

WEEKLY FOREIGN EXCHANGE OUTLOOK
13 Dec 2021 - 17 Dec 2021

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The US dollar steps back as investors stay hopeful that the Omicron coronavirus variant may be less disruptive for the global economy than initially feared.
- The Dollar Index finished the week above the 96.00 figure for the second week in a row and through the last couple of weeks, price action consolidated around the 95.50-96.50 range, forming an ascending triangle in an uptrend.
- The key event this week will be the FOMC meeting, taking place from Dec 14 to 15, for more clues to an asset tapering and interest rate hike timetable. According to analysts, the Fed expected to announce a faster QE tapering while they don't see rate hikes until 2023.

Lower Bound	95.50	Upper Bound	96.81
Forecast	Neutral		

Dollar News

- The greenback gained across the board on Monday(6/12) as mixed Friday's US employment data did little to the market and US dollar ended the week above the 96.00 threshold.
- The dollar index was slightly down during mid-week despite the Federal Reserve Chair Jerome Powell's hawkish stance. Consequently, US treasuries fell, causing two-year yields to reach their highest level since March 2020.
- In terms of data, the US trade deficit shrank which posted a deficit of \$83.2 billion, while third-quarter productivity fell, resulted at -5.2%, with Unit Labor Costs for the same period improved to 9.6%. Moreover, US inflation rose to 6.8% on a yearly basis in November from 6.2% in October, the US Bureau of Labor Statistics reported on Friday(10/12).
- US inflation rate rose 6.8% in 2021, the highest increase since 1982

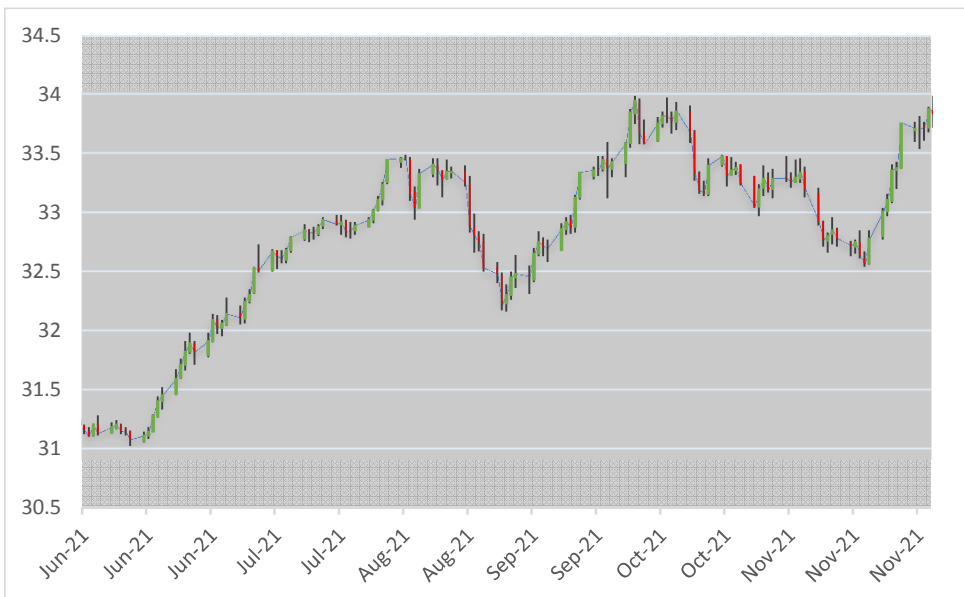
Dollar Index Performance

Last Week Close	96.12	Monthly High	96.94
Week Open	96.15	Monthly Low	93.82
Week Close	95.98	30 Days Average	95.60
Weekly High	96.59	90 Days Average	94.08
Weekly Low	95.85	YTD Change	+6.90%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM	Nov	15-Dec	1.0%	1.7%
Fed Funds Tgt Rate	15 Dec	16-Dec		0-0.25
Housing Starts Number	Nov	16-Dec	1.572M	1.520M
Initial Jobless Clm	6 Dec, w/e	16-Dec		
Industrial Production MM	Nov	16-Dec	0.7%	1.6%
Markit Mfg PMI Flash	Dec	16-Dec		58.3
Markit Svcs PMI Flash	Dec	16-Dec		58.0
Markit Comp Flash PMI	Dec	16-Dec		57.2

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The baht consolidates recent gains as US CPI came in as expected to its highest level since 1982.
- Markets are keeping an eye on Fed's meeting with market participants await faster taper and pick up signs of when it may start to raise rates in 2022.
- The baht is under pressure on uncertainty over the new Omicron variant combined with concerns over the implications of the Fed's tapering.

Lower Bound	33.28	Upper Bound	33.98
Forecast	Appreciation		

Thai Baht News

- Thai baht gained against the dollar on profit-taking after Asian stocks staged a recovery as risk appetite improved from reports in South Africa earlier in the week saying that Omicron cases had only shown mild symptoms.
- Government spokesman said Thailand is on course to achieve economic growth of around 1.2% this year, adding the economy is likely to grow by 3.5-4% next year.
- Bank of Thailand governor said Thailand's economy could return to levels logged before the pandemic in the first quarter of 2023, added the recovery will be slow and uneven across business sectors.

Thai Baht Performance

Last Week Close	33.84 THB/USD	Monthly High	33.99 THB/USD
Week Open	33.86 THB/USD	Monthly Low	33.37 THB/USD
Week Close	33.62 THB/USD	30 Days Average	33.25 THB/USD
Weekly High	33.91 THB/USD	90 Days Average	33.21 THB/USD
Weekly Low	33.36 THB/USD	YTD Change	+11.72%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Forex Reserves	6 Dec, w/e	17-Dec		
Currency Swaps	6 Dec, w/e	17-Dec		

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The euro remaining under downward pressure and still hurt by expectations that the U.S. Federal Reserve will tighten policy more quickly than the dovish European Central Bank.

- EUR/USD is set to retest the pre-Omicron low of 1.1186 helped by an ECB policy announcement that will reinforce the more dovish stance of the ECB relative to the Fed and other G10 central banks.

- In the calendar's ahead, EU industrial production will due on Dec14 and investors will also look ahead to the ECB meeting, manufacturing/ services PMI. taking place on Dec16.

Lower Bound	1.1206	Upper Bound	1.1378
Forecast	Depreciation		

Euro News

-The euro was attempting to correct higher but was facing pressure from the bears as ECB President Christine Lagarde has consistently taken the view that surging consumer prices will be temporary, and thus the European Central Bank should stick with its ultra-supportive stance.

- EU data failed to impress, as the EU Q3 Gross Domestic Product was confirmed at 2.2% QoQ, while Germany Industrial Production contracted 0.6% YoY, much worse than the 8.8% advance expected. Additionally, the German ZEW Survey on Economic Sentiment improved in the country to 29.9 in December and to 26.8 for the EU, although the assessment of the current situation plummeted to -7.4 vs the 5 anticipated by markets.

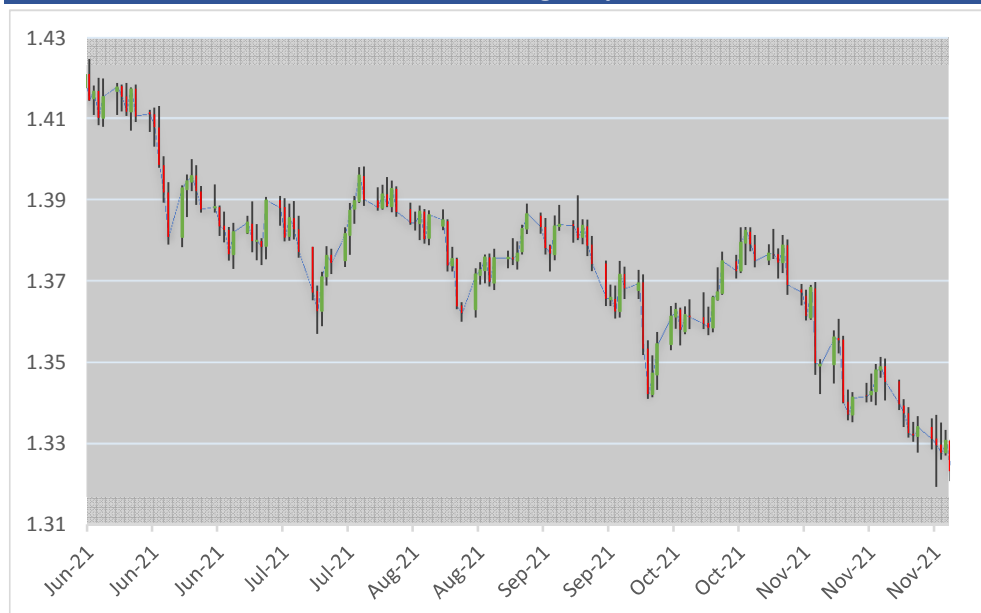
Euro Index Performance

Last Week Close	1.1313 USD/EUR	Monthly High	1.1359 USD/EUR
Week Open	1.1319 USD/EUR	Monthly Low	1.1229 USD/EUR
Week Close	1.1311 USD/EUR	30 Days Average	1.1379 USD/EUR
Weekly High	1.1354 USD/EUR	90 Days Average	1.1591 USD/EUR
Weekly Low	1.1226 USD/EUR	YTD Change	-7.50%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg Flash PMI	Dec	16-Dec		57.4
Markit Service Flash PMI	Dec	16-Dec		52.7
Markit Comp Flash PMI	Dec	16-Dec		52.2
Markit Mfg Flash PMI	Dec	16-Dec		58.4
Markit Serv Flash PMI	Dec	16-Dec		55.9
Markit Comp Flash PMI	Dec	16-Dec		55.4
ECB Refinancing Rate	Dec	16-Dec		0.00%
ECB Deposit Rate	Dec	16-Dec		-0.50%
Ifo Business Climate New	Dec	17-Dec		96.5
HICP Final YY	Nov	17-Dec		4.9%

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The GBP/USD pair has now moving well within the striking distance of the 1.3200 mark. A convincing break below the latter will be seen as a fresh trigger for bearish traders and set the stage for additional losses amid persistent Brexit-related uncertainties.

- Markets are looking to the Bank of England which is now expected to hold off again this week on becoming the world's first big central bank to raise interest rates from their pandemic lows, triggering the sterling a fall toward 1.31

Lower Bound	1.3156	Upper Bound	1.3491
Forecast	Depreciation		

Pound Sterling News

- The sterling was consolidating its bounce around 1.3250 as bulls remain cautious amid rising Omicron cases in the UK.
- Speech by MPC's Michael Saunders, one of two members of the nine-strong Monetary Policy Committee who voted to raise the Bank Rate to 0.25% in November, said there "could be particular advantages in waiting to see more evidence" of Omicron's impact.

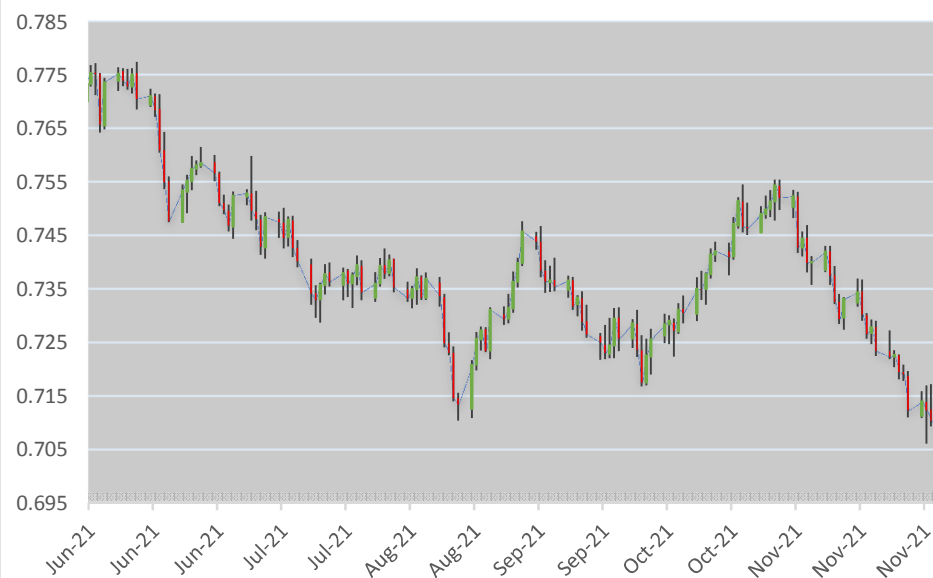
Pound Sterling Performance

Last Week Close	1.3231 USD/GBP	Monthly High	1.3351 USD/GBP
Week Open	1.3240 USD/GBP	Monthly Low	1.3168 USD/GBP
Week Close	1.3269 USD/GBP	30 Days Average	1.3386 USD/GBP
Weekly High	1.3289 USD/GBP	90 Days Average	1.3612 USD/GBP
Weekly Low	1.3165 USD/GBP	YTD Change	-3.07%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Nov	14-Dec		-14.9k
ILO Unemployment Rate	Oct	14-Dec		4.3%
CPI YY	Nov	15-Dec		4.2%
Flash Composite PMI	Dec	16-Dec		57.6
Flash Manufacturing PMI	Dec	16-Dec		58.1
Flash Services PMI	Dec	16-Dec		58.5
BOE Bank Rate	Dec	16-Dec		0.10%
GB BOE QE Corp	Dec	16-Dec		20B

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Aussie pair's consolidating under a new two-week high but bears may soon return as overheated US inflation hints at a tighter monetary policy stance.
- The hawkish Fed expectations would result in a stronger US dollar and widen divergence between two central banks' policies suggests that the AUD/USD pair's recent recovery from the YTD low has run out of steam.
- Among Australian macroeconomic data, the focus will be on December consumer inflation expectations and the November employment report, to be published on Thursday(16/12)

Lower Bound	0.7050	Upper Bound	0.7250
Forecast	Neutral		

Australian Dollar News

- AUD/USD rebounded from yearly bottom amid a broad surge in risk appetite as market concerns surrounding the impacts of the Omicron variant on the broader global economic recovery have faded last week.
- The RBA policy updates offered little to disrupt the broader trend. Policymakers held interest rates at 0.1% as expected, maintaining the QE program into February 2022 while holding onto their commitment to lower interest rates through 2023.
- The Aussie also got a boost from the release of strong November trade figures out of China during Tuesday(7/12) with Chinese authorities signal intent to provide support to the economy in 2022.

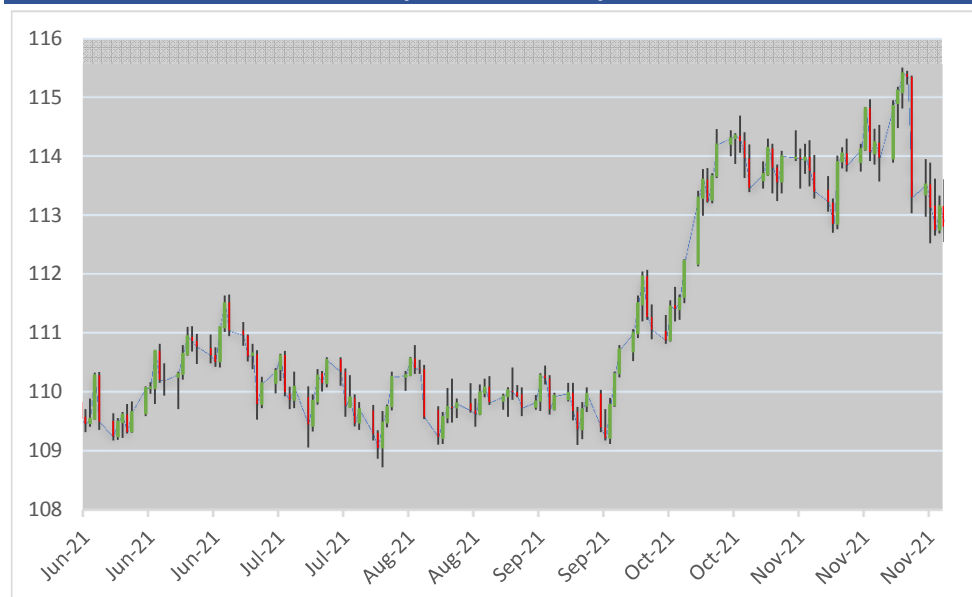
Australian Dollar Performance

Last Week Close	0.7001 USD/AUD	Monthly High	0.7186 USD/AUD
Week Open	0.6995 USD/AUD	Monthly Low	0.6994 USD/AUD
Week Close	0.7171 USD/AUD	30 Days Average	0.7316 USD/AUD
Weekly High	0.7186 USD/AUD	90 Days Average	0.7370 USD/AUD
Weekly Low	0.6993 USD/AUD	YTD Change	-6.86%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Dec	16-Dec		59.2
Services PMI Flash	Dec	16-Dec		55.7
Comp PMI Flash	Dec	16-Dec		55.7
Employment	Nov	16-Dec		-46.3k
Unemployment Rate	Nov	16-Dec		5.2%

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The yen continues to trade close to the 113.50 level as the pair continues to track moves in the US 10-year yield while a long-term US yields remain subdued and this is preventing USD/JPY from pushing on.

- For USD/JPY to advance back towards recent highs around 115.00, some confidence in the long-term outlook for the US economy is going to have to come back.

- With the Fed and BoJ pursuing different concerns and nearly opposite rate policies, the yen could underpin in the near term.

Lower Bound	112.26	Upper Bound	115.48
Forecast	Depreciation		

Japanese Yen News

-The yen stepped back from the beginning of the week as a fresh leg up in the US treasury yields and hawkish fed expectations.

- Bank of Japan's Masayoshi Amamiya said that Japan's economy has stagnated but is expected to show clearer recovery through next year. The comments followed by Q3 Gross Domestic Product which fell 0.9%, slightly worse than the initial reading and median forecast for a 0.8% drop, posting a decline as private spending took a hit from a resurgence in COVID-19.

Japanese Yen Performance

Last Week Close	112.80 JPY/USD	Monthly High	113.95 JPY/USD
Week Open	112.77 JPY/USD	Monthly Low	112.57 JPY/USD
Week Close	113.38 JPY/USD	30 Days Average	109.86 JPY/USD
Weekly High	113.95 JPY/USD	90 Days Average	109.77 JPY/USD
Weekly Low	112.76 JPY/USD	YTD Change	+10.03%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Machinery Orders MM	Oct	13-Dec		0.0%
Tankan All Big Capex Est	Q4	13-Dec		10.1%
Tankan All Sm Capex Est	Q4	13-Dec		4.7%
Exports YY	Nov	16-Dec		9.4%
Imports YY	Nov	16-Dec		26.7%
Trade Balance Total Yen	Nov	16-Dec		-67.4B
Jibun Bank Mfg PMI Flash	Dec	16-Dec		54.5
JP BOJ Rate Decision	17 Dec	17-Dec		-0.10%

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