT) reported private consumption rose 0.3% in December from November, and private investment rose 0.2% on the month. Exports rose 8.4% in December from a year earlier, while foreign tourist numbers increased 0.1% from November. The current account surplus rose to US\$2.9 billion in December from a surplus of \$2 billion in November.

Thai Baht Performance

Last Week Close	33.96 THB/USD	Monthly High	34.16 THB/USD
Week Open	33.56 THB/USD	Monthly Low	33.97 THB/USD
Week Close	33.77 THB/USD	30 Days Average	34.20 THB/USD
Weekly High	33.97 THB/USD	90 Days Average	34.03 THB/USD
Weekly Low	33.50 THB/USD	YTD Change	-0.44%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing PMI SA	Jan	3-Feb		51.4
CPI Headline Inflation	Jan	6-Feb	1.30%	1.23%
CPI Core Inflation YY	Jan	6-Feb	0.82%	0.79%
CPI Index	Jan	6-Feb		108.28

Lower Bound	33.60	Upper Bound	34.30
Forecast	Depreciation		

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Euro
Euro Graph


Source: Refinitiv

Euro Outlook

- Investors remain concerned that US President Donald Trump's trade tariffs would reignite inflationary concerns, triggering a modest recovery in the US Treasury bond yields.
- President Christine Lagarde stated that the ECB is not planning to reduce interest rates below the neutral level to stimulate the economy. She emphasised that rate decisions are made based on current data without committing to a specific pace.
- ECB President Christine Lagarde also affirmed confidence that inflation in the bloc will reach the 2% target by 2025 but warned that economic growth risks remain, particularly due to increased global trade tensions, which could keep the eurozone economy weak in the near term.

Lower Bound	1.0150	Upper Bound	1.0400
Forecast	Depreciation		

Euro News

- At the beginning of last week, EUR/USD retreats further from over a one-month peak amid resurgent USD demand.
- The German economy contracted by 0.2% over the quarter in the fourth quarter of 2024, following a 0.1% expansion in the third quarter, according to the preliminary data published by Destatis on Thursday. Markets expected a 0.1% decline. Meanwhile, the annual GDP rate fell by 0.2% in Q4 after -0.3% reported in Q3 and against the estimated 0% print.
- The Eurozone economy shows no growth in the three months to December of 2024 after reporting a 0.4% expansion in the third quarter, the preliminary estimate released by Eurostat showed Thursday.
- The European Central Bank announced a 25-basis-point interest rate cut on Thursday, its fifth one since the central bank began easing monetary policy in June last year.

Euro Index Performance

Last Week Close	1.0493 USD/EUR	Monthly High	1.0296 USD/EUR
Week Open	1.0485 USD/EUR	Monthly Low	1.0212 USD/EUR
Week Close	1.0362 USD/EUR	30 Days Average	1.0370 USD/EUR
Weekly High	1.0532 USD/EUR	90 Days Average	1.0584 USD/EUR
Weekly Low	1.0349 USD/EUR	YTD Change	-1.01%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
HCOB Mfg PMI	Jan	3-Feb	44.1	44.1
HICP Flash YY	Jan	3-Feb	2.4%	2.4%
HCOB Services PMI	Jan	5-Feb	52.5	52.5
HCOB Composite Final PMI	Jan	5-Feb		50.1
HCOB Services Final PMI	Jan	5-Feb	51.4	51.4
HCOB - Composite Final PMI	Jan	5-Feb	50.2	50.2
Industrial Orders MM	Dec	6-Feb	2.5%	-5.4%
Industrial Output MM	Dec	7-Feb	-0.5%	1.5%
Industrial Production YY SA	Dec	7-Feb		-2.85%

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Pound Sterling
Pound Sterling Graph


Source: Refinitiv

Pound Sterling Outlook

- The Pound Sterling remains under pressure as concerns grow over the risk of stagflation in the UK economy, driven by weakening labor demand and persistent inflation.
- The Bank of England will announce first monetary policy decision of 2025 on February 6 and money markets price in a 87% likelihood that the central bank will cut rates by 25 basis points, which would bring borrowing rates down to 4.5% amid the sluggish economic outlook

Pound Sterling News

- The Pound Sterling extended its losses against the Greenback on Tuesday as US President Donald Trump threatened to impose tariffs on computer chips and other industries.
- GBP/USD knocked into some fresh volatility, briefly dipping into the 1.2400 handle after the Federal Reserve's (Fed) recent decision to maintain the interest rate at 4.25%-4.50%.
- The Pound Sterling gains against its major peers, except safe-haven currencies such as US Dollar and Japanese Yen (JPY) to revive the country's slow-moving economy on Wednesday, adding to recent pledges to reform investment and planning rules with a commitment to back airport expansion at Heathrow.

Pound Sterling Performance

Last Week Close	1.2479 USD/GBP	Monthly High	1.2390 USD/GBP
Week Open	1.2474 USD/GBP	Monthly Low	1.2250 USD/GBP
Week Close	1.2390 USD/GBP	30 Days Average	1.2392 USD/GBP
Weekly High	1.2523 USD/GBP	90 Days Average	1.2693 USD/GBP
Weekly Low	1.2382 USD/GBP	YTD Change	-1.79%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
S&P GLOBAL MANUFACTURING PMI	Jan	3-Feb	48.2	48.2
S&P GLOBAL PMI: COMPOSITE - OUTPUT	Jan	5-Feb		50.9
S&P GLOBAL PMI: MSC COMPOSITE - OUTPUT	Jan	6-Feb		50.6
BOE Bank Rate	Feb	6-Feb	4.50%	4.75%
Halifax House Prices MM	Jan	7-Feb		-0.2%
Halifax House Prices YY	Jan	7-Feb		3.30%

Lower Bound	1.2161	Upper Bound	1.2506
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


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Australian Dollar Outlook

- The Aussie Dollar struggles as ANZ, CBA, Westpac, and now National Australia Bank (NAB) all anticipate a 25 basis point (bps) rate cut from the Reserve Bank of Australia (RBA) in February. Previously, the NAB had forecasted a rate cut in May but has now moved its projection forward to the February RBA meeting.
- Easing inflationary pressures toward the end of 2024 have fueled speculation that the Reserve Bank of Australia could consider a rate cut in February.

Lower Bound	0.6050	Upper Bound	0.6300
Forecast	Depreciation		

Australian Dollar News

- The Australian Dollar continues to decline against the US Dollar. The risk-sensitive AUD also faced challenges amid increased risk aversion due to news on growing momentum among US President Donald Trump's advisers to place 25% tariffs on Mexico and Canada as soon as February 1.
- The Australian Dollar extends its losses for the third consecutive day against the US Dollar, driven by lower-than-expected Consumer Price Index (CPI) data from Australia released on Wednesday. Australia's CPI rose by 0.2% QoQ in Q4, vs. 0.3% expected.
- The Australian Dollar appreciates following the release of the Export Price Index on Thursday. Data from the Australian Bureau of Statistics showed export prices rose by 3.6% quarter-over-quarter in Q4 2024, reversing a 4.3% decline in Q3 and marking the first increase since Q4 2023.

Australian Dollar Performance

Last Week Close	0.6309 USD/AUD	Monthly High	0.62060 USD/AUD
Week Open	0.6314 USD/AUD	Monthly Low	0.60880 USD/AUD
Week Close	0.6211 USD/AUD	30 Days Average	0.65046 USD/AUD
Weekly High	0.6319 USD/AUD	90 Days Average	0.66521 USD/AUD
Weekly Low	0.6198 USD/AUD	YTD Change	-0.81%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Mfg PMI Final	Jan	3-Feb		49.8
Building Approvals	Dec	3-Feb	1.0%	-3.6%
Retail Sales MM Final	Dec	3-Feb	-0.7%	0.8%
Retail Trade	Q4	3-Feb	0.8%	0.5%
S&P Global Svs PMI Final	Jan	5-Feb		50.4
S&P Global Comp PMI Final	Jan	5-Feb		50.3
Balance on Goods	Dec	6-Feb	7,000M	7,079M
Goods/Services Imports	Dec	6-Feb		1.7%
Goods/Services Exports	Dec	6-Feb		4.8%

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Japanese Yen
Japanese Yen Graph


Source: Refinitiv

Japanese Yen News

- Concerns that US President Donald Trump's trade tariffs would reignite inflationary pressures trigger a fresh leg up in the US Treasury bond yields and drive flows away from the lower-yielding JPY.
- Former BoJ board member Makoto Sakurai said on Tuesday that broadening wage hikes, prospects of sustained price rises and solid economic growth give the central bank scope to continue raising rates steadily.
- Minutes of the December Bank of Japan meeting showed on Wednesday that board members discussed how to use estimates on the economy's neutral interest rate to determine further hikes in borrowing costs.
- The headline Tokyo Consumer Price Index (CPI) for January climbed 3.4% YoY as compared to 3.0% in the previous month, the Statistics Bureau of Japan showed on Friday.

Japanese Yen Performance

Last Week Close	155.98 JPY/USD	Monthly High	155.88 JPY/USD
Week Open	155.71 JPY/USD	Monthly Low	154.86 JPY/USD
Week Close	155.18 JPY/USD	30 Days Average	145.23 JPY/USD
Weekly High	156.24 JPY/USD	90 Days Average	150.20 JPY/USD
Weekly Low	153.71 JPY/USD	YTD Change	-0.98%

Japanese Yen Outlook

- Bank of Japan Deputy Governor Ryozi Himino said that Japan's central bank would continue to raise interest rates if the economy and prices move in line with the bank's forecasts.
- Investors now seem convinced that the Bank of Japan (BoJ) will hike interest rates further, which, in turn, is seen underpinning the JPY.
- Moreover, the recent narrowing of the US-Japan yield differential turns out to be another factor driving flows towards the lower-yielding JPY.

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Final SA	Jan	3-Feb		48.8
Monetary Base YY	Jan	4-Feb		-0.85%
JibunBK Comp Op Final SA	Jan	5-Feb		51.1
JibunBK SVC PMI Final SA	Jan	5-Feb		52.7

Lower Bound	154.19	Upper Bound	158.36
Forecast	Neutral		

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