Dollar Index

Currency Pulse

Quick Take

• Early in the week, the USD weakened sharply as renewed White House pressure on Europe over Greenland triggered a selloff in U.S. assets and heightened concerns about political uncertainty and de-dollarization.

• Midweek, Trump escalated tensions by threatening 10%–25% tariffs on eight European countries if Denmark refused to negotiate over Greenland, pushing the Dollar Index lower before it briefly rebounded after he publicly praised adviser Kevin Hassett.

• As the week progressed, fears of a U.S.–Europe trade war intensified, sending the Dollar Index down to 98.59 as markets awaited Trump's upcoming remarks at the World Economic Forum.

• Later in the week, the USD rebounded after Trump announced at the WEF that he would not use military force over Greenland and had canceled the planned European tariffs following a "framework agreement" reached with NATO's Mark Rutte.

• Toward the end of the week, the Dollar Index softened again on weaker U.S. data, while easing geopolitical tensions shifted market focus toward the upcoming Federal Reserve meeting and key economic releases.

Outlook

• Markets kept their focus on the January 27–28 FOMC meeting, where policymakers were set to deliver the first rate decision of 2026 following December's cut, which brought the fed funds rate to 3.50%–3.75%.

• Investors continue monitoring U.S. macro indicators, as earlier January data pointed to cooling consumption, uneven manufacturing activity, and softer momentum into Q1 — developments that reinforced expectations for further Fed easing in 2026.

• Given the DXY has already slipped to a four-month low near 97, the index remains vulnerable to further downside if the Fed maintains a cautious tone or hints at openness to additional easing. Conversely, any unexpectedly firm or hawkish messaging — or a cooling of intervention fears — could trigger a short-term rebound, especially with markets already heavily positioned against the $.

Lower Bound	96.50	Upper Bound	98.00
Forecast	Depreciation		

Performance

Last Week Close	99.39	**Monthly High**	99.49
Week Open	99.44	**Monthly Low**	96.81
Week Close	97.60	**30 Days Average**	98.44
Weekly High	99.49	**90 Days Average**	98.81
Weekly Low	97.43	**YTD Change**	-1.19%

Impact Events

Events	Period	Date	Forecast	Previous
Durable Goods	Nov	26-Jan	3.7%	-2.2%
Consumer Confidence	Jan	27-Jan	90.9	89.1
Fed Funds Tgt Rate	46050	29-Jan	3.5-3.75	3.5-3.75
International Trade $	Nov	29-Jan	-42.1B	-29.4B
Initial Jobless Clm	24 Jan, w/e	29-Jan	205k	200k
Factory Orders MM	Nov	29-Jan	1.7%	-1.3%
PPI Machine Manuf'ing	Dec	30-Jan		193.4

Thai Baht

Currency Pulse

Quick Take

• The Thai baht strengthened, supported by a sharp rise in gold prices and broad USD weakness as renewed U.S.–Europe trade tensions over the Greenland tariff issue weighed on the dollar.

• The THB extended its gains as gold repeatedly closed at fresh record highs, while the Bank of Thailand's move to ease rules on repatriating foreign income—raising the limit to USD 10 million—also helped moderate appreciation pressure.

• The currency later pulled back from its strongest levels after gold briefly surged above $4,800/oz, as sentiment cooled when reports indicated President Trump had softened his stance on the Greenland dispute, allowing the USD to rebound.

• Even so, the baht continued to trade firm near 31.00, supported by consistent dollar selling and steady inflows into regional currencies.

Performance

Last Week Close	31.39	THB/USD	**Monthly High**	31.65	THB/USD
Week Open	31.40	THB/USD	**Monthly Low**	30.89	THB/USD
Week Close	31.19	THB/USD	**30 Days Average**	31.30	THB/USD
Weekly High	31.48	THB/USD	**90 Days Average**	31.98	THB/USD
Weekly Low	30.87	THB/USD	**YTD Change**	-0.99%	

Outlook

• For this week, the Thai baht was expected to stay supported by broad USD weakness, with several forecasts projecting USD/THB to ease toward the 30.85–31.30 range.

• Sentiment remained baht-positive as continued USD selling and expectations of a softer U.S. policy stance ahead of the January 27–28 FOMC meeting kept pressure on the dollar.

• With the USD still under pressure from intervention fears and geopolitical uncertainty—factors that recently pushed the Dollar Index to a four-month low near 97—the THB may remain firm, especially if the Fed maintains a cautious tone. However, any surprise shift toward a more hawkish Fed narrative or a rebound in the USD could trigger a mild pullback in the baht, though strong gold prices and steady regional inflows should continue to limit the upside in USD/THB.

Impact Events

Events	Period	Date	Forecast	Previous
Private Investment Index	Dec	30-Jan		3.30%
Pvt Consumption Index	Dec	30-Jan		-0.30%
Forex Reserves	19 Jan, w/e	30-Jan		284.1B
Currency Swaps	19 Jan, w/e	30-Jan		23.1B

Lower Bound	**30.85**	**Upper Bound**	**31.30**
Forecast	Neutral		

Euro

Currency Pulse

Outlook

• The euro was expected to remain supported as the ECB was likely to keep policy unchanged, with eurozone inflation hovering near 2%, reducing the need for further action.

• The USD stayed broadly soft amid expectations of continued Fed rate cuts in 2026, helping sustain positive EUR sentiment. Forecast models show EUR/USD averaging around 1.18–1.19 this week, reflecting a stable-to-firm euro bias.

• The euro is likely to trade with a stable-to-firm bias, supported by expectations that the ECB will keep policy unchanged and by steady Eurozone inflation near 2%, which reduces pressure for further easing. Broad USD softness, driven by expectations of continued Fed rate cuts in 2026, may further underpin EUR/USD.

Lower Bound	1.1700	Upper Bound	1.1950
Forecast	Appreciation		

Quick Take

• Early in the week, the euro strengthened as several European countries — including France, Sweden, Germany, and Norway — deployed military forces to Nuuk in support of Greenland and Denmark, while German inflation held at 1.8%, still below the ECB's 2% target. Broad USD selling also lifted the euro as EU governments condemned U.S. tariff threats as "blackmail."

• Mid-week, the euro extended its gains during the Asian session as the European Parliament moved toward suspending approval of the July US–EU trade deal, and sentiment improved further after Germany's ZEW Economic Sentiment Index jumped to 59.6, its highest reading since 2021.

• Later in the week, the euro remained supported as concerns over a U.S.–EU tariff escalation eased and the USD softened. However, the euro eventually slipped more than 0.30% after President Trump withdrew tariff threats against eight European nations, shifting attention toward the upcoming ECB Meeting Accounts and EU Consumer Confidence data.

Performance

Last Week Close	1.1597	USD/EUR	**Monthly High**	1.1906	USD/EUR
Week Open	1.1583	USD/EUR	**Monthly Low**	1.1574	USD/EUR
Week Close	1.1826	USD/EUR	**30 Days Average**	1.1728	USD/EUR
Weekly High	1.1833	USD/EUR	**90 Days Average**	1.1658	USD/EUR
Weekly Low	1.1570	USD/EUR	**YTD Change**	+1.08%	

Impact Events

Events	Period	Date	Forecast	Previous
Ifo Business Climate New	Jan	26-Jan	88.2	87.6
Consumer Confid. Final	Jan	29-Jan		-12.4
GDP Preliminary QQ	Q4	30-Jan	0.2%	0.5%
Producer Prices YY	Dec	30-Jan		-3.3%
GDP Flash YY NSA	Q4	30-Jan	0.3%	0.3%
GDP Flash Prelim YY	Q4	30-Jan	1.2%	1.4%
GDP Flash Prelim QQ	Q4	30-Jan	0.2%	0.3%
Unemployment Rate	Dec	30-Jan	6.3%	6.3%
CPI Prelim YY	Jan	30-Jan	2.1%	1.8%

Pound Sterling

Currency Pulse

Quick Take

• The pound slipped to $1.3381 after earlier gains, despite stronger-than-expected UK November GDP driven partly by Jaguar Land Rover's return to full production following a cyberattack, while markets continued to price in two BoE rate cuts this year, with the first expected by June.

• GBP stayed firm as attention shifted to upcoming UK data, even as geopolitical tensions rose following U.S. tariff threats against Europe over the Greenland dispute.

• Sterling held steady as USD weakness helped offset softer UK labor figures, with investors looking to the day's CPI release for clues on future BoE policy.

• The currency traded sideways for a second day, remaining above 1.3400 in Asian hours as markets turned cautious ahead of key U.S. macro releases.

• GBP later rebounded toward 1.3500, supported by ongoing USD weakness and additional dollar selling ahead of UK data, helping lift momentum.

Performance

Last Week Close	1.3381	USD/GBP	**Monthly High**	1.3713	USD/GBP
Week Open	1.3365	USD/GBP	**Monthly Low**	1.3333	USD/GBP
Week Close	1.3641	USD/GBP	**30 Days Average**	1.3467	USD/GBP
Weekly High	1.3645	USD/GBP	**90 Days Average**	1.3343	USD/GBP
Weekly Low	1.3326	USD/GBP	**YTD Change**	+1.46%	

Outlook

• Sterling entered the week with modest support from a broadly weaker USD, as expectations for continued Fed easing kept pressure on the dollar.

• Upside for GBP remained limited by weak UK economic momentum, with sluggish growth, political uncertainty, and expectations of Bank of England rate cuts keeping sentiment cautious.

• With the USD still under broad pressure—reinforced by the Dollar Index slipping toward multi-month lows—the pound may find modest support, keeping GBP/USD biased toward the upper half of the projected 1.35–1.38 range. However, UK-specific risks remain a cap on any major upside: soft domestic data, weak momentum in consumption, and expectations for BoE cuts limit the scope for a sustained rally.

Impact Events

Events	Period	Date	Forecast	Previous
BOE Consumer Credit	Dec	30-Jan	1.700B	2.077B
Mortgage Lending	Dec	30-Jan		4.490B
Mortgage Approvals	Dec	30-Jan	65.000k	64.530k

Lower Bound	**1.3500**	**Upper Bound**	**1.3800**
Forecast	Neutral		

Australian Dollar

Currency Pulse

Quick Take

• The Australian dollar strengthened steadily over the week, rising from around 0.6710 on January 19 to 0.6896 on January 23—its highest level of the year. The currency was supported by strong domestic data, including an unexpected drop in the unemployment rate to a seven-month low, which reinforced expectations of a near-term RBA rate hike. January PMI figures were also upbeat, with the composite index jumping to 55.5, its strongest reading since April 2022, adding further momentum to the AUD.

'• Market expectations for RBA tightening shifted notably, with the probability of a February rate hike climbing from 26.5% to 55.7%, and odds of a hike by May rising above 80%. Overall, robust economic indicators combined with broad USD weakness helped the Australian dollar become one of the best-performing major currencies over the week.

Outlook

• Domestic data will be key, as markets closely watch Australia's upcoming inflation and labour reports. Recent stronger-than-expected job gains have lifted expectations that the RBA may adopt a more hawkish stance, offering additional near-term support for the AUD.

• Short-term forecasts place AUD/USD in the 0.6866–0.7005 range this week, implying a steady-to-firm performance as policy divergence between a potentially hawkish RBA and a dovish Federal Reserve remains a central driver of direction.

• AUD/USD is likely to trade with an upward bias as long as U.S. yields remain under pressure and domestic Australian data does not disappoint. A stronger-than-expected CPI reading or continued labour-market resilience could push the pair toward the upper end of the projected range, while softer-than-expected inflation data may cap gains and trigger modest pullbacks.

Lower Bound	0.6750	Upper Bound	0.7000
Forecast	Neutral		

Performance

Last Week Close	0.6680	USD/AUD	**Monthly High**	0.6940	USD/AUD
Week Open	0.6686	USD/AUD	**Monthly Low**	0.6664	USD/AUD
Week Close	0.6893	USD/AUD	**30 Days Average**	0.6520	USD/AUD
Weekly High	0.6898	USD/AUD	**90 Days Average**	0.6530	USD/AUD
Weekly Low	0.6665	USD/AUD	**YTD Change**	+3.55%	

Impact Events

Events	Period	Date	Forecast	Previous
CPI QQ	Q4	28-Jan	0.6%	1.3%
CPI YY	Q4	28-Jan	3.6%	3.2%
CPI MM	Dec	28-Jan	0.70%	0.00%
CPI YY	Dec	28-Jan	3.55%	3.40%
Trimmed Mean CPI MM SA	Dec	28-Jan	0.20%	0.30%
Trimmed Mean CPI YY SA	Dec	28-Jan	3.20%	3.2%

Japanese Yen

Currency Pulse

Quick Take

• USD/JPY stabilized around the 158.00 level, as Prime Minister Takaichi's call for snap elections on February 8 and her proposal to suspend the 8% food sales tax heightened concerns over Japan's already fragile fiscal position.

• The yen later weakened as the U.S. dollar rebounded following easing geopolitical tensions over Greenland, shifting market attention toward the upcoming Bank of Japan meeting. The BOJ is widely expected to keep rates unchanged at 0.75%, making Governor Ueda's forward guidance crucial for near-term yen direction.

• Mild yen support re-emerged near 158.00, driven by speculation of potential FX intervention and expectations that the BOJ could deliver a more hawkish tone. However, concerns over Japan's deteriorating fiscal trajectory continued to cap the currency's upside.

• Toward the end of the week, the yen posted modest gains, with USD/JPY holding near 158.50 after Japan's latest inflation data. Markets now look ahead to today's BOJ policy decision and Ueda's press conference, with expectations centered on a rate hold at 0.75% accompanied by firm, hawkish messaging.

Performance

Last Week Close	158.09	JPY/USD	**Monthly High**	159.45	JPY/USD
Week Open	157.85	JPY/USD	**Monthly Low**	153.31	JPY/USD
Week Close	155.71	JPY/USD	**30 Days Average**	149.75	JPY/USD
Weekly High	159.22	JPY/USD	**90 Days Average**	149.75	JPY/USD
Weekly Low	155.62	JPY/USD	**YTD Change**	-1.14%	

Outlook

• The yen remains highly sensitive to Bank of Japan policy after the BOJ left its policy rate unchanged at 0.75%, a decision that contributed to earlier yen weakness as markets reassessed the pace of future tightening.

• Recent government signals of possible FX intervention triggered a sharp yen rebound in late-week trading, reminding markets that authorities remain vigilant against rapid depreciation. This intervention risk may keep traders cautious about pushing USD/JPY significantly higher in the near term.

• Broader risk sentiment continues to guide yen flows, with geopolitical tensions and global uncertainty supporting safe-haven demand at times—particularly during periods of risk-off moves.

• With continued U.S. dollar softness ahead of the Fed meeting, the yen may find additional support; however, price action is likely to remain two-way and volatile, influenced by shifting rate expectations and the possibility of official intervention.

Lower Bound	**153.00**	**Upper Bound**	**155.00**
Forecast	Appreciation		

Impact Events

Events	Period	Date	Forecast	Previous
Leading Indicator Revised	Nov	26-Jan		0.7
Service PPI	Dec	27-Jan		2.70%
CPI Tokyo Ex fresh food YY	Jan	30-Jan	2.2%	2.3%
CPI, Overall Tokyo	Jan	30-Jan		2.0%
Jobs/Applicants Ratio	Dec	30-Jan	1.18	1.18
Unemployment Rate	Dec	30-Jan	2.6%	2.6%
Industrial O/P Prelim MM SA	Dec	30-Jan	-0.4%	-2.7%
Large Scale Retail Sales YY	Dec	30-Jan		5%

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