

WEEKLY FOREIGN EXCHANGE OUTLOOK
20 Dec 2021 - 24 Dec 2021

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar News

- The US Federal Reserve left rates at 0.0-0.25%, doubled the pace of its QE taper to \$30B a month from January (though maintaining flexibility to adjust at a later date), as was widely expected, which has a direct impact on the near-term US yields.
- Fed's chairman, Jerome Powell, emphasised that all depends on not just the covid variant but economic data as well, hinting that there was no certainty of lift-off in 2022.
- U.S. data was mixed with the Philadelphia Fed index tumbling to 15.4 from 39 and jobless claims ticking up to 206K from 200K. Housing starts and building permits remained strong.

Dollar Index Performance

Last Week Close	96.10	Monthly High	96.94
Week Open	96.05	Monthly Low	93.88
Week Close	95.88	30 Days Average	95.98
Weekly High	96.91	90 Days Average	94.27
Weekly Low	95.85	YTD Change	+7.41%

Dollar Outlook

- While the 'dot plot' projected three 25bp rate hikes in 2022, compared to one previously and two expected by most, this is by no means a road map that is set in stone and the variables that can affect the path of tightening is weighing.
- Key central banks have adopted different policies as uncertainty about the omicron COVID-19 variant's impact on economic recovery remains. The debate on the extent to which central banks should act to curb high inflation also continues.
- A hawkish Federal Reserve should provide support to the dollar going forward, while we believe financial markets may still be priced for too much monetary tightening from several foreign central banks.

Lower Bound	95.50	Upper Bound	97.50
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Forecast	Appreciation
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Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
GDP Final	Q3	22-Dec	2.1	2.1%
Consumer Confidence	Dec	22-Dec	112	109.5%
Existing Home Sales	Nov	22-Dec	6540000	6340K
Consumption, Adjusted MM	Nov	23-Dec	0.6	1.3%
Durable Goods	Nov	23-Dec	1.5	-0.4%
Initial Jobless Clm		13 Dec, w/ 23-Dec		
U Mich Sentiment Final	Dec	23-Dec	69.7	70.4
New Home Sales-Units	Nov	23-Dec	760000	745K

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The baht is likely to strengthen as it was not weakened past the level of 34 to the dollar because it strengthen recently. The baht is likely to strengthen as exporters might sell the dollar at the end of the year.
- However, the booster dose of vaccines will reduce the spread of the Omicron variant of Covid-19 which will help foreign investors to hold Thai assets which will cause the baht to swing sideways in short term.
- Tourism Authority of Thailand (TAT) is aiming to achieve 1.5 trillion baht of tourism revenue in 2022, which is about 50 per cent of the total revenue in 2019, before the Covid-19 crisis.
- This week, the market will eyes on Bank of Thailand (BOT) Rate decision on Wednesday (22/12)

Lower Bound	33.20	Upper Bound	33.70
Forecast	Appreciation		

Thai Baht News

- At the beginning of last week, the baht is likely to fluctuate as investors are in a cautious state because the dollar strengthened in the short term before the US Federal Reserve's meeting.
- The market is in a risk-off state which will cause the dollar to strengthen in the short term. Foreign investors are also not investing in Thai assets.
- The baht is likely to strengthen after investors knew the result of the US Federal Reserve meeting. The baht might strengthen because the dollar slightly weakened which will cause the gold price to go up.
- Foreign investors are investing in Thai stocks as they recently bought Thai stocks for 4.7 billion baht total. However, They will not invest in the baht much more until they saw how mergers and acquisitions transactions at the end of this year.

Thai Baht Performance

Last Week Close	33.62 THB/USD	Monthly High	33.99 THB/USD
Week Open	33.56 THB/USD	Monthly Low	33.29 THB/USD
Week Close	33.32 THB/USD	30 Days Average	33.27 THB/USD
Weekly High	33.58 THB/USD	90 Days Average	33.22 THB/USD
Weekly Low	33.25 THB/USD	YTD Change	+11.86%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
1-Day Repo Rate	22 Dec	22-Dec		0.5%
Custom-Based Export Data	Nov	23-Dec		17.4%
Custom-Based Import Data	Nov	23-Dec		34.6%
Customs-Based Trade Data	Nov	23-Dec		-370M

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Euro

Euro Graph



Source: Thomson Reuters

Euro News

- EUR/USD dropped to 1.1221 after the US Federal Reserve (Fed) matched market forecasts for faster tapering and signaling rate hikes in 2022. However, comments from Fed Chair Jerome Powell seemed to have triggered the recent rally ahead of the key European Central Bank (ECB) monetary policy meeting.
- The European Central Bank left its benchmark refinancing rate unchanged at 0%
- Bond buying under its 1.85 trillion euros (\$2.19 trillion) Pandemic Emergency Purchase Programme (PEPP), which is due to end in March 2022, will be cut next quarter as the scheme winds down.

Euro Index Performance

Last Week Close	1.1311 USD/EUR	Monthly High	1.1360 USD/EUR
Week Open	1.1315 USD/EUR	Monthly Low	1.1223 USD/EUR
Week Close	1.1239 USD/EUR	30 Days Average	1.1330 USD/EUR
Weekly High	1.1360 USD/EUR	90 Days Average	1.1565 USD/EUR
Weekly Low	1.1220 USD/EUR	YTD Change	-7.90%

Euro Outlook

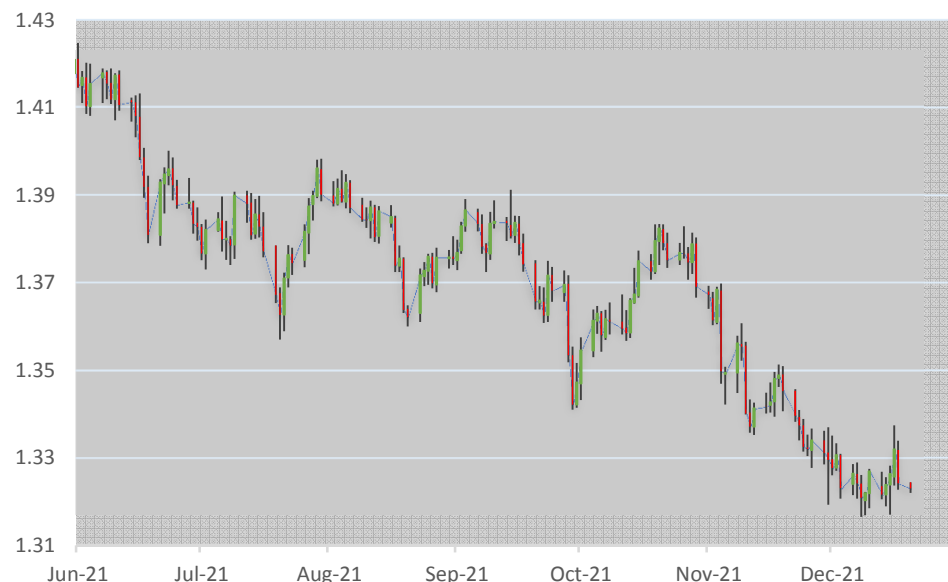
- The ECB has thus far struck a more dovish tone to the likes of the Bank of England and the U.S. Federal Reserve, having adopted an unprecedentedly loose monetary policy in order to shepherd the euro zone economy through the pandemic.
- The risk-off sentiment has worsened heading towards the European open, as more countries are contemplating border closures and stricter restrictions to curb the spread of the new Omicron covid variant.
- As we head into 2022, we believe the evolution of COVID could continue to have an important influence over the path of the global economy as well as currency markets.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
GfK Consumer Sentiment	Jan	21-Dec		-1.6%
Consumer Confid. Flash	Dec	21-Dec		-6.8%
Producer Prices MM	Nov	22-Dec		2.9%
Import Prices MM	Nov	23-Dec		3.8%
Import Prices YY	Nov	23-Dec		21.7%

Lower Bound	1.1200	Upper Bound	1.1400
Forecast	Neutral		

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- Elsewhere, London and the European Union (EU) recently made good progress on the Brexit talks as the UK eases its stance on fishing for Fresh and pushed back the border checks on the goods from Ireland beyond January 01 deadline.
- Markets remain cautious amid the faster spread of Omicron and rethink over the recent central bank actions.
- After the rate hike announcement on Thursday from the Bank of England, analysts held on to their forecast of a much less aggressive tightening cycle than what is currently priced in front-end rates. They expect another 25 bps hike early next year.

Lower Bound	1.3150	Upper Bound	1.3400
Forecast	Appreciation		

Pound Sterling News

- Despite Brexit woes continued and market expected that current Omicron outbreak in the UK would lower the chance of BoE to hike rate at this week meeting
- UK scientist have lifted the Covid-19 alert to level four from three on a five-point scale while PM has imposed tougher restriction on surging infections and at least one patient had died after contracting Omicron variant.
- UK unemployment fell from 4.3% to 4.2% in the three months to October and the PAYE employment has risen by a remarkable 331k in the two months since the end of the furlough scheme.
- The Bank of England raised its main interest rate to 0.25% on Thursday as inflation pressures mounted in Britain. Most economists had expected the BoE to keep Bank Rate at 0.1% due to a new surge in coronavirus cases.

Pound Sterling Performance

Last Week Close	1.3269 USD/GBP	Monthly High	1.3374 USD/GBP
Week Open	1.3235 USD/GBP	Monthly Low	1.3168 USD/GBP
Week Close	1.3242 USD/GBP	30 Days Average	1.3333 USD/GBP
Weekly High	1.3374 USD/GBP	90 Days Average	1.3579 USD/GBP
Weekly Low	1.3170 USD/GBP	YTD Change	-3.26%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
CBI Trends - Orders	Dec	20-Dec		26.0%
CBI Distributive Trades	Dec	21-Dec		39.0%
GDP QQ	Q3	22-Dec		1.3%
GDP YY	Q3	22-Dec		6.6%
Business Invest QQ	Q3	22-Dec		0.4%
Business invest YY	Q3	22-Dec		0.0B
Current Acc GBP	Q3	22-Dec		-8605M
GfK Consumer Confidence	Dec	23-Dec		-14.00%

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- The Reserve Bank of Australia sees the economy as likely to return to its pre-Delta path in the first half of 2022, but there will not be any rate rises next year which leaves the divergence between the Federal Reserve and the RBA a negative factor for AUD in the medium term.
- Although Australia marks the covid vaccination milestone of 80%, the recent jump in virus variant pushes authorities to introduce tougher activity restrictions in Queensland.
- Not only with the EU, but the Brexit talks with Australia are also positive as Britain and Canberra recently signed a Free Trade Agreement (FTA) deal.

Lower Bound	0.7050	Upper Bound	0.7250
Forecast	Depreciation		

Australian Dollar News

- AUD lost its attractiveness and traded to 1 week low against U.S. dollar on hawkish FED views and Omicron variant fears which hurts sentiment and risk-sensitive currencies.
- AUD/USD is off the highs, under pressure around 0.7175, little affected by China's downward growth revision. China has revised down its 2020 annualized Gross Domestic Product (GDP) growth to 2.2%, vs. 2.3% registered previously, the National Bureau of Statistics (NBS) said in a notice on Friday.
- Employment growth through November accelerated at a blistering pace with 366,000 new jobs added to the economy, driving a near 1.5% increase in the participation rate and unemployment rate drop to 4.6%

Australian Dollar Performance

Last Week Close	0.7171 USD/AUD	Monthly High	0.7223 USD/AUD
Week Open	0.7141 USD/AUD	Monthly Low	0.6994 USD/AUD
Week Close	0.7124 USD/AUD	30 Days Average	0.7340 USD/AUD
Weekly High	0.7223 USD/AUD	90 Days Average	0.7367 USD/AUD
Weekly Low	0.7088 USD/AUD	YTD Change	-7.50%

Australian Dollar Economic Events

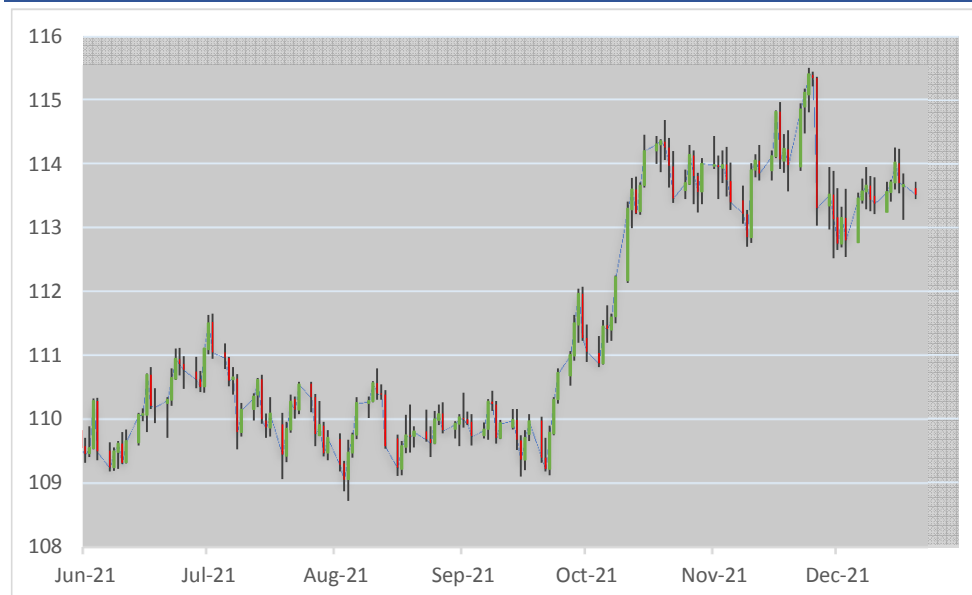
Events	Period	Date	Forecast	Previous
CBI Trends - Orders	Dec	20-Dec		26
CBI Distributive Trades	Dec	21-Dec		39
GDP QQ	Q3	22-Dec		1.3%
GDP YY	Q3	22-Dec		6.6%
Business Invest QQ	Q3	22-Dec		0.4%
Business invest YY	Q3	22-Dec		0.8%
Current Acc GBP	Q3	22-Dec		-8.605B
GfK Consumer Confidence	Dec	23-Dec		-14

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen Outlook

- Markets had priced in the Japanese central bank to dial back emergency pandemic funding, as the economy is gradually healing from the coronavirus crisis.
- The JPY is likely to become more volatile in the year to come. The stronger US economy and a global tightening cycle will exacerbate the low yield status of the currency and provide a tailwind for further weakness.
- The risk-off market mood is weighing on the yields and, in turn, the USD/JPY.

Japanese Yen News

- At its December monetary policy meeting, the Bank of Japan (BOJ) maintained its short-term rate target at -0.1% and that for 10-year bond yields around 0%. The BOJ decides to taper corporate bond and commercial paper buying.
- Japan's Markit/Jibun Bank Manufacturing PMI eased from 54.5 to 54.2 whereas its Services counterpart dropped below 53.0 to 51.1.
- Yields underpin DXY, market sentiment dwindles even as Fed matched hawkish forecasts.
- Risk sentiment was boosted post FED announcement to accelerate tapering pace and pave way for interest rate hike as the U.S. economy nears full employment and to battle high inflation.

Japanese Yen Performance

Last Week Close	113.38 JPY/USD	Monthly High	114.26 JPY/USD
Week Open	113.25 JPY/USD	Monthly Low	112.57 JPY/USD
Week Close	113.67 JPY/USD	30 Days Average	109.86 JPY/USD
Weekly High	114.26 JPY/USD	90 Days Average	109.84 JPY/USD
Weekly Low	113.12 JPY/USD	YTD Change	+10.04%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
CPI, Core Nationwide YY	Nov	24-Dec	0.1%	
CPI, Overall Nationwide	Nov	24-Dec	0.1%	
Housing Starts YY	Nov	24-Dec	10.4%	

Lower Bound	112.00	Upper Bound	114.50
Forecast	Neutral		

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