

WEEKLY FOREIGN EXCHANGE OUTLOOK
19 May 2025 - 23 May 2025

Dollar Index
Dollar Index Graph


Source: Refinitiv

Dollar Outlook

- Moody's downgraded the U.S. credit rating from Aaa to Aa1, citing rising government debt, though it revised the outlook to stable. This could lead to a weakening of the dollar, and strengthening of Asian currencies, as markets are focused on US fiscal sustainability.
- Markets are also monitoring potential trade agreements between the U.S., key Asian economies, and the European Union. President Trump also announced plans to determine new tariff rates within the next two to three weeks, signaling continued momentum in trade discussions.
- Markets will be watching for any signs of tariff-related inflationary pressures.

Lower Bound	98.73	Upper Bound	101.45
Forecast	Depreciation		

Dollar News

- Overall, market sentiment rebounded this week, driven by US-China temporary tariff reprieve and expectations for further trade negotiations. The S&P 500 closed up 5.3% last week, while the U.S. Dollar Index (DXY) strengthened 0.6%.
- The DXY began the week around 102, marking the highest level in a month, following a 90-day tariff truce. Under the agreement, China reduced tariffs on U.S. imports from 125% to 10%, while the U.S. lowered duties on Chinese goods from 145% to 30%.
- However, the dollar lost ground later in the week as weaker-than-expected economic data raised concerns about a potential slowdown in the U.S. economy. Despite inflation remaining slightly above the Fed's 2% target, April's consumer price index rose just 2.3% year-over-year, U.S. Retail Sales rose only 0.1% in April, and the Producer Price Index (PPI) eased to 2.4% annually, falling short of expectations. Fed Chair Jerome Powell maintained a cautious stance on inflation, suggesting the possibility of longer-term policy adjustments, while markets are pricing in a potential rate cut by September.

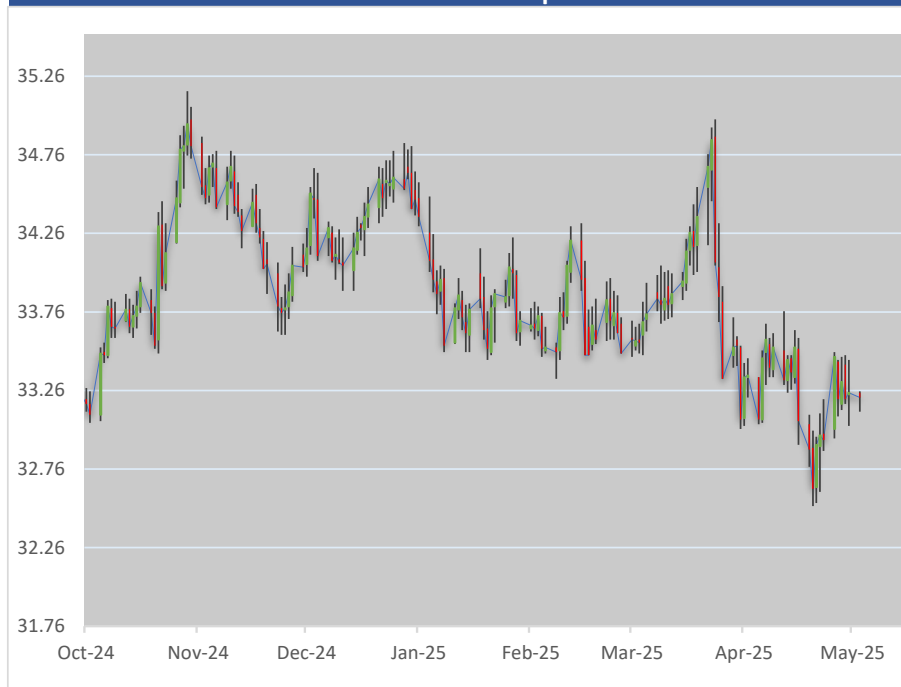
Dollar Index Performance

Last Week Close	100.34	Monthly High	103.54
Week Open	100.69	Monthly Low	97.92
Week Close	101.09	30 Days Average	100.27
Weekly High	101.98	90 Days Average	104.26
Weekly Low	100.27	YTD Change	-7.07%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Housing Starts Number	Apr	16-May	1.365M	1.324M
Import Prices YY	Apr	16-May		0.90%
U Mich Sentiment Prelim	May	16-May	53.4	52.2
S&P Global Mfg PMI Flash	May	22-May		50.2
S&P Global Svcs PMI Flash	May	22-May		50.8
S&P Global Comp PMI Flash	May	22-May		50.6
Existing Home Sales	Apr	22-May	4.10M	4.02M
Initial Jobless Clm	12 May, w/e	22-May		229k
EIA-Nat Gas Chg Bcf	12 May, w/e	22-May		110B

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Thai Baht
Thai Baht Graph


Source: Refinitiv

Thai Baht Outlook

-Ongoing trade negotiations between Thailand, the U.S., and other Asian markets, along with developments in the Ukraine-Russia talks, could weigh on investor sentiment and prompt a shift toward safe-haven assets. A rise in gold prices, driven by this uncertainty, is likely to support further strengthening of the Thai baht.

- Thailand's first-quarter GDP data will be released on Monday. Morgan Stanley forecasts a slowdown in growth to 2.2% year-over-year (consensus: 2.9%; previous: 3.2%).

Thai Baht News

- Thai baht started the week depreciating to near 33.50 against the US dollar after the US and China agreed to significant tariff reductions for a 90-day period. Trade negotiations involving Thailand and other Asian economies are being closely monitored, as successful agreements could attract capital inflows. To avoid potential U.S. tariffs, Thailand has also committed to curbing illegal transshipments, increasing imports from the U.S., and expanding market access. Thailand's trade proposal to the United States was well received by the United States.
- Towards the end of the week, Thai Baht reversed course, appreciating against the US dollar following weaker-than-expected US economic data. In addition, gold prices fell below \$3,200 on Thursday but rebounded on Friday, contributing to the Thai baht's appreciation. This strengthening was largely driven by the sustained rally in gold prices amid persistent trade and geopolitical uncertainties.

Thai Baht Performance

Last Week Close	32.97 THB/USD	Monthly High	33.64 THB/USD
Week Open	33.01 THB/USD	Monthly Low	32.57 THB/USD
Week Close	33.24 THB/USD	30 Days Average	33.38 THB/USD
Weekly High	33.50 THB/USD	90 Days Average	33.71 THB/USD
Weekly Low	32.95 THB/USD	YTD Change	-2.58%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
GDP Growth YY	Q1	19-May	2.90%	3.20%
GDP Growth QQ SA	Q1	19-May	0.60%	0.40%
Custom-Based Export Data	Apr	21-May		17.80%
Custom-Based Import Data	Apr	21-May		10.20%
Customs-Based Trade Data	Apr	21-May		0.97B

Lower Bound	33.00	Upper Bound	33.50
Forecast	Appreciation		

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Euro Graph


Source: Refinitiv

Euro Outlook

- Geopolitical developments continue to be in focus. Russian and Ukrainian negotiators met in Istanbul for what was described as their first direct peace talks in over three years. The meeting took place under mounting pressure from U.S. President Donald Trump to bring an end to the conflict.

Euro News

- The euro started the week off under bearish pressure, falling to its lowest level in a month below the 1.1100 USD/EUR mark. However, it later regained some ground as the DXY fell following softer-than-expected US inflation data for April.
- In Germany, investor sentiment saw a sharp rebound in May. The ZEW Economic Sentiment Index surged to 25.2, up from -14.0 in April, significantly beating expectations of 11.9. This improvement is attributed to the formation of a new government, progress in resolving tariff disputes, and signs of stabilizing inflation. Final German inflation data for April also came in as expected, increasing by 0.4% in April.
- Despite these data releases and a slight slowdown in Q1 GDP, which came in at 0.3% QoQ, EUR/USD remained steady near the 1.1200 level.

Euro Index Performance

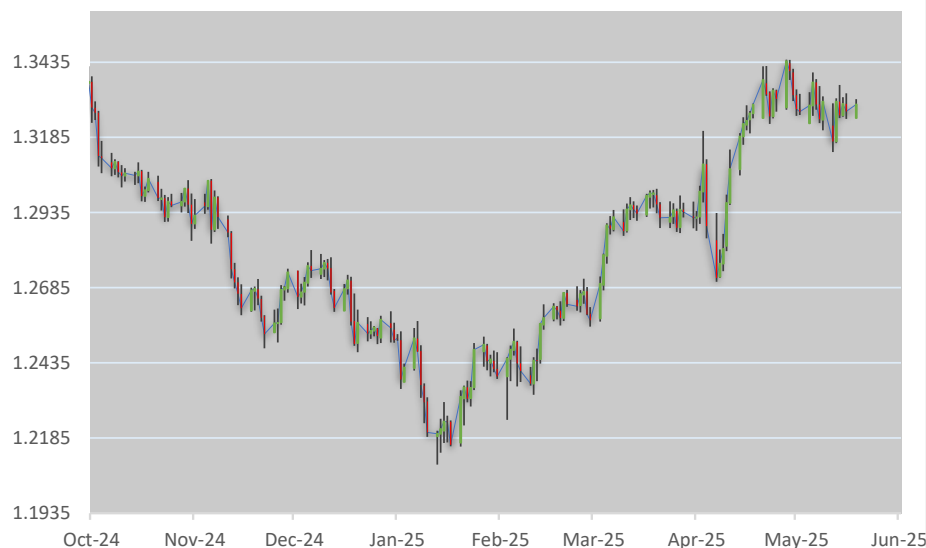
Last Week Close	1.1247 USD/EUR	Monthly High	1.1381 USD/EUR
Week Open	1.1217 USD/EUR	Monthly Low	1.1066 USD/EUR
Week Close	1.1163 USD/EUR	30 Days Average	1.1297 USD/EUR
Weekly High	1.1265 USD/EUR	90 Days Average	1.0818 USD/EUR
Weekly Low	1.1064 USD/EUR	YTD Change	+8.01%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
HICP Final MM	Apr	19-May	0.60%	0.60%
HICP Final YY	Apr	19-May	2.20%	2.20%
Consumer Confid. Flash	May	20-May		-16.7
HCOB Mfg Flash PMI	May	22-May	49	48.4
HCOB Mfg Flash PMI	May	22-May	49.5	49
HCOB Services Flash PMI	May	22-May	50.3	50.1
HCOB Composite Flash PMI	May	22-May	50.8	50.4

Lower Bound	1.1100	Upper Bound	1.1250
Forecast	Appreciation		

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Pound Sterling
Pound Sterling Graph


Source: Refinitiv

Pound Sterling Outlook

- The pound rises as US Dollar weakens in response to Moody's decision to downgrade the US credit rating by one notch.

- Looking ahead, the market is waiting for CPI (Wed) and PMI (Thurs) data releases. April's UK inflation forecast is expected to be 3.3% YoY due to regulated price hikes, tax changes, and the timing of Easter. The forecast is slightly above the BoE's target, mainly due to stronger food and core goods prices. Inflationary momentum is expected to ease significantly, with CPI projected to hit the 2%Y target by Q1 2026, barring any commodity shocks. The BoE is likely to begin cutting rates in August, with sequential cuts expected through mid-2026, though near-term catalysts for repricing remain limited.

Lower Bound	1.3207	Upper Bound	1.3399
Forecast	Appreciation		

Pound Sterling News

- At the start of the week, the Pound Sterling fell to a 4-week low of around 1.3150 USD/GBP, pressured by a strengthening US Dollar following the recent US-China tariff reduction agreement. Bank of England (BoE) monetary policymaker Megan Greene noted on Monday that wage and inflation measures were moving in the right direction but remained elevated, raising concerns about rising public inflation expectations. Meanwhile, the U.K. unemployment rate increased to 4.5% in March, up from 4.4% in February, as employers braced for higher employment costs.

- Later in the week, the Pound Sterling rebounded against the US dollar as softer-than-expected US economic data weighed on the greenback and UK GDP surprised to the upside, growing 0.7% QoQ in the first quarter. The market expects BoE to keep rates on hold in June as headline growth data reduce the urgency for immediate policy tightening.

Pound Sterling Performance

Last Week Close	1.3304 USD/GBP	Monthly High	1.3402 USD/GBP
Week Open	1.3225 USD/GBP	Monthly Low	1.3140 USD/GBP
Week Close	1.3272 USD/GBP	30 Days Average	1.3236 USD/GBP
Weekly High	1.3360 USD/GBP	90 Days Average	1.2848 USD/GBP
Weekly Low	1.3137 USD/GBP	YTD Change	+6.28%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Core CPI YY	Apr	21-May		3.40%
CPI YY	Apr	21-May	3.30%	2.60%
CPI Services MM	Apr	21-May		0.40%
CPI Services YY	Apr	21-May		4.70%
Flash Composite PMI	May	22-May		48.5
Flash Manufacturing PMI	May	22-May	45.9	45.4
Flash Services PMI	May	22-May	49.5	49

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Australian Dollar
Australian Dollar Graph


Source: Refinitiv

Australian Dollar Outlook

- Both local and global factors could continue to support aussie, the key risk is that much of the positive trade news may already be priced in. Nonetheless, any new U.S. trade agreements—particularly with Asian economies like Japan, Korea, and India—could still provide incremental support.
- Markets are focused on the Reserve Bank of Australia (RBA)'s meeting on Tuesday, where a 25bps rate cut is expected. The RBA is expected to maintain a cautious tone, balancing global downside risks with resilient domestic conditions.
- The RBA meeting could serve as a positive catalyst for the Australian dollar if the central bank emphasizes recent labor market strength and resilient wage growth. However, if the RBA signals a clearer path toward a neutral policy stance, it may weigh on AUD sentiment.

Lower Bound	0.6354	Upper Bound	0.6471
Forecast	Depreciation		

Australian Dollar News

- lastweek , Aussie has rallied approximately 8% MoM, rebounding sharply from April's lows. Stronger-than-expected domestic labor market data last week supports the view that Australia's economy is gradually gaining momentum, while inflation trends toward the RBA's target midpoint—suggesting a soft landing and a measured path toward policy normalization. These domestic tailwinds, combined with global support from the recent U.S.-China tariff de-escalation, have buoyed the Australian dollar

Australian Dollar Performance

Last Week Close	0.6411 USD/AUD	Monthly High	0.65140 USD/AUD
Week Open	0.6411 USD/AUD	Monthly Low	0.63570 USD/AUD
Week Close	0.6400 USD/AUD	30 Days Average	0.63118 USD/AUD
Weekly High	0.6501 USD/AUD	90 Days Average	0.63035 USD/AUD
Weekly Low	0.6355 USD/AUD	YTD Change	+3.64%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
RBA Cash Rate	May	20-May	3.85%	4.10%
Composite Leading Idx MM	Apr	21-May		-0.11%
S&P Global Mfg PMI Flash	May	22-May		51.7
S&P Global Svs PMI Flash	May	22-May		51
S&P Global Comp PMI Flash	May	22-May		51


Japanese Yen
Japanese Yen Graph


Source: Refinitiv

Japanese Yen Outlook

- The USD/JPY pair starts the week on a weaker note as global risk sentiment deteriorates slightly, overshadowing the optimism around US-China trade. This boosts demand for the safe-haven Japanese Yen, while the US Dollar loses ground following a downgrade of America's sovereign rating due to rising fiscal debt.
- Looking ahead, investors will closely watch Japan's upcoming trade balance and PMI data, which could offer fresh direction for the yen and influence expectations around future Bank of Japan policy decisions.

Lower Bound	143.00	Upper Bound	147.61
Forecast	Appreciation		

Trade Balance Total Yen

- The Japanese yen weakened to 148.5 against the U.S. dollar at the start of the last week as safe-haven demand eased. However, it later regained ground following softer-than-expected U.S. inflation data, which fueled speculation about potential Fed rate cuts later this year. Despite this rebound, the yen's gains remain capped by the Bank of Japan's continued accommodative stance. That said, growing expectations of another BoJ rate hike and a cautious global market tone have helped support the yen, reinforcing its appeal as a safe-haven asset. Downward pressure on the U.S. dollar has also contributed to the yen's recent strength.
- On the data front, Japan's Q1 2025 GDP contracted by 0.7% QoQ (consensus: -0.1%; previous: +0.6%), marking the first negative print in four quarters. The decline was primarily driven by a drag from net external demand, despite a pickup in capital expenditure. Meanwhile, household consumption remained flat compared to Q4 2024, highlighting ongoing domestic demand challenges.

Japanese Yen Performance

Last Week Close	145.34 JPY/USD	Monthly High	148.64 JPY/USD
Week Open	145.80 JPY/USD	Monthly Low	142.36 JPY/USD
Week Close	145.62 JPY/USD	30 Days Average	156.63 JPY/USD
Weekly High	148.64 JPY/USD	90 Days Average	153.25 JPY/USD
Weekly Low	144.90 JPY/USD	YTD Change	-7.40%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Reuters Tankan N-Man Idx	May	21-May		30
Exports YY	Apr	21-May	2.00%	4.00%
Imports YY	Apr	21-May	-4.50%	1.80%
Trade Balance Total Yen	Apr	21-May	227.1B	559.4B
Machinery Orders MM	Mar	22-May	-1.60%	4.30%
JibunBK Mfg PMI Flash SA	May	22-May		48.7
JibunBK Comp Op Flash SA	May	22-May		51.2
JibunBK SVC PMI Flash SA	May	22-May		52.4

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