

WEEKLY FOREIGN EXCHANGE OUTLOOK
03 Feb 2020 - 07 Feb 2020

Dollar Index
Dollar Index Graph

Dollar News

- The dollar strengthened as investors focused on the economic fallout from a new coronavirus in China.
- The Federal Reserve held its interest rates steady at 1.50-1.75% as widely expected.
- Fed Chair Jerome Powell pointing to continued moderate economic growth and a "strong" job market, and giving no sign of any imminent changes in borrowing costs.
- US GDP Q4 increased at 2.1% qoq while the U.S. economy grew 2.3% in 2019, missed the Trump administration's 3% growth target for a second straight year.

Dollar Index Performance

| | | | |
|------------------------|--------------|------------------------|--------------|
| Last Week Close | 97.85 | Monthly High | 98.19 |
| Week Open | 97.88 | Monthly Low | 96.36 |
| Week Close | 97.35 | 30 Days Average | 97.38 |
| Weekly High | 98.19 | 90 Days Average | 97.76 |
| Weekly Low | 97.35 | YTD Change | 1.16% |

Dollar Outlook

- Weak U.S. data ends the dollar's safe-haven demand from worries about economic fallout of the coronavirus outbreak in China.
- This week, the ISM Manufacturing PMI and U.S. Nonfarm Payrolls are in focus.

Dollar Index Economic Events

| Events | Period | Date | Forecast | Previous |
|------------------------|------------|-------|----------|----------|
| Markit Mfg PMI Final | Jan | 3-Feb | | 51.7 |
| ISM Manufacturing PMI | Jan | 3-Feb | 48.5 | 47.2 |
| Factory Orders MM | Dec | 4-Feb | 1.2% | -0.7% |
| Markit Comp Final PMI | Jan | 5-Feb | | 53.1 |
| Markit Svcs PMI Final | Jan | 5-Feb | | 53.2 |
| ISM N-Mfg PMI | Jan | 5-Feb | 55.1 | 55.0 |
| Initial Jobless Claims | 1 Feb, w/e | 6-Feb | 215k | 216k |
| Non-Farm Payrolls | Jan | 7-Feb | 161k | 145k |
| Unemployment Rate | Jan | 7-Feb | 3.5% | 3.5% |
| Average Earnings YY | Jan | 7-Feb | 3.0% | 2.9% |

| | | | |
|--------------------|----------------|--------------------|--------------|
| Lower Bound | 96.80 | Upper Bound | 98.80 |
| Forecast | Neutral | | |

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht News

- The baht depreciated as concern over the corona virus has been impacted on tourism and also economy of the country.
- Thailand's manufacturing production index (MPI) drop 4.35% from a year earlier but better than a forecast for a 7.2% drop.
- Thailand's finance ministry cut its 2020 economic growth forecast to 2.8% from 3.3% projected and also slashed its estimate for 2020 exports to a rise of just 1% from an earlier 2.6% increase.

Thai Baht Performance

| | | | |
|------------------------|----------------------|------------------------|----------------------|
| Last Week Close | 30.59 THB/USD | Monthly High | 31.26 THB/USD |
| Week Open | 30.62 THB/USD | Monthly Low | 31.15 THB/USD |
| Week Close | 31.15 THB/USD | 30 Days Average | 30.39 THB/USD |
| Weekly High | 31.27 THB/USD | 90 Days Average | 30.34 THB/USD |
| Weekly Low | 30.57 THB/USD | YTD Change | 4.31% |

Thai Baht Outlook

- The baht might still in depreciated trend after concern over the corona virus has been impacted on tourism and also economy of the country.
- The Tourism Authority of Thailand expects the number of Chinese tourists to fall by 2 million to 9 million this year due to the coronavirus outbreak in China.
- This week, the market will focus on Bank of Thailand Policy rate meeting on Wednesday (5/2).

Thai Baht Economic Events

| Events | Period | Date | Forecast | Previous |
|-------------------------|-------------|-------|----------|----------|
| Manufacturing PMI SA | Jan | 3-Feb | | 50.1 |
| 1-Day Repo Rate | 5 Feb | 5-Feb | | 1.25% |
| CPI Headline Inflation | Jan | 6-Feb | | 0.87% |
| CPI Core Inflation YY | Jan | 6-Feb | | 0.49% |
| Consumer Confidence Idx | Jan | 6-Feb | | 68.3 |
| Forex Reserves | 27 Jan, w/€ | 7-Feb | | 229.5B |
| Currency Swaps | 27 Jan, w/€ | 7-Feb | | 33.8B |

| | | | |
|--------------------|---------------------|--------------------|--------------|
| Lower Bound | 30.90 | Upper Bound | 31.35 |
| Forecast | Depreciation | | |

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The European Central Bank should give more weight to housing costs in the way inflation is measured in the euro zone.
- ECB welcomes ratification of agreement on orderly UK withdrawal from European Union.
- This week, the Italian French German and Eurozone Manufacturing PMI are in focus.

| | | | |
|--------------------|----------------|--------------------|---------------|
| Lower Bound | 1.0900 | Upper Bound | 1.1150 |
| Forecast | Neutral | | |

Euro News

- The euro erased its earlier gains against the dollar after the Ifo institute said that German business morale deteriorated unexpectedly in January.
- The eurozone GDP expands 0.1% qoq in Q4, below market expectation at 0.2%

Euro Index Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.1023 USD/EUR | Monthly High | 1.1095 USD/EUR |
| Week Open | 1.1019 USD/EUR | Monthly Low | 1.1081 USD/EUR |
| Week Close | 1.1093 USD/EUR | 30 Days Average | 1.1116 USD/EUR |
| Weekly High | 1.1096 USD/EUR | 90 Days Average | 1.1079 USD/EUR |
| Weekly Low | 1.0990 USD/EUR | YTD Change | -1.16% |

Dollar Index Economic Events

| Events | Period | Date | Forecast | Previous |
|-----------------------|--------|-------|----------|----------|
| Markit/IHS Mfg PMI | Jan | 3-Feb | 47.5 | 46.2 |
| Markit Mfg PMI | Jan | 3-Feb | 51.0 | 51.0 |
| Markit Mfg Final PMI | Jan | 3-Feb | 47.8 | 47.8 |
| Markit Serv PMI | Jan | 5-Feb | 51.7 | 51.7 |
| Markit Comp PMI | Jan | 5-Feb | 51.5 | 51.5 |
| Markit Services PMI | Jan | 5-Feb | 54.2 | 54.2 |
| Markit Comp Final PMI | Jan | 5-Feb | 51.1 | 51.1 |
| Markit Serv Final PMI | Jan | 5-Feb | 52.2 | 52.2 |
| Markit Comp Final PMI | Jan | 5-Feb | 50.9 | 50.9 |
| Industrial Orders MM | Dec | 6-Feb | 0.6% | -1.3% |

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 **Pound Sterling**

Pound Sterling Graph



Pound Sterling News

- The pound sterling gained against the U.S. dollar after the Bank of England held its interest rates unchanged at 0.75% but downgrades growth forecasts.
- The United Kingdom finally cast off from the European Union on Friday (31/1) for an uncertain future.

Pound Sterling Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 1.3076 USD/GBP | Monthly High | 1.3214 USD/GBP |
| Week Open | 1.3073 USD/GBP | Monthly Low | 1.3157 USD/GBP |
| Week Close | 1.3199 USD/GBP | 30 Days Average | 1.3075 USD/GBP |
| Weekly High | 1.3208 USD/GBP | 90 Days Average | 1.2926 USD/GBP |
| Weekly Low | 1.2974 USD/GBP | YTD Change | -0.78% |

Pound Sterling Outlook

- Analysts expect the pound sterling's strength to be limited. More positive data on an economic rebound is needed before the currency could move much higher.
- An uncertainty over future UK-EU trade deal will weigh on business investment and hiring.
- This week, the U.K. Final Manufacturing PMI and Final Services PMI are in focus.

Pound Sterling Economic Events

| Events | Period | Date | Forecast | Previous |
|----------------------------|--------|-------|----------|----------|
| Markit/CIPS Mfg PMI Final | Jan | 3-Feb | 49.8 | 49.8 |
| Markit/CIPS Cons PMI | Jan | 4-Feb | 46.0 | 44.4 |
| Markit/CIPS Serv PMI Final | Jan | 5-Feb | 52.9 | 52.9 |
| Halifax House Prices MM | Jan | 7-Feb | | 1.7% |

| | | | |
|--------------------|----------------|--------------------|---------------|
| Lower Bound | 1.2980 | Upper Bound | 1.3280 |
| Forecast | Neutral | | |

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 Australian Dollar

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar News

- The Australian dollars dropped to three-month lows as concern over the spread of China's corona virus outbreak sapped risk appetite.
- The Aussie has lost 3.9% so far this month, the second worst performing currency in the G10.
- Australia's CPI rose 0.7% qoq in Q4 better than the market forecast at 0.6%

Australian Dollar Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 0.6828 USD/AUD | Monthly High | 0.6705 USD/AUD |
| Week Open | 0.6816 USD/AUD | Monthly Low | 0.6682 USD/AUD |
| Week Close | 0.6691 USD/AUD | 30 Days Average | 0.6830 USD/AUD |
| Weekly High | 0.6828 USD/AUD | 90 Days Average | 0.6802 USD/AUD |
| Weekly Low | 0.6680 USD/AUD | YTD Change | -4.77% |

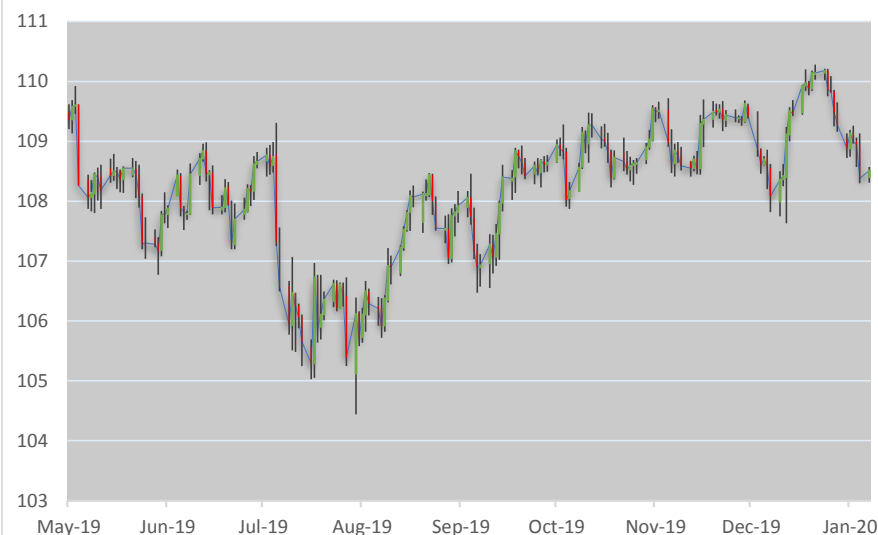
Australian Dollar Outlook

- All Chinese-linked currency will be continuously pressured this week after the widening spread of the Wuhan coronavirus.
- The Reserve Bank of Australia (RBA) will meeting on Feb. 4 where it is widely expected to stay pat on rates.
- Worries about a marked growth slowdown in Australia from the coronavirus and a prolonged bushfire season at home have led investors to bet the country's central bank will lower interest rates further.
- This week, the Australia retail sales and Trade balance (6/2) are in focus.

| | | | |
|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 0.6600 | Upper Bound | 0.6800 |
| Forecast | Depreciation | | |

Australian Dollar Economic Events

| Events | Period | Date | Forecast | Previous |
|-------------------------|--------|-------|----------|----------|
| Building Approvals | Dec | 3-Feb | -3.0% | 11.8% |
| RBA Cash Rate | Feb | 4-Feb | 0.75% | 0.75% |
| Retail Sales MM | Dec | 6-Feb | -0.2% | 0.9% |
| Retail Trade | Q4 | 6-Feb | 0.3% | -0.1% |
| Trade Balance G&S (A\$) | Dec | 6-Feb | 5,950M | 5,800M |


Japanese Yen
Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The yen will benefit from the risk aversion as illness spreads.
- This week, the market will focus on the release of Japan Service PMI on Wednesday (5/2) and Japan household spending on Friday (7/2).

| | | | |
|--------------------|---------------------|--------------------|---------------|
| Lower Bound | 107.80 | Upper Bound | 109.70 |
| Forecast | Appreciation | | |

Japanese Yen News

- Japan's currency, often sought as a safe-haven in times of uncertainty, rose to the highest in almost three weeks versus the dollar as worries that China is struggling to contain the spread of a pneumonia-like virus sparked about of risk aversion.
- Japan core CPI rose 0.7% in January from a year earlier.
- Japan's factory output fell 4.0% at the fastest pace in Q4/2019
- Japan retail sales fell 2.6% in December from a year earlier, down for a third straight month and compared with a 1.8% decline expected.

Japanese Yen Performance

| | | | |
|------------------------|-----------------------|------------------------|-----------------------|
| Last Week Close | 109.27 JPY/USD | Monthly High | 108.57 JPY/USD |
| Week Open | 109.04 JPY/USD | Monthly Low | 108.32 JPY/USD |
| Week Close | 108.38 JPY/USD | 30 Days Average | 107.77 JPY/USD |
| Weekly High | 109.26 JPY/USD | 90 Days Average | 107.43 JPY/USD |
| Weekly Low | 108.30 JPY/USD | YTD Change | -0.32% |

Japanese Yen Economic Events

| Events | Period | Date | Forecast | Previous |
|---------------------------|--------|--------|----------|----------|
| Jibun Bank Mfg PMI | Jan | 3-Feb | | 49.3 |
| Services PMI | Jan | 5-Feb | | 49.4 |
| All Household Spending YY | Dec | 7-Feb | -1.7% | -2.0% |
| All Household Spending MM | Dec | 7-Feb | 0.2% | 2.6% |
| Current Account NSA JPY | Dec | 10-Feb | | 1,436.8B |

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