

WEEKLY FOREIGN EXCHANGE OUTLOOK

19 Jul 2021 - 23 Jul 2021



Dollar Index Graph



Source: Thomson Reuters

Dollar News

- Consumer prices increased 5.4% in June from a year earlier, the biggest monthly gain since August 2008.
- Chair Powell reiterated his view that current inflation pressures would prove temporary in testimony to Congress, but there were few signs of inflation cooling this week. Both consumer and producer price inflation came in notably higher than expectations for June, while plans among small businesses to raise prices rose to a 41-year high.
- Treasury Secretary Janet Yellen cautioned on Thursday that she expects the U.S. economy will see several more months of rapid inflation.
- Retail sales rose 0.6% in June, which was stronger than expected and an indication that stronger spending on services as the economy reopens need not come at the expense of goods.

Dollar Index Performance

Last Week Close	92.13	Monthly High	93.04
Week Open	92.10	Monthly Low	89.84
Week Close	92.53	30 Days Average	91.79
Weekly High	93.04	90 Days Average	91.41
Weekly Low	92.08	YTD Change	+3.38%

Dollar Outlook

- U.S. Treasury Secretary Janet Yellen will meet with the President’s Working Group on Financial Markets this Monday to discuss the role stablecoins could play in the financial system.
- Housing Starts (Tuesday), Existing Home Sales (Thursday), Leading Index (Thursday) are also in focus.
- Another factor that can halt the appreciation of the dollar is if the Covid-19 situation in Europe becomes less severe in the next one or two weeks.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Housing Starts Number	Jun	20-Jul	1.597M	1.572M
Initial Jobless Clm	17 Jul, w/e	22-Jul	350k	360k
Existing Home Sales	Jun	22-Jul	5.90M	5.80M
Markit Comp Flash PMI	Jul	23-Jul		63.7
Markit Mfg PMI Flash	Jul	23-Jul	61.9	62.1
Markit Svcs PMI Flash	Jul	23-Jul	64.8	64.6

Lower Bound	91.95	Upper Bound	92.66
Forecast	Appreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The baht would weaken, as foreign investors had decided to sell their assets in Thailand due to uncertainty caused by Covid-19 in the country.
- However, the situation could improve if preventive measures by the authorities are effective in containing the Covid-19 crisis.
- We predicted that the baht could fall to 33.00 baht to a dollar if it passes a resistance between 32.70 and 32.80.
- Moreover, the baht and other Asian currencies could weaken if the yuan drops. This could occur if Chinese economic data disappoints observers as it would show that China's economy is recovering only at a slow rate.

Lower Bound	32.50	Upper Bound	33.00
Forecast	Depreciation		

Thai Baht News

- The baht was being pressured by the Covid-19 situation in Thailand and the slow distribution of vaccines.
- Another factor that pressures the baht is a strengthened dollar due to a high inflation rate in the US. The situation could ease if Federal Reserve Chairman Jerome Powell states that the inflation is only temporary and the Fed will not implement a relaxed, financial policy.
- Foreign investors have continually sold Thai stocks.
- The European Union Council on Thursday removed Thailand from its safe travel list, also known as EU White List, during the Covid-19 situation.

Thai Baht Performance

Last Week Close	32.60 THB/USD	Monthly High	32.90 THB/USD
Week Open	32.59 THB/USD	Monthly Low	31.98 THB/USD
Week Close	32.74 THB/USD	30 Days Average	31.90 THB/USD
Weekly High	32.79 THB/USD	90 Days Average	31.40 THB/USD
Weekly Low	32.54 THB/USD	YTD Change	+9.72%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Jun	21-Jul		41.59%
Custom-Based Import Data	Jun	21-Jul		63.54%
Customs-Based Trade Data	Jun	21-Jul		0.80B
Manufacturing Prod YY	Jun	23-Jul		25.84%

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The main event this week will be the European Central Bank monetary policy decision on Thursday (22/7). Policymakers are widely anticipated to maintain the current policy unchanged after the latest news on the matter.
- Investors will be looking for details on the new forward guidance and how tolerant policymakers would be with inflation.
- The EU will publish July Consumer Confidence, foreseen at -2.5 from -3.3 previously.
- On Friday, Markit will publish the preliminary estimates of its July Manufacturing and Services PMI for the Union and the US.

Lower Bound	1.1806	Upper Bound	1.1910
Forecast	Neutral		

Euro News

- The Industrial production from the whole Eurozone for May declined to -1.0% on the data front. It missed the forecasted -0.3% and weighed on the single currency Euro that capped further gains in EUR/USD.
- The Core PPI from June also increased to 1.0% against the forecasted 0.5% and supported the U.S. dollar that limited the upward momentum in EUR/USD. On the other hand, the ECB board member Isabel Schnabel said that the ECB needs to see higher core inflation before changing its outlook and tightening Wednesday. She added that the inflation overshoot might result from the Governing Council exercising patience in adjusting its policy stance during an improved outlook.
- EUR/USD remained support at \$1.1808 amid weakness in the U.S. dollar.

Euro Index Performance

Last Week Close	1.1873 USD/EUR	Monthly High	1.1894 USD/EUR
Week Open	1.1870 USD/EUR	Monthly Low	1.1766 USD/EUR
Week Close	1.1805 USD/EUR	30 Days Average	1.1937 USD/EUR
Weekly High	1.1879 USD/EUR	90 Days Average	1.1990 USD/EUR
Weekly Low	1.1770 USD/EUR	YTD Change	-3.57%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
ECB Refinancing Rate	Jul	22-Jul	0.00%	0.00%
ECB Deposit Rate	Jul	22-Jul	-0.50%	-0.50%
Consumer Confid. Flash	Jul	22-Jul	-2.5	-3.3
Markit Mfg Flash PMI	Jul	23-Jul	62.5	63.4
Markit Serv Flash PMI	Jul	23-Jul	59.6	58.3
Markit Comp Flash PMI	Jul	23-Jul	60.0	59.5

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Pound Sterling
Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling News

- The GBP/USD outlook is depressed towards 1.38 but holding above the level despite US retail sales beating the estimates and supporting the Dollar.
- Hawkish BOE comments support the British Pound. Michael Saunders was the focus point on Thursday when he mentioned that inflation could prove to be stubbornly high in the coming months, hinting at the possibility of an interest rate in the first half of 2022.
- The worsening COVID-19 situation in the UK acted as a headwind for the British Pound and limited profits for the major.

Pound Sterling Performance

Last Week Close	1.3899 USD/GBP	Monthly High	1.3910 USD/GBP
Week Open	1.3900 USD/GBP	Monthly Low	1.3701 USD/GBP
Week Close	1.3772 USD/GBP	30 Days Average	1.3913 USD/GBP
Weekly High	1.3910 USD/GBP	90 Days Average	1.3933 USD/GBP
Weekly Low	1.3758 USD/GBP	YTD Change	+0.22%

Pound Sterling Outlook

- In the UK, Prime Minister Boris Johnson insisted that the July 19 reopening would go through, despite the rapid spread of the Delta variant. Fears about increasing deaths and hospitalizations also weighed on the pound.
- This week's retail sales data should give some insight into whether consumers are deploying the excess savings they have built up over the course of the pandemic. While we will not have retail sales data reflecting a fully open U.K. economy for a few more months, nevertheless, June data should act as a good precursor for what to expect later in the summer.

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM	Jun	23-Jul	0.5%	-1.4%
Retail Sales Ex-Fuel MM	Jun	23-Jul	0.7%	-2.1%
Retail Sales YY	Jun	23-Jul	9.6%	24.6%
Flash Composite PMI	Jul	23-Jul	61.9	62.2
Flash Manufacturing PMI	Jul	23-Jul	62.7	63.9
Flash Services PMI	Jul	23-Jul	62.0	62.4

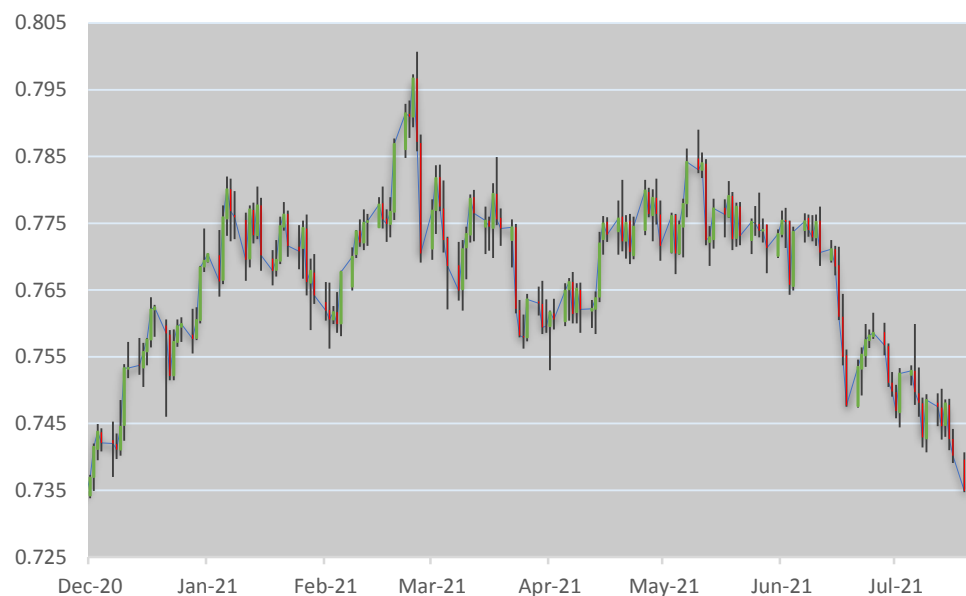
Lower Bound	1.3779	Upper Bound	1.3903
Forecast	Neutral		

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Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- In the commodity currency sphere, the Reserve Bank of Australia will release the minutes of its July meeting on Tuesday (20/7). This was the meeting where the RBA slowed its asset purchases but repeated that rates are unlikely to rise before 2024, neutralizing the hawkish signal.
- The latest shutdowns in Australia have thrown a monkey wrench into the RBA's normalization plans, as vaccinations have also been slow.
- The Australian Dollar continues to trade near 2020 lows versus the US Dollar, and weakness will likely continue until the virus situation sees a fundamental improvement.

Lower Bound	0.7432	Upper Bound	0.7555
Forecast	Depreciation		

Australian Dollar News

- At the beginning of the week, the Aussie fell as the spike in Covid-19 cases in Sydney raised concern of extended lockdown.
- Nothing good is going on down under. Even though July typically brings about a better performance for the Australian Dollar, it has not showed. The Australian Dollar finished the week at its weekly lows, monthly lows, and yearly lows.
- A better-than-expected jobs number will be an encouraging sign for the Australian economy, but the new wave of Covid-induced lockdowns may temper any hawkish bets. Alternatively, a downbeat jobs report will likely further soften the policy outlook from the RBA, which is already behind the curve in signaling a move to tighten.

Australian Dollar Performance

Last Week Close	0.7485 USD/AUD	Monthly High	0.7599 USD/AUD
Week Open	0.7481 USD/AUD	Monthly Low	0.7345 USD/AUD
Week Close	0.7402 USD/AUD	30 Days Average	0.7757 USD/AUD
Weekly High	0.7502 USD/AUD	90 Days Average	0.7724 USD/AUD
Weekly Low	0.7391 USD/AUD	YTD Change	-4.50%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Jul	23-Jul		58.6
Services PMI Flash	Jul	23-Jul		56.8
Comp PMI Flash	Jul	23-Jul		56.7

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The Japanese yen weakened a bit after the Japanese central bank is widely expected to keep the short-term interest rate target at -0.1% while directing 10-year Japanese Government Bond (JGB) yields toward zero.
- BoJ downgraded its growth forecast for the current fiscal year. The Japanese central bank expects the economy to expand by 3.8% as against 4.0% projected in April.
- Japanese statistics were mixed. The Producer Price Index rose more than expected for the year in June but Industrial Production was slower than projected on the month and year in May. The Tertiary Index of the domestic service sector also weakened in May.

Japanese Yen Performance

Last Week Close	110.14 JPY/USD	Monthly High	111.65 JPY/USD
Week Open	110.15 JPY/USD	Monthly Low	109.54 JPY/USD
Week Close	110.08 JPY/USD	30 Days Average	108.30 JPY/USD
Weekly High	110.69 JPY/USD	90 Days Average	105.51 JPY/USD
Weekly Low	109.70 JPY/USD	YTD Change	+6.39%

Japanese Yen Outlook

- A key upside factor for USD/JPY remains a less-dovish Federal Reserve.
- As expected from the second-quarter fundamental outlook, the Japanese Yen spent most of its time weakening against its major counterparts before the third quarter.
- The anti-risk currency is likely not receiving much attention due to a persistent decline in stock market volatility.
- COVID-19 jitters continued lending some support to the safe-haven JPY and capped the upside.
- Japanese statistics are thin in this week. National CPI in Japan for June is expected to offer little relief from deflation.

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
CPI, Core Nationwide YY	Jun	20-Jul	0.2%	0.1%
CPI, Overall Nationwide	Jun	20-Jul		-0.1%
Exports YY	Jun	21-Jul	46.2%	49.6%
Imports YY	Jun	21-Jul	29.0%	27.9%
Trade Balance Total Yen	Jun	21-Jul	460.0B	-189.4B

Lower Bound	110.08	Upper Bound	111.00
Forecast	Neutral		

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