

WEEKLY FOREIGN EXCHANGE OUTLOOK
12 May 2025 - 16 May 2025

Dollar Index
Dollar Index Graph


Source: Refinitiv

Dollar Outlook

- The U.S. dollar strengthened on Monday (12/5) following the announcement of a trade agreement between the U.S. and China over the weekend. The deal eased investor concerns about a prolonged trade war, as both countries agreed to significantly reduce tariffs. The U.S. will lower its additional tariffs on Chinese goods from 145% to 30%, while China will cut its tariffs on U.S. imports from 125% to 10%. The scale of the de-escalation exceeded market expectations and followed intensive weekend negotiations.

- Looking ahead, market attention is turning to key U.S. economic data. The Consumer Price Index (CPI) report is due Tuesday (13/5), followed by April retail sales figures on Thursday (15/5). These releases will offer insight into the economic impact of the trade conflict and influence expectations for future interest rate decisions by the Federal Reserve. Investors are also closely watching Fed Chair Jerome Powell's remarks on Thursday for further signals on the economic outlook and monetary policy direction.

Lower Bound	100.00	Upper Bound	103.00
Forecast	Appreciation		

Dollar News

-The U.S. dollar regained strength after the Federal Reserve held interest rates steady at 4.25–4.5%, in line with market expectations. Investor sentiment initially leaned toward a potential shift to rate cuts, following Fed officials' warnings about growing economic risks. However, Fed Chair Jerome Powell tempered those expectations, emphasizing that the likelihood of the Fed maintaining its current cautious stance remains high—prompting a sharp reversal in market flows.

- Additional support for the dollar came from the announcement of a preliminary trade agreement between the U.S. and the U.K., as well as stronger-than-expected weekly jobless claims data, which pointed to continued resilience in the labor market.

Dollar Index Performance

Last Week Close	100.03	Monthly High	104.37
Week Open	100.00	Monthly Low	97.92
Week Close	100.34	30 Days Average	100.60
Weekly High	101.98	90 Days Average	104.63
Weekly Low	99.17	YTD Change	-6.42%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Core CPI MM, SA	Apr	13-May	0.3%	0.1%
Core CPI YY, NSA	Apr	13-May		2.8%
CPI MM, SA	Apr	13-May	0.3%	-0.1%
CPI YY, NSA	Apr	13-May		2.4%
Retail Sales MM	Apr	15-May	0.1%	1.4%
Industrial Production MM	Apr	15-May	0.1%	-0.3%
Housing Starts Number	Apr	16-May	1.360M	1.324M
U Mich Sentiment Prelim	May	16-May	53.0	52.2
Initial Jobless Clm	5 May, w/ε 15-May			228k

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Thai Baht
Thai Baht Graph


Source: Refinitiv

Thai Baht Outlook

- On Monday (12/5), the Thai baht sharply depreciated against the U.S. dollar, reacting to the announcement of a 90-day pause in tariff escalations between the U.S. and China. The move, while easing global trade tensions, triggered a shift in investor sentiment toward riskier assets, leading to capital outflows from emerging markets, including Thailand.

- Volatility in gold prices may influence the Thai baht, while foreign fund flows in Thai bonds and equities remain in focus. Additionally, ongoing trade negotiations and regional tensions could weigh on investor sentiment.

Lower Bound	32.80	Upper Bound	33.80
Forecast	Depreciation		

Thai Baht News

- At the start of last week, the Thai baht strengthened against the U.S. dollar, dipping below 33.00 THB/USD and reaching a seven-month high of 32.56. This appreciation was driven by a continued rally in gold prices amid ongoing trade and geopolitical uncertainties.
- Meanwhile, the Taiwanese dollar posted its largest single-day gain since the 1980s, buoyed by strong economic data and easing global trade tensions—momentum that also lifted other regional currencies.
- On the domestic front, Thailand's headline inflation fell by -0.2% year-on-year in April, down from +0.8% in March. However, core inflation edged up by 0.98% year-on-year, signaling subdued overall inflationary pressure and potentially reinforcing expectations for further interest rate cuts.
- By the end of the week, the baht reversed course, weakening above 33.00 THB/USD. This shift was fueled by renewed risk appetite stemming from trade optimism, along with significant capital outflows from both the bond and equity markets. Investor sentiment remains cautious as markets await further developments in U.S. trade policy, which could have implications for Thailand's export outlook.

Thai Baht Performance

Last Week Close	33.53 THB/USD	Monthly High	33.64 THB/USD
Week Open	33.04 THB/USD	Monthly Low	32.57 THB/USD
Week Close	32.94 THB/USD	30 Days Average	33.52 THB/USD
Weekly High	33.20 THB/USD	90 Days Average	33.77 THB/USD
Weekly Low	32.52 THB/USD	YTD Change	-2.66%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confidence Idx	Apr	15-May		56.7
Forex Reserves	5 May, w/e	16-May		
Currency Swaps	5 May, w/e	16-May		

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Euro Graph


Source: Refinitiv

Euro Outlook

- On Monday (12/5), the euro fell 1.2% to 1.1109 USD/EUR, pressured by a surge in demand for the U.S. dollar following the announcement of a U.S.-China trade agreement. Traders are now watching closely to see how the temporary truce between the two economic giants might influence the Eurozone's economic outlook.

- Geopolitical developments are also in focus, particularly in Eastern Europe. Ukrainian President Volodymyr Zelenskiy announced his readiness to meet Russian President Vladimir Putin in Turkey on Thursday (15/5) for peace talks—an event that could significantly impact regional sentiment. Meanwhile, markets are awaiting the release of Germany's May ZEW Economic Sentiment Survey, which will offer fresh insights into investor confidence in Europe's largest economy.

Lower Bound	1.1000	Upper Bound	1.1250
Forecast	Depreciation		

Euro News

- At the start of last week, the euro held steady around 1.1367 after German industrial orders rose by 3.6% in March—exceeding expectations and marking the first monthly increase this year.
- In a historic political development, Friedrich Merz was elected Germany's chancellor on his second attempt last Tuesday, following an unexpected failure in the initial parliamentary vote. This marked the first time in postwar German history that a chancellor candidate was not confirmed on the first ballot.
- Despite strong economic data, the euro later weakened against the U.S. dollar as the greenback gained momentum on hawkish signals from the Federal Reserve. On Thursday (8/5), additional data showed German exports rose 1.1% in March, driven by increased U.S. demand ahead of anticipated tariffs. Industrial production also exceeded forecasts, while imports declined by 1.4%, reflecting shifting trade dynamics.

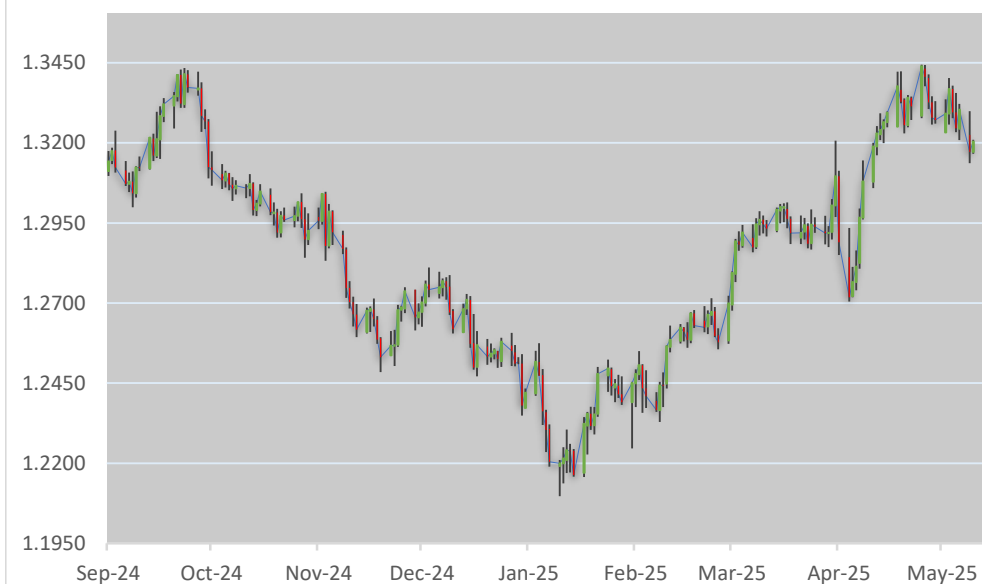
Euro Index Performance

Last Week Close	1.1295 USD/EUR	Monthly High	1.1381 USD/EUR
Week Open	1.1287 USD/EUR	Monthly Low	1.1066 USD/EUR
Week Close	1.1247 USD/EUR	30 Days Average	1.1265 USD/EUR
Weekly High	1.1381 USD/EUR	90 Days Average	1.0777 USD/EUR
Weekly Low	1.1195 USD/EUR	YTD Change	+7.37%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
GDP Flash Estimate QQ	Q1	15-May	0.4%	0.4%
GDP Flash Estimate YY	Q1	15-May	1.2%	1.2%
Industrial Production MM	Mar	15-May	1.5%	1.1%
Industrial Production YY	Mar	15-May		1.2%
Total Trade Balance SA	Mar	16-May		21.00B

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Pound Sterling
Pound Sterling Graph


Source: Refinitiv

Pound Sterling Outlook

- On Monday (12/5), the British pound fell 1% to 1.3180 USD/GBP, though it outperformed the euro slightly following last week's announcement of a U.K.-U.S. trade agreement, which helped cushion the decline.
- Looking ahead, the economic calendar is relatively light, but markets will closely watch the U.K.'s April employment data on Tuesday (May 13) and GDP figures on Thursday (15/5) for further insight into the country's economic momentum.

Pound Sterling News

- At the start of last week, the British pound rose 0.6% against the U.S. dollar amid reports that the U.K. and U.S. are nearing a trade agreement, potentially safeguarding key sectors such as steel and automotive exports.
- The pound extended its gains on Thursday (8/5) after the Bank of England (BoE) cut its policy rate by 25 basis points to 4.25%, in line with market expectations. However, the decision revealed a split within the Monetary Policy Committee: two members voted to keep rates unchanged, while two others favored a deeper 50 basis point cut.
- In its policy statement, the BoE emphasized that a "gradual and cautious" approach to further easing remains appropriate, signaling a measured path forward amid ongoing economic uncertainty.

Pound Sterling Performance

Last Week Close	1.3271 USD/GBP	Monthly High	1.3402 USD/GBP
Week Open	1.3232 USD/GBP	Monthly Low	1.3140 USD/GBP
Week Close	1.3304 USD/GBP	30 Days Average	1.3190 USD/GBP
Weekly High	1.3402 USD/GBP	90 Days Average	1.2802 USD/GBP
Weekly Low	1.3209 USD/GBP	YTD Change	+5.51%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Apr	13-May		18.7k
ILO Unemployment Rate	Mar	13-May		4.4%
HMRC Payrolls Change	Apr	13-May		-78k
GDP Est 3M/3M	Mar	15-May		0.6%
GDP Estimate MM	Mar	15-May		0.5%
GDP Estimate YY	Mar	15-May		1.4%
GDP Prelim QQ	Q1	15-May		0.1%
GDP Prelim YY	Q1	15-May		1.5%

Lower Bound	1.3000	Upper Bound	1.3300
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Refinitiv

Australian Dollar Outlook

- On Monday (12/5), the Australian dollar rose modestly to around 0.6420 USD/AUD, supported by growing optimism surrounding U.S.-China trade negotiations taking place in Geneva, Switzerland.
- Expectations of improved trade relations between the world's two largest economies are seen as beneficial for both nations—particularly as China remains the second-largest exporter to the U.S. A positive outcome from the talks would also favor the Australian dollar, given Australia's strong trade ties with China.
- Looking ahead, markets are also focused on Australia's upcoming employment data, which will be key in shaping expectations for future interest rate decisions by the Reserve Bank of Australia (RBA).

Australian Dollar News

- The Australian dollar extended its rally on Wednesday (7/5), briefly surpassing 0.6510 USD/AUD—its highest level since December 2024—before retreating under renewed selling pressure. The pullback was largely driven by a sharp rebound in the U.S. dollar.
- The initial strength in the Aussie was supported by improving sentiment around U.S.-China trade relations ahead of scheduled talks over the weekend. Additionally, news of a fresh U.S.-U.K. trade agreement further boosted the greenback, contributing to the Australian dollar's reversal.

Australian Dollar Performance

Last Week Close	0.6442 USD/AUD	Monthly High	0.65140 USD/AUD
Week Open	0.6422 USD/AUD	Monthly Low	0.63570 USD/AUD
Week Close	0.6411 USD/AUD	30 Days Average	0.63090 USD/AUD
Weekly High	0.6514 USD/AUD	90 Days Average	0.63123 USD/AUD
Weekly Low	0.6369 USD/AUD	YTD Change	+3.65%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Wage Price Index QQ	Q1	14-May	0.8%	0.7%
Wage Price Index YY	Q1	14-May	3.2%	3.2%
Employment	Apr	15-May	25.0k	32.2k
Unemployment Rate	Apr	15-May	4.1%	4.1%
Wage Price Index YY	Q1	15-May	3.2%	3.2%

Lower Bound	0.6350	Upper Bound	0.6500
Forecast	Appreciation		


Japanese Yen Graph


Source: Refinitiv

Japanese Yen Outlook

- On Monday 12/5), the Japanese yen dropped 1.8% to 147.92 JPY/USD, pressured by the announcement of a U.S.-China trade deal that significantly reduced demand for safe-haven assets.
- The yen underperformed broadly as optimism surrounding the trade agreement diminished its appeal. Domestically, markets are now looking for clearer signals on when the Bank of Japan (BoJ) might begin raising interest rates this year.
- Looking ahead, investors will closely monitor Japan's upcoming trade balance and GDP data, which could provide further direction for the yen and shape expectations for BoJ policy moves.

Lower Bound	146.00	Upper Bound	150.00
Forecast	Depreciation		

Japanese Yen News

- At the beginning of last week, the Japanese yen strengthened against the U.S. dollar, supported by persistent uncertainty surrounding U.S. President Donald Trump's tariff policies and renewed geopolitical tensions—factors that boosted demand for the safe-haven currency.
- Minutes from the Bank of Japan's (BoJ) March 18–19 meeting revealed a more hawkish tone, with board members indicating a willingness to raise interest rates if economic and inflation targets are met. This added to the yen's strength, keeping the USD/JPY pair below the 144.00 level.
- However, the pair later climbed above 145.00 as the U.S. dollar rebounded following the Federal Reserve's decision to hold interest rates steady. Optimism over a new U.S.-U.K. trade agreement also lifted market sentiment. Still, caution lingered, as the deal includes a 10% tariff on U.K. goods, potentially limiting its positive impact.

Japanese Yen Performance

Last Week Close	144.93 JPY/USD	Monthly High	148.64 JPY/USD
Week Open	144.71 JPY/USD	Monthly Low	142.36 JPY/USD
Week Close	145.34 JPY/USD	30 Days Average	156.67 JPY/USD
Weekly High	146.18 JPY/USD	90 Days Average	152.77 JPY/USD
Weekly Low	142.33 JPY/USD	YTD Change	-5.67%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Current Account NSA JPY	Mar	12-May	3,678.0B	4,060.7B
Current Account Bal SA	Mar	12-May		2,316,800M
Trade Bal Cust Basis SA	Mar	12-May		233,235.00M
GDP QQ	Q1	16-May	-0.1%	0.6%
GDP QQ Annualised	Q1	16-May	-0.2%	2.2%
GDP QQ Pvt Consmp Prelim	Q1	16-May	0.1%	0.0%
GDP QQ Capital Expend.	Q1	16-May	0.8%	0.6%
GDP QQ External Demand	Q1	16-May	-0.6%	0.7%

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