

WEEKLY FOREIGN EXCHANGE OUTLOOK

16 Aug 2021 - 20 Aug 2021

 **Dollar Index**

Dollar Index Graph

Dollar News



Source: Thomson Reuters

- The dollar gained VS the board as US 10-year Treasury yields rose to 1.3% after a better-than-expected US jobs report increased expectations that the Federal Reserve may begin tapering its bond-buying program (known as Quantitative Easing, or QE) later this year, while investors shrugged off concerns over Delta variant impacting an economic recovery.
- The dollar traded higher after comments by regional Fed presidents of Atlanta and Boston strengthened bets the US central bank would kick off tapering by year-end or even sooner.
- The dollar initially traded lower as signs of cooling US inflation relieved the pressure on the Federal Reserve to start reining in its massive bond-buying program.

Dollar Index Performance

Last Week Close	92.80	Monthly High	93.19
Week Open	92.78	Monthly Low	91.78
Week Close	92.47	30 Days Average	92.55
Weekly High	93.19	90 Days Average	91.45
Weekly Low	92.47	YTD Change	+2.84%

Dollar Outlook

- Driving the former has been Fed communication and Wednesday sees the release of the minutes of the 28 July FOMC meeting. Recall the statement released at that time noted that the economy ‘has made progress’ towards its employment and price stability goals. Presumably the minutes should shed light on how much progress has been made and when the Fed will be in a position to formally announce the tapering of its asset purchases – still running at \$120bn per month.
- In addition to the FOMC minutes, we’ll also get to see July US retail sales, Industrial Production and Housing Starts.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM	Jul	17-Aug	-0.2%	0.6%
Industrial Production MM	Jul	17-Aug	0.5%	0.4%
Housing Starts Number	Jul	18-Aug	1.602M	1.643M
Initial Jobless Clm	14 Aug, w/	19-Aug	360k	375k
Philly Fed Business Indx	Aug	19-Aug	25.0	21.9
Markit Comp Flash PMI	Aug	23-Aug		59.9
Markit Mfg PMI Flash	Aug	23-Aug		63.4
Markit Svcs PMI Flash	Aug	23-Aug		59.9
Existing Home Sales	Jul	23-Aug	5.85M	5.86M

Lower Bound	92.00	Upper Bound	93.30
Forecast	Appreciation		

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Thai Baht
Thai Baht Graph
Thai Baht News


Source: Thomson Reuters

- The baht was weaker against the strong dollar on impressive US jobs data as a rising number of new Covid-19 case in the country kept investors cautious and weighed down the baht's sentiment.
- At the mid of the week, the baht gained on profit-taking as well as fund inflows, also seen in other emerging markets, redirected from China as recent regulatory crackdowns have spooked markets.

Thai Baht Performance

Last Week Close	33.36 THB/USD	Monthly High	33.49 THB/USD
Week Open	33.41 THB/USD	Monthly Low	32.86 THB/USD
Week Close	33.34 THB/USD	30 Days Average	32.84 THB/USD
Weekly High	33.47 THB/USD	90 Days Average	31.85 THB/USD
Weekly Low	33.11 THB/USD	YTD Change	+11.39%

Thai Baht Outlook
Thai Baht Economic Events

- Investors keep an eyes on the Covid-19 pandemic situation in country which still created a downside risk for the baht.
- Moreover, the overall economy also has a pressure due to low private consumption which was greatly affected this year and foreign tourist figures which were expected to be significantly lower next year. The labor market would be more fragile, particularly the services sector and the self-employed.

Events	Period	Date	Forecast	Previous
GDP Growth YY	Q2	16-Aug	6.4%	-2.6%
GDP Growth QQ SA	Q2	16-Aug	-1.4%	0.2%
Manufacturing Prod YY	Jul	23-Aug		17.58%

Lower Bound	33.00	Upper Bound	33.50
Forecast	Depreciation		

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Euro

Euro Graph

Euro News



- The euro fell after Euro zone investor morale dropped to 3-month low due to concerns over new lockdown restrictions could loom in the autumn onwards. Moreover, a gain in the dollar eased demand for the single currencies.
- The euro dropped amid the underlying strong bullish sentiment surrounding the dollar and was further weighed down by dismal data i.e. both Eurozone and German ZEW Economic Sentiment Index dropped below consensus forecast.

Source: Thomson Reuters

Euro Outlook

- Europe has done well with its vaccination roll-out and suggests its economy may be better able to resist the rising Delta variant numbers.
- In terms of data this week, we'll get to see the first revision of the Eurozone 2Q GDP figure, provisionally at a strong 2.0% QoQ and also some final July CPI readings.

Euro Index Performance			
Last Week Close	1.1760 USD/EUR	Monthly High	1.1899 USD/EUR
Week Open	1.1760 USD/EUR	Monthly Low	1.1707 USD/EUR
Week Close	1.1791 USD/EUR	30 Days Average	1.1815 USD/EUR
Weekly High	1.1804 USD/EUR	90 Days Average	1.1981 USD/EUR
Weekly Low	1.1704 USD/EUR	YTD Change	-3.41%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Reserve Assets Total	Jul	16-Aug		869.05B
GDP Flash Estimate QQ	Q2	17-Aug	2.0%	2.0%
GDP Flash Estimate YY	Q2	17-Aug	13.7%	13.7%
HICP Final MM	Jul	18-Aug	-0.1%	0.3%
HICP Final YY	Jul	18-Aug	2.2%	2.2%
Markit Mfg Flash PMI	Aug	23-Aug		62.8
Markit Serv Flash PMI	Aug	23-Aug		59.8
Markit Comp Flash PMI	Aug	23-Aug		60.2
Consumer Confid. Flash	Aug	23-Aug		-4.4

Lower Bound	1.1700	Upper Bound	1.1900
Forecast	Depreciation		

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Pound Sterling

Pound Sterling Graph



Source: Thomson Reuters

- The pound sterling dropped against the strong dollar as investors focused in the possible pace of tightening BOE monetary policy after Covid-19 cases in the UK dropped in the recent weeks.
- The pound sterling traded in a limited range despite UK GDP growing 4.8% in the second quarter, a sharp increase on the quarter after the first quarter's 1.6% drop as it is likely to invigorate discussions about fewer asset purchases from the BOE.

Pound Sterling Performance

Last Week Close	1.3871 USD/GBP	Monthly High	1.3957 USD/GBP
Week Open	1.3878 USD/GBP	Monthly Low	1.3792 USD/GBP
Week Close	1.3863 USD/GBP	30 Days Average	1.3831 USD/GBP
Weekly High	1.3894 USD/GBP	90 Days Average	1.3940 USD/GBP
Weekly Low	1.3789 USD/GBP	YTD Change	+1.38%

Pound Sterling Outlook

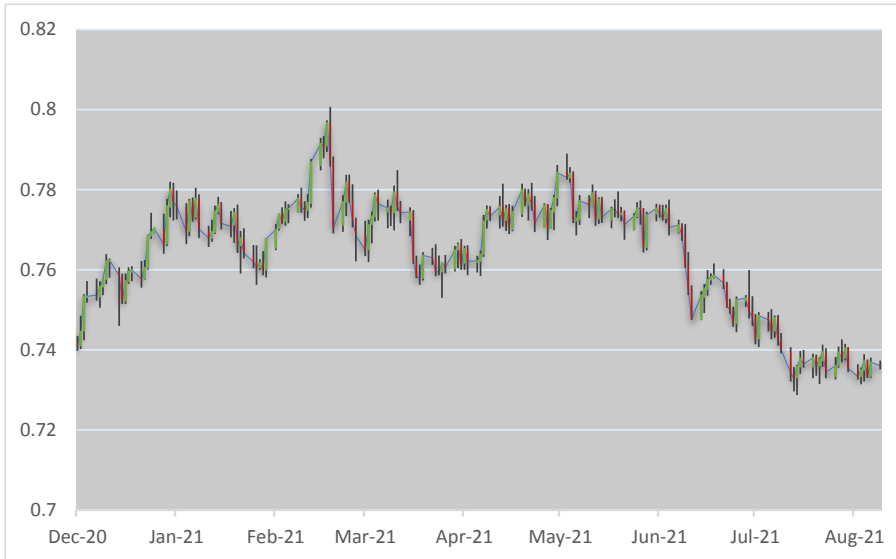
- Markets will look for more clarity in next week's busy data calendar. July's jobs data on Tuesday may see a tick lower in the unemployment rate as the re-opening has likely led to a rise in job adverts. Inflation data on Wednesday may see the headline CPI YoY tick lower mostly due to a base effect. Finally, retail sales may have declined modestly in July as the Delta-variant impact may start to be felt.

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Jul	17-Aug		-114.8k
ILO Unemployment Rate	Jun	17-Aug	4.8%	4.8%
CPI YY	Jul	18-Aug	2.3%	2.5%
Retail Sales MM	Jul	20-Aug	0.5%	0.5%
Retail Sales Ex-Fuel MM	Jul	20-Aug	0.3%	0.3%
Retail Sales YY	Jul	20-Aug	6.4%	9.7%
Flash Composite PMI	Aug	23-Aug		59.2
Flash Manufacturing PMI	Aug	23-Aug		60.4
Flash Services PMI	Aug	23-Aug		59.6

Lower Bound	1.3800	Upper Bound	1.1400
Forecast	Neutral		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Along with a worsening sentiment in Asia and in China in particular (to which AUD has a high beta), Australia is facing its worse Covid-19 crisis so far, with major cities having to enter or extend lockdowns. The fact that only 16% of the population in Australia has been fully vaccinated argues against a quick resolution to the current epidemic crisis.
- On the domestic side, along with the RBA minutes on Tuesday, we'll see July jobs data on Thursday. Any signs of a less dovish RBA in the minutes or another marginal drop in unemployment may give little help to AUD as they would both be seen as outdated considering the material worsening of the Covid-19 situation in Australia in August.

Lower Bound	0.7300	Upper Bound	0.7450
Forecast	Depreciation		

Australian Dollar News

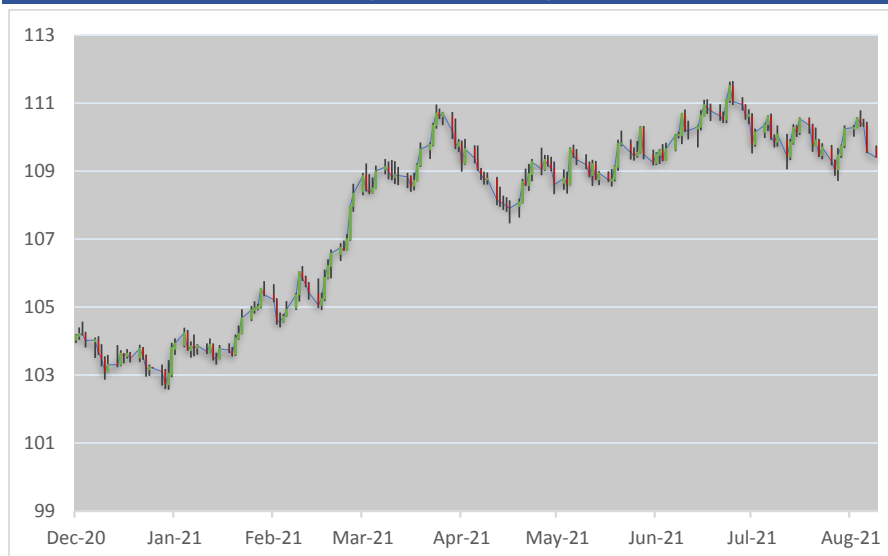
- The Aussie pair's latest corrective pullback could be traced to the upbeat China inflation data and qualitative headlines. However, the broad US dollar strength keeps the pair bears hopeful. China's headline Consumer Price Index (CPI) MoM rose past +0.2% market consensus and -0.4% prior to +0.3% in July whereas the Producer Price Index (PPI) crossed 8.8% YoY forecast and prior level to 9.0%.
- The Aussie pair recovered the previous day amid the market's optimism following the US Senate's passage of the infrastructures spending plan. However, following chatters over the US budget and virus jitters from Australia challenged the quote before the latest corrective pullback.

Australian Dollar Performance

Last Week Close	0.7353 USD/AUD	Monthly High	0.7426 USD/AUD
Week Open	0.7350 USD/AUD	Monthly Low	0.7317 USD/AUD
Week Close	0.7369 USD/AUD	30 Days Average	0.7701 USD/AUD
Weekly High	0.7389 USD/AUD	90 Days Average	0.7719 USD/AUD
Weekly Low	0.7314 USD/AUD	YTD Change	-4.43%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Wage Price Index QQ	Q2	18-Aug	0.6%	0.6%
Wage Price Index YY	Q2	18-Aug	1.9%	1.5%
Employment	Jul	19-Aug	-45.0k	29.1k
Unemployment Rate	Jul	19-Aug	5.0%	4.9%
Mfg PMI Flash	Aug	23-Aug		56.9
Services PMI Flash	Aug	23-Aug		44.2
Comp PMI Flash	Aug	23-Aug		45.2


Japanese Yen
Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The JPY's best chance of a rally is probably on the back of an asset market correction. Asia somehow reaching a tipping point with the Delta variant such that Western equities finally react could be one of the catalysts.

Lower Bound	109.00	Upper Bound	111.50
Forecast	Appreciation		

Japanese Yen News

- The yen depreciated after the dollar gained on strong US jobs data. Meanwhile, a resurgent pandemic kept investors cautious.
- At the mid of the week, the yen continuingly fell against the greenback gain on prospects for early tapering by the Fed underpinned the dollar and remained supportive.

Japanese Yen Performance

Last Week Close	110.25 JPY/USD	Monthly High	110.79 JPY/USD
Week Open	110.25 JPY/USD	Monthly Low	108.73 JPY/USD
Week Close	109.57 JPY/USD	30 Days Average	109.14 JPY/USD
Weekly High	110.79 JPY/USD	90 Days Average	106.63 JPY/USD
Weekly Low	109.53 JPY/USD	YTD Change	+6.03%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
GDP QQ	Q2	16-Aug	0.2%	-1.0%
GDP QQ Annualised	Q2	16-Aug	0.7%	-3.9%
GDP QQ Pvt Consmp Prelim	Q2	16-Aug	-0.1%	-1.5%
GDP QQ Capital Expend.	Q2	16-Aug	1.7%	-1.2%
GDP QQ External Demand	Q2	16-Aug	-0.1%	-0.2%
Machinery Orders MM	Jun	18-Aug	-2.8%	7.8%
Machinery Orders YY	Jun	18-Aug	15.8%	12.2%
Exports YY	Jul	18-Aug	39.0%	48.6%
Imports YY	Jul	18-Aug	35.1%	32.7%
Trade Balance Total Yen	Jul	18-Aug	202.3B	384.0B

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