

WEEKLY FOREIGN EXCHANGE OUTLOOK
01 Feb 2021 - 05 Feb 2021

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- January ended with an exceptionally volatility week.
- Dollar did closed up against most major currencies but the upside was capped, due to the resilient Euro.
- The green back would also need to break through some key levels to solidify its bullish reversal.
- By the end of the week, the focus will shift to US employment data, as the country will publish on Friday the Nonfarm Payrolls report. The country is expected to have added 85K new jobs in January, after losing 145K positions in December. A gloomy labor market report could assist the USD to attract investors.

Lower Bound	89.00	Upper Bound	91.00
Forecast	Neutral		

Dollar News

- The Fed has left its policies unchanged as expected, acknowledging recent weakness and remaining optimistic about a vaccine-fueled recovery in the 2H.
- Fed Chair Jerome Powell made clear the U.S. central bank was nowhere near exiting massive support for the economy during the ongoing coronavirus pandemic.
- The policymakers also warned that the virus poses risks to the economy and removed a phrase from their previous statement that had said the risks were “over the medium term.” The removal of this phrase suggested that Fed officials are unsure how long the uncertainty will last.
- President Joe Biden's team continues discussing his proposed \$1.9 tn stimulus bill with lawmakers, but is reportedly also ready to go it alone. Treasury Secretary Janet Yellen is involved in deliberations.
- The US released GDP figures for the 4th quarter on Thursday (28/1). An annualized increase of 3.9% is projected after sharp changes beforehand. Durable Goods Orders for December mostly missed expectations, whereas U.S. consumer spending fell for a second straight month in December.

Dollar Index Performance

Last Week Close	90.24	Monthly High	90.95
Week Open	90.23	Monthly Low	89.21
Week Close	90.36	30 Days Average	90.22
Weekly High	90.88	90 Days Average	91.73
Weekly Low	90.08	YTD Change	+0.68%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg PMI Final	Jan	1-Feb		59.1
ISM Manufacturing PMI	Jan	1-Feb	60.0	60.7
Markit Comp Final PMI	Jan	3-Feb		58.0
Markit Svcs PMI Final	Jan	3-Feb		57.5
ISM N-Mfg PMI	Jan	3-Feb	56.8	57.2
Initial Jobless Clm	30 Jan, w/e	4-Feb	830k	847k
Factory Orders MM	Dec	4-Feb	0.7%	1.0%
Non-Farm Payrolls	Jan	5-Feb	50k	-140k
Unemployment Rate	Jan	5-Feb	6.7%	6.7%
Average Earnings YY	Jan	5-Feb	5.1%	5.1%

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Monetary Policy Committee (MPC) is on focus this week with expectation to keep the rate unchanged.
- A policy rate cut is unlikely to promote economic growth, meaning the MPC is expected to stand pat on the existing benchmark interest rate which could cap the THB appreciation trend for short term.
- The Month-end selling from exporters to support the stronger THB trend.
- After THB pair has spent the week trading between 29.87 – 30.02 THB/USD familiar range, with a strong support at 29.85 level, we could see the currency to test a key support level around 29.78 THB/USD this week.
- If the currency can break the key support, the THB bullish trend could drive to the new fresh low level since 2013.

Lower Bound	29.78	Upper Bound	30.05
Forecast	Appreciation		

Thai Baht News

- The Thai economy continued to improve in December but recovery remained patchy with a second wave of coronavirus infections also starting to impact some economic activity, the central bank said on Friday.
- In December, exports, a key driver of growth, rose 4.6% from a year earlier, while imports dipped 0.1%, resulting in a trade surplus of US\$2.8 billion in the month, BOT reported.
- Pornpen Sodsrichai, senior director of the central bank's economic analysis office, said US foreign policy anticipated under the Biden administration will also help lower trade tensions between the US and China, and the massive budget and scale of the US fiscal stimulus package will support global trade improving
- Thailand should also balance its relations between the US and China to maintain supply chains and access to export destinations, in addition to pursuing international trade negotiations, she said.
- The central bank forecasts the Thai economy to contract by 6.6% in 2020, then returning to 3.2% growth this year.

Thai Baht Performance

Last Week Close	29.99 THB/USD	Monthly High	29.92 THB/USD
Week Open	29.96 THB/USD	Monthly Low	29.89 THB/USD
Week Close	29.93 THB/USD	30 Days Average	30.01 THB/USD
Weekly High	30.04 THB/USD	90 Days Average	30.54 THB/USD
Weekly Low	29.93 THB/USD	YTD Change	-0.17%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing PMI SA	Jan	1-Feb		50.8
1-Day Repo Rate	3 Feb	3-Feb		0.50%
CPI Headline Inflation	Jan	5-Feb	-0.93%	-0.27%
CPI Core Inflation YY	Jan	5-Feb	0.19%	0.19%

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Euro Graph



Source: Thomson Reuters

Euro News

- European figures were generally discouraging. Inflation in the country picked up modestly in January, as it printed at 1.0% YoY, according to preliminary estimates. Also, the economy grew 0.1% QoQ in the last quarter of the year, better than anticipated but way below the previous 8.5%.
- According to reports, the European Central Bank is disappointed that the markets priced in only a marginal probability of an interest rate cut after its President Christine Lagarde's press conference on January 21. That suggests other members of the ECB's Governing Council will try to push the message out that a cut is possible to boost economic growth and weaken the currency.
- ECB's Government Council member, Klaus Knot said that the central bank could decide to cut its deposit rate further below zero if that proved necessary to keep its inflation target in sight, adding that the ECB has tools to counter the EUR's appreciation if needed, in an interview with Bloomberg TV.

Euro Index Performance

Last Week Close	1.2167 USD/EUR	Monthly High	1.2136 USD/EUR
Week Open	1.2166 USD/EUR	Monthly Low	1.2122 USD/EUR
Week Close	1.2136 USD/EUR	30 Days Average	1.2192 USD/EUR
Weekly High	1.2183 USD/EUR	90 Days Average	1.1981 USD/EUR
Weekly Low	1.2056 USD/EUR	YTD Change	-0.69%

Euro Outlook

- If the reports are to be believed, the markets were supposed to pick up a hint at the January 21 press conference that a Eurozone interest rate cut is a possibility. As they didn't, it would be no surprise if other members of the ECB's Governing Council line up in the next few weeks to push out the message in a less subtle way.
- As the deposit rate is already at minus 0.5%, a tiny discount could be a most likely scenario. Nonetheless, if the markets do take the hint in the days ahead, a drop in EUR/USD would be no surprise.
- The concerns over delays in the delivery of coronavirus vaccines could still in play for the EUR market after the pharmaceutical company said production issues will leave the bloc with 75 million fewer doses than expected.

Euro Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg Final PMI	Jan	1-Feb	54.7	54.7
Unemployment Rate	Dec	1-Feb	8.3%	8.3%
GDP Flash Prelim YY	Q4	2-Feb	-5.4%	-4.3%
GDP Flash Prelim QQ	Q4	2-Feb	-1.2%	12.5%
Markit Serv Final PMI	Jan	3-Feb	45.0	45.0
Markit Comp Final PMI	Jan	3-Feb	47.5	47.5
HICP Flash YY	Jan	3-Feb	0.5%	-0.3%
HICP-X F&E Flash YY	Jan	3-Feb	0.7%	0.4%

Lower Bound	1.2050	Upper Bound	1.2250
Forecast	Neutral		

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- While the central bank is widely expected to conclude that the policy will stand firm and further rate cuts are technically feasible, this does not make them more likely to happen.
- Bets for negative rates are being scaled back which minimize the downside of the short GBP position.
- The UK covid-19 data shows both strong progress in the country's vaccination program and a worryingly high fatality rate. It is hoped that as the inoculation program progresses, the infection rate and the mortality rate will drop sharply, allowing the government to open up the UK economy.
- The Pound stronger trend is higher but could be blunted if the dollar regains a stronger bid from the risk-averse trade or an improved domestic economy.

Lower Bound	1.3650	Upper Bound	1.3800
Forecast	Appreciation		

Pound Sterling News

- Although the USD has regained some strength, Sterling is closing the week (and the month of January) being the only G10 currency outperforming the USD.
- The UK maintains its large lead over most of its developed market peers in terms of percentage of the population to have received at least one Covid-19 jab, raising the likelihood of a comparatively soon economic reopening drive that might see the UK economy outperform in 2021.
- UK infection rates continue to drop, with the latest figures showing infections at 29K, well below the recent peak of close to 70K new confirmed infections per day.
- Strong UK employment numbers gave sterling a slight boost early last week. Wage growth jumped to 3.6%, up sharply from 2.7%. Unemployment rolls rose by just 7 thousand, well below the estimate of 47.5 thousand. The unemployment rate nudged up from 4.9% to 5.0%, its highest level since March 2016.
- The BOE is expected to stand pat and maintain interest rates at 0.10%. Investors will be interested in the MPC quarterly report, which will provide a close look at the health of the UK economy.

Pound Sterling Performance

Last Week Close	1.3684 USD/GBP	Monthly High	1.3734 USD/GBP
Week Open	1.3678 USD/GBP	Monthly Low	1.3695 USD/GBP
Week Close	1.3702 USD/GBP	30 Days Average	1.3608 USD/GBP
Weekly High	1.3758 USD/GBP	90 Days Average	1.3307 USD/GBP
Weekly Low	1.3608 USD/GBP	YTD Change	+0.43%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Markit/CIPS Mfg PMI Final	Jan	1-Feb	52.9	52.9
Nationwide house price mm	Jan	2-Feb	0.2%	0.8%
Nationwide house price yy	Jan	2-Feb	6.8%	7.3%
Reserve Assets Total	Jan	3-Feb		186,655.93M
BOE Bank Rate	Feb	4-Feb	0.10%	0.10%
GB BOE QE Corp	Feb	4-Feb	20B	20B
Halifax House Prices MM	Jan	5-Feb		0.2%

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Australian Dollar

Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- The AUD/USD pair has fallen to a fresh 2020 low of 0.7591 this week, ending it with modest losses below the 0.7700 level.
- The pair may accelerate its slump at the weekly opening, amid weekend news indicating a 5-day lockdown in the Perth area, due to a hotel worker infested with COVID-19. Authorities are concerned it may be one of the more contagious strains coming from the UK and South Africa.
- As long as the labor market is improving, we expect the RBA to be content in maintaining its current policy stance.

Australian Dollar News

- Australia published the December Westpac Leading Index, which contracted to 0.12% from 0.69%. Inflation in the country was up by 0.9% YoY in the last quarter of the year. On the other hand, Business Confidence contracted from 13 to 4 in December, according to NAB.
- Commodity-linked currencies were among those most affected by the poor performance of equities, with AUD/USD finishing the week in the downtrend.
- The central bank will hold its first board meeting of the year on Tuesday (2/2), its governor Philip Lowe will address the National Press Club on Wednesday (3/2) and he will also be quizzed by federal politicians on Friday (5/2).
- The central bank has repeatedly said it will not lift interest rates until inflation is sustainably within the two to three per cent inflation target, something it hadn't expected to see until 2023.

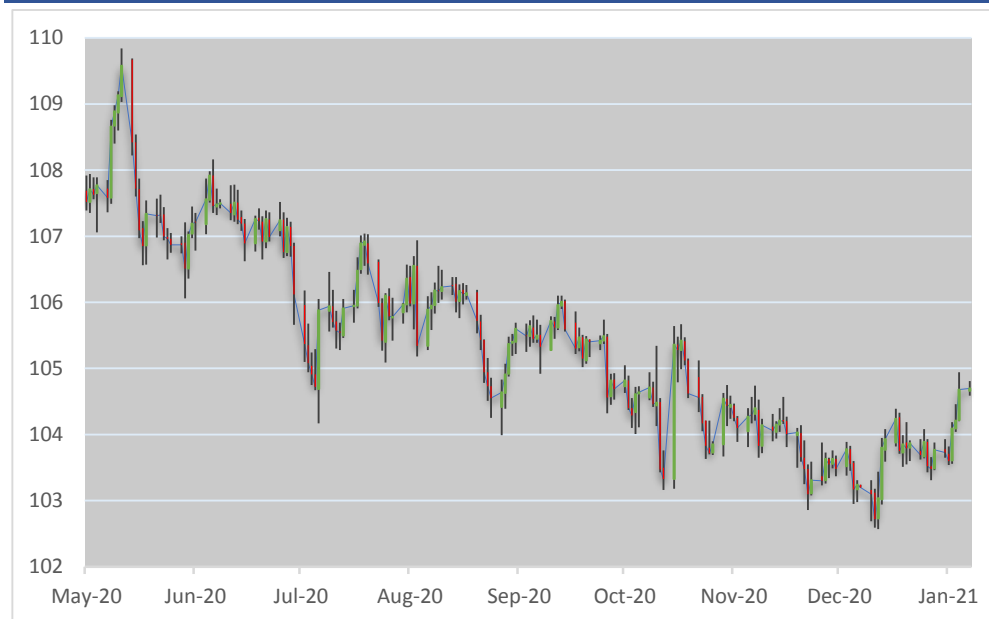
Australian Dollar Performance

Last Week Close	0.7716 USD/AUD	Monthly High	0.7649 USD/AUD
Week Open	0.7715 USD/AUD	Monthly Low	0.7623 USD/AUD
Week Close	0.7642 USD/AUD	30 Days Average	0.7286 USD/AUD
Weekly High	0.7763 USD/AUD	90 Days Average	0.7222 USD/AUD
Weekly Low	0.7590 USD/AUD	YTD Change	-0.61%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
RBA Cash Rate	Jan	2-Feb	0.10%	0.10%
Building Approvals	Dec	3-Feb		2.6%
Trade Balance G&S (A\$)	Dec	4-Feb		5,022M
Retail Sales MM Final	Dec	5-Feb		-4.2%
Retail Trade	Q4	5-Feb		6.5%

Lower Bound	0.7650	Upper Bound	0.7850
Forecast	Neutral		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- This week's yen weakness belied the notion that the strengthening dollar was primarily a risk-aversion development.
- The USD/JPY pair hit a fresh January high of 104.45 but was unable to extend gains on easing demand for the greenback. However, we expect the JPY to continue its weaker trend in short term to test another resistance around 105 level
- The 105 zone should be a strong resistance but at this point in time we think it is only a matter of figuring out whether or not risk appetite continues to strengthen due to the virus being controlled by the vaccine.

Lower Bound	103.50	Upper Bound	106.00
Forecast	Depreciation		

Japanese Yen News

- Japanese data was mostly retrograde or negative. Consumer Confidence in January dropped to 29.6 its lowest level since August. In one positive development deflation eased with Tokyo CPI dropping 0.5% on the year in January less than half the -1.3% rate in December and the -1.2% forecast. Retail Trade fell 0.3% in December and Housing Starts dropped 9% on the year doubling November decline of 3.7%.
- Bank of Japan policymakers discussed the merits of allowing long-term yields to move more flexibly around the bank's target, a summary of opinions at their January meeting showed, a sign the idea will be a key element of its policy review in March.
- As the coronavirus pandemic forces it to maintain a massive stimulus programme for a prolonged period, the BOJ plans to announce in March ways to make its tools more sustainable.
- The comments are the strongest hints to date that the BOJ will allow long-term rates to deviate further from its 0% target in its March policy review

Japanese Yen Performance

Last Week Close	103.77 JPY/USD	Monthly High	104.74 JPY/USD
Week Open	103.78 JPY/USD	Monthly Low	104.62 JPY/USD
Week Close	104.68 JPY/USD	30 Days Average	105.49 JPY/USD
Weekly High	104.94 JPY/USD	90 Days Average	106.19 JPY/USD
Weekly Low	103.54 JPY/USD	YTD Change	+1.45%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Jibun Bank Mfg PMI	Jan	1-Feb		49.7
Services PMI	Jan	3-Feb		47.7
All Household Spending YY	Dec	5-Feb	-2.4%	1.1%
All Household Spending MM	Dec	5-Feb	-1.9%	-1.8%
Current Account NSA JPY	Dec	8-Feb		1,878.4B

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