

WEEKLY FOREIGN EXCHANGE OUTLOOK
05 May 2025 - 09 May 2025

Dollar Index
Dollar Index Graph


Source: Refinitiv

Dollar Outlook

- In the short term, a volatile mix of sticky inflation, trade-related uncertainty, and weakening fundamentals is expected to keep the US Dollar on the back foot, with market turbulence likely to persist in the near term.
- This week's spotlight will be firmly on the Federal Reserve, with the FOMC set to meet amid broad expectations that policymakers will keep rates unchanged. April's solid Nonfarm Payrolls report has reinforced the Fed's wait-and-see stance, reducing the likelihood of any immediate policy shifts.
- Beyond the Fed, markets will stay alert to any movement on the trade front, particularly signs of progress or further escalation in the US-China tariff dispute.
- Technically, the US Dollar Index (DXY) remains under firm downward pressure as it still traded beneath most simple moving averages (SMAs), a clear sign that the broader bearish trend remains intact, with the strong support level is at around 98.0 level.

Lower Bound	98.50	Upper Bound	101.00
Forecast	Neutral		

Dollar News

- The US Dollar (USD) notched a second straight week of gains, extending its gradual recovery from mid-April lows, though it continued to hover below the psychological 100.00 level on the US Dollar index (DXY).
- There were no new tariff measures from the White House last week, but the narrative around trade policy took a notable turn. Attention shifted to growing speculation that President Donald Trump may roll back his previously announced 145% tariffs on US imports of Chinese goods.
- Since the Federal Reserve has kept its benchmark interest rate unchanged at 4.25%–4.50% during its March 19 meeting, they maintained a cautious stance amid heightened market volatility and growing concern over stagflation.
- Policymakers downgraded their 2025 GDP growth forecast to 1.7% from 2.1% and nudged their inflation outlook higher to 2.7%, signaling a more fragile economic outlook.
- The Greenback has also been pressured after stagflation concerns as inflation remains elevated above the Federal Reserve's 2% target, as underscored by recent CPI and PCE readings. However, the labor market remained relatively firm in April, as the US economy added more jobs than previously estimated (+177K), while the jobless rate held steady at 4.2%.

Dollar Index Performance

Last Week Close	99.47	Monthly High	104.68
Week Open	99.61	Monthly Low	97.92
Week Close	100.03	30 Days Average	101.21
Weekly High	100.38	90 Days Average	105.07
Weekly Low	98.90	YTD Change	-8.06%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Comp PMI Final	Apr	5-May		51.2
S&P Global Svcs PMI Final	Apr	5-May		51.4
ISM N-Mfg PMI	Apr	5-May	50.2	50.8
Fed Funds Tgt Rate	7 May	8-May	4.25-4.5	4.25-4.5
Fed Int On Excess Reserves	7 May	8-May		4.40%
Initial Jobless Clm	3 May, w/	8-May	230k	241k
Cont Jobless Clm	26 Apr, w/	8-May	1.886M	1.916M
Wholesale Invnt(y), R MM	Mar	8-May	0.5%	0.5%

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Thai Baht
Thai Baht Graph


Source: Refinitiv

Thai Baht Outlook

- There are many factors that would pressure the fundamental of the Thai Baht currency. However, in short term after the strong support of 33.00 has been broken, we believe that the Baht could gain further, with the next support of USD/THB will be 32.75 THB/USD.
- However, in a medium term we think the gain of the Baht is limited since the Bank of Thailand's (BoT) Monetary Policy Committee is somewhat accommodative, and the central bank is ready to ease again if needed to support the economy through the coming global trade war, a deputy central bank governor told Reuters on Friday.
- Moreover, there is some risk that other major agencies will review and revised Thailand's outlook from stable to negative, the first step in a potential credit rating adjustment and possibly leading to a future downgrade.

Lower Bound	32.60	Upper Bound	33.50
Forecast	Appreciation		

Thai Baht News

- At the beginning of last week, the Baht depreciated against the dollar following a drop in gold price and quarterly dividend flows. Meanwhile, economists expect the Bank of Thailand to cut the benchmark interest rate for a second time this year on Wednesday.
- On Tuesday, the Baht gained the weakened US dollar though Moody's Ratings downgraded Thailand's credit rating outlook to negative from stable late Tuesday, citing risks that economic and fiscal strength will weaken further. It affirmed the sovereign rating at an investment-grade Baa1.
- After the MPC meeting, the Baht gradually depreciated once again as the Monetary Policy Committee voted 5-2 to reduce the one-day repurchase rate by 25 basis points to 1.75%, the lowest level in two years, in a move to support an underperforming economy facing uncertainty over steep US tariffs.
- The central bank now foresees economic growth of 2% this year, in a best-case scenario where US tariffs on Thai imports remain around where they are now. However, growth could be as low as 1.3% if Thailand is unable to persuade Washington to make significant cuts in the 36% rate it has threatened to impose.
- However, on Friday(2/5), the Baht significantly appreciated as investors unwound USD position before the release of the employment figure at night. Moreover, there is a high chance that the situation related to tariffs between USA and China would be better as Trump said he is prepared to ease tariffs, attributing the shift to what he described as China's willingness to strike some fair deal. He added that trade negotiations are "active" and "headed in the right direction."

Thai Baht Performance

Last Week Close	33.40 THB/USD	Monthly High	33.64 THB/USD
Week Open	33.51 THB/USD	Monthly Low	32.80 THB/USD
Week Close	33.06 THB/USD	30 Days Average	33.67 THB/USD
Weekly High	33.76 THB/USD	90 Days Average	33.84 THB/USD
Weekly Low	32.91 THB/USD	YTD Change	-3.98%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
CPI Headline Inflation	Apr	6-May	0.00%	0.84%
CPI Core Inflation YY	Apr	6-May	0.89%	0.86%
CPI Index	Apr	6-May		100.35
Consumer Confidence Idx	Apr	8-May		56.7

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Euro Graph


Source: Refinitiv

Euro Outlook

- Fundamentally, despite amodest economic progress but overall economy is fragile and persistent trade tensions also leave no room for anything other than further cuts. European Central Bank (ECB) officials also delivered dovish messages, supporting the case for another 25 basis points (bps) rate cut when they meet in June.
- As a result, the euro should not have gained in extreme conditions and may soon return to its bearish run or have at least a corrective slide.
- Next week, the macroeconomic calendar has little relevant to offer as the focus will be on Germany Factory Orders and EU Retail Sales for the same period. The Fed will gather all the attention, announcing the monetary policy decision on Wednesday.
- Technically, the overall picture still show the bullish momentum for the the pair as the bearish potential seems well-limited. However, the retreated from its recent highs may continue as the support is at 1.13 level followed by the 1.1260 price zone. A break below the latter could open the door for a decline towards the 1.1160 price zone.

Lower Bound	1.1240	Upper Bound	1.1385
Forecast	Neutral		

Euro News

- At the beginning of last week, the euro touched the highest level of the week at 1.1420 USD/EUR after the greenback dropped amid the controversial tariff talks.
- Since that level, the euro gradually dropped as ECB policymaker Olli Rehn stated on Monday that the central bank may need to lower interest rates below the neutral level to support the economy, given materializing downside risks. He even called for larger interest rate cuts.
- However, the downside is limited as the economic figures that came out were not bad. The EU released the April Economic Sentiment Indicator, which contracted to 93.6 from 95.00 in March. Additionally, the Union released the preliminary estimate of the Q1 GDP, indicating the economy grew by 1.2% YoY and by 0.4% QoQ, beating expectations of 1.0% and 0.2%, respectively. Finally, the Harmonized Index of Consumer Prices (HICP) rose by more than anticipated in April, according to preliminary estimates, up 2.2% year-on-year (YoY) vs the 2.1% expected.
- The euro closed on Friday(2/5) at 1.1298 USD/EUR, staying under mild selling pressure for the second consecutive week.

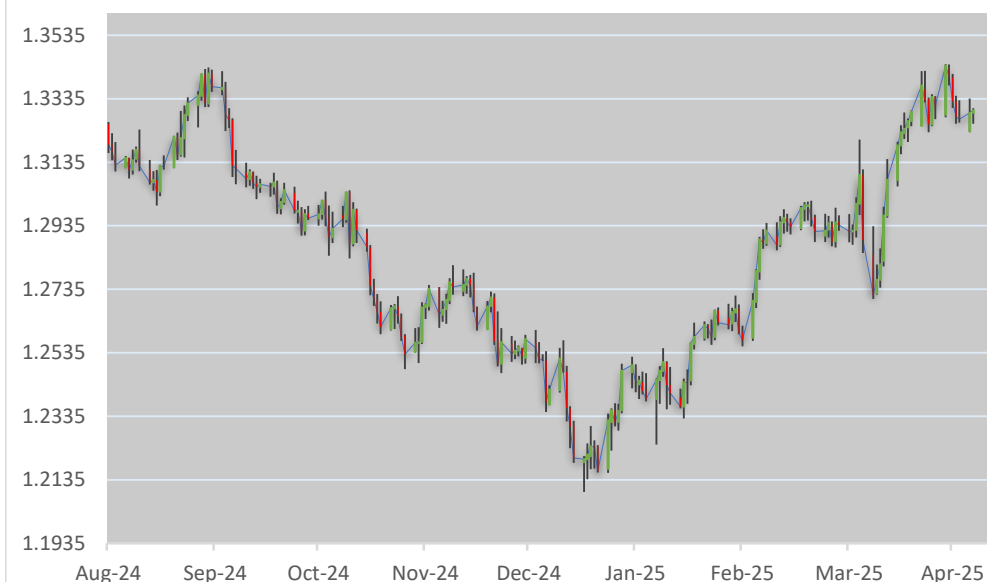
Euro Index Performance

Last Week Close	1.1364 USD/EUR	Monthly High	1.1380 USD/EUR
Week Open	1.1358 USD/EUR	Monthly Low	1.1267 USD/EUR
Week Close	1.1295 USD/EUR	30 Days Average	1.1193 USD/EUR
Weekly High	1.1424 USD/EUR	90 Days Average	1.0727 USD/EUR
Weekly Low	1.1265 USD/EUR	YTD Change	+9.39%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
German HCOB Services PMI	Apr	6-May	48.8	48.8
Germna HCOB Composite Final PMI	Apr	6-May	49.7	49.7
Eurozone HCOB Services Final PMI	Apr	6-May	49.7	49.7
Eurozone HCOB - Composite Final PMI	Apr	6-May	50.1	50.1
German Industrial Orders MM	Mar	7-May	1.3%	0.0%
German Manufacturing O/P Cur Price SA	Mar	7-May		0.8%
German Consumer Goods SA	Mar	7-May		101.3
German Industrial Output MM	Mar	8-May	0.8%	-1.3%
German Industrial Production YY SA	Mar	8-May		-4.00%

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Pound Sterling
Pound Sterling Graph


Source: Refinitiv

Pound Sterling Outlook

- The BoE will steal the spotlight on 'Super Thursday' as the Bank's Monetary Policy Report (MPR) and Governor Andrew Bailey's press conference will throw fresh hints on the timing of the next interest rate cut.
- We believe that the pound could come under pressure as the interest rate differential between the US and the UK could benefit the former as the Fed is projected to lower rates until the July meeting.
- However, the downside may be limited as the Pound Sterling has remained underpinned against the US Dollar amid elevated uncertainty over the US-China trade war.
- Technically, since the GBP/USD pair could not close last week above 1.3350 psychological barrier, the correction may gather steam as the 1.3200 round level should be tested initially.

Pound Sterling News

- The sustained USD demand remained the primary driver behind the GBP/USD pair's moves as the Pound Sterling finally gave in to the Greenback's resurgence. The pair hit a fresh three-year high at 1.3445 at the start of the week before setting off a correction to near 1.3250 heading into the release of the US employment report on Friday.
- Alongside the week, the pound had continuously pressured as traders have become increasingly confident that the Bank of England (BoE) will reduce interest rates by 25 basis points (bps) in its monetary policy meeting on May 8.
- Moreover, the latest S&P manufacturing report revealed the tariff's impact on the economy, as the PMI contracted for the seventh month in a row in April.
- BoE policymaker Megan Greene said that the potential trade war would be "net disinflationary" for the UK economy, in a discussion with the Atlantic Council think tank on Friday. Greene warned about shockwaves in the job market in the face of an increase in employers' contribution to social security schemes to 15% from 13.8%, which has become effective this month.

Pound Sterling Performance

Last Week Close	1.3314 USD/GBP	Monthly High	1.3345 USD/GBP
Week Open	1.3285 USD/GBP	Monthly Low	1.3261 USD/GBP
Week Close	1.3271 USD/GBP	30 Days Average	1.3133 USD/GBP
Weekly High	1.3444 USD/GBP	90 Days Average	1.2758 USD/GBP
Weekly Low	1.3257 USD/GBP	YTD Change	+6.32%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
S&P GLOBAL SERVICE PMI	Apr	6-May	48.9	48.9
S&P GLOBAL PMI: COMPOSITE - OUTPUT	Apr	6-May	48.2	48.2
S&P GLOBAL PMI: MSC COMPOSITE - OUTPUT	Apr	7-May		51.0
S&P Global CONSTRUCTION PMI	Apr	7-May	45.7	46.4
Halifax House Prices MM	Apr	8-May	-0.1%	-0.5%
Halifax House Prices YY	Apr	8-May		2.80%
BOE Bank Rate	May	8-May	4.25%	4.50%

Lower Bound	1.3200	Upper Bound	1.3400
Forecast	Neutral		

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Australian Dollar
Australian Dollar Graph


Source: Refinitiv

Australian Dollar Outlook

- Despite the stronger inflation print, Australian Treasurer Jim Chalmers noted that markets still anticipate further interest rate cuts. “The market expects more interest rate cuts after inflation figures,” he stated, adding that there’s “nothing in these numbers that would substantially alter market expectations.”
- Moreover, investors are still uncertain about Australia’s economic prospects in the face of the trade war between the United States (US) and China.
- However, in the short term, the AUD/USD may turn in bullish mode as we believe that the victory of Australia’s Labor Party leader Anthony Albanese would indicate the continuation of current economic policies, a scenario that is theoretically favorable for the economic outlook and support the AUD.
- Technically, immediate resistance is seen at the recent four-month high of 0.6449, which was reached on April 29. A decisive break above this level could pave the way for a move toward the five-month high at 0.6515.

Lower Bound	0.6350	Upper Bound	0.6550
Forecast	Appreciation		

Australian Dollar News

- Last week, the AUD/USD traded in a narrow range between 0.6355 and 0.6470 as the beginning of last week, the Australian Dollar (AUD) was extending losses as the US Dollar strengthens, supported by signs of easing US-China tensions.
- The AUD also faces headwinds as expectations are mounting that the Reserve Bank of Australia (RBA) will deliver another 25-basis-point rate cut in May, as economic uncertainties deepen and concerns over the global trade environment intensify.
- The Aussie was gaining ground on Wednesday following a more than 0.50% decline against the US Dollar (USD). Moreover, the ABS reported that the Consumer Price Index (CPI) rose by 0.9% quarter-over-quarter in Q1 2025, up from a 0.2% increase in Q4 2024 and exceeding market expectations of a 0.8% rise. The inflationary pressures in Australia in early 2025 have weakened expectations of further monetary easing by the Reserve Bank of Australia (RBA).
- At the end of the week, the Australian Dollar maintained its position despite a disappointing Retail Sales MoM for March.

Australian Dollar Performance

Last Week Close	0.6393 USD/AUD	Monthly High	0.64930 USD/AUD
Week Open	0.6365 USD/AUD	Monthly Low	0.63660 USD/AUD
Week Close	0.6442 USD/AUD	30 Days Average	0.62913 USD/AUD
Weekly High	0.6469 USD/AUD	90 Days Average	0.63239 USD/AUD
Weekly Low	0.6354 USD/AUD	YTD Change	+4.54%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Svs PMI Final	Apr	5-May		51.4
S&P Global Comp PMI Final	Apr	5-May		51.4
Building Approvals	Mar	6-May	-0.6%	-0.3%
Building Approval Total YY	Mar	6-May		9.1%


Japanese Yen Graph


Source: Refinitiv

Japanese Yen Outlook

- In short term, the Japanese Yen remains depressed against mildly stronger USD amid receding safe-haven demand and dovish outlook from BOJ.
- However, a quick trade agreement between the US and Japan could give the BoJ more confidence to hike rates again. This marks a big divergence in comparison to the growing acceptance that slowing global growth will encourage the Federal Reserve to deliver deeper rate cuts.
- Investors will scrutinize the BoJ's updated economic projections for cues about the timeline for the next rate hike.
- Technically, despite recent rebound, the USD/JPY is maintaining a bearish bias as the first support level is at 143.75. It may return to bull only if the last week's high of 145.90 was surpassed.

Lower Bound	142.00	Upper Bound	146.00
Forecast	Neutral		

Japanese Yen News

- At the beginning of the week, the yen appreciated to the level below 142 JPY/USD as mixed signals regarding the state of negotiations from the US and China add a layer of uncertainty.
- After that, the greenback has started rebounding and the USD/JPY gradually ticked up.
- The USD/JPY had strong gains near 146.00 as the Yen weakened sharply following the BoJ's dovish policy guidance at the BOJ's meeting on Thursday(1/5).
- The BoJ kept interest rates unchanged at 0.50% and downgraded GDP growth of just 0.5% for FY2025, down from 1.1%, and also lowered its inflation forecast, citing elevated external risks and domestic uncertainty. Markets interpreted this stance as dovish, pushing back expectations for the next hike to late 2025 at the earliest.
- BoJ Governor Kazuo Ueda struck a cautious tone during his press conference, highlighting that inflation momentum may stall and that the outlook lacks the confidence needed for further rate hikes.
- On Friday, the USD/JPY closed at 144.85/87 JPY/USD as Finance Minister Kato said UST holdings could be leveraged in US trade talks, signaling a firmer stance against tariffs.

Japanese Yen Performance

Last Week Close	143.67 JPY/USD	Monthly High	145.92 JPY/USD
Week Open	143.49 JPY/USD	Monthly Low	142.89 JPY/USD
Week Close	144.93 JPY/USD	30 Days Average	156.14 JPY/USD
Weekly High	145.92 JPY/USD	90 Days Average	152.04 JPY/USD
Weekly Low	141.96 JPY/USD	YTD Change	-8.37%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Comp Op Final SA	Apr	7-May		51.1
JibunBK SVC PMI Final SA	Apr	7-May		52.2
All Household Spending YY	Mar	9-May	0.2%	-0.5%
All Household Spending MM	Mar	9-May	-0.5%	3.5%

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