

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**01 Aug 2022 - 05 Aug 2022**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

The US economy is clearly in slowdown mode and now Wall Street will want to know how tight the labour market remains.

In the week ahead, all eyes will thus be on the next non-farm payrolls report. For July, the economy is seen adding 250k positions, with unemployment sticking to 3.6%. A slight slowdown is seen in average hourly earnings, with a 4.9% y/y outcome expected from 5.1% prior.

Traders will also pay close attention to a few Fed appearances during the week from Evans, Bullard, and Mester. Leading up to the September policy decision, traders will want to know how many Fed members are positioning themselves for a slower pace of tightening policy.

<b>Lower Bound</b>	<b>105.00</b>	<b>Upper Bound</b>	<b>107.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Dollar News**

The dollar slightly recovered after it fell in last week as US business activity contracted for the first time in nearly two years in July as a sharp slowdown in the service sector outweighed continued modest growth in manufacturing, painting a glum picture for an economy stunted by high inflation, rising interest rates and deteriorating consumer confidence.

On Wednesday, the Federal Reserve enacted its second consecutive 0.75 percentage point interest rate increase as it seeks to tamp down runaway inflation without creating a recession. Meanwhile, Fed Chair Jerome Powell left the door open about its next move at the September meeting, saying it would depend on the data. Central bankers have emphasized the importance of bringing down inflation even if it means slowing the economy.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>106.73</b>	<b>Monthly High</b>	<b>109.29</b>
<b>Week Open</b>	<b>106.55</b>	<b>Monthly Low</b>	<b>103.67</b>
<b>Week Close</b>	<b>105.54</b>	<b>30 Days Average</b>	<b>106.23</b>
<b>Weekly High</b>	<b>107.43</b>	<b>90 Days Average</b>	<b>103.46</b>
<b>Weekly Low</b>	<b>105.54</b>	<b>YTD Change</b>	<b>+10.24%</b>

**Next Week's Dollar Index Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
S&P Global Mfg PMI Final	Jul	1-Aug		52.3
ISM Manufacturing PMI	Jul	1-Aug	52.0	53.0
S&P Global Comp Final PMI	Jul	3-Aug		47.5
S&P Global Svcs PMI Final	Jul	3-Aug		47.0
Factory Orders MM	Jun	3-Aug	1.2%	1.6%
ISM N-Mfg PMI	Jul	3-Aug	53.5	55.3
International Trade \$	Jun	4-Aug	-80.1B	-85.6B
Initial Jobless Clm		30 Jul, w/e 4-Aug	255k	256k
Non-Farm Payrolls	Jul	5-Aug	250k	372k
Unemployment Rate	Jul	5-Aug	3.6%	3.6%

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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- Currencies and bonds in Asia's emerging markets were set to finish the month on a strong note, after data showing the U.S. economy shrank for a second straight quarter raised bets that the Federal Reserve might slow the pace of rate hikes.
- Asia FX is likely to gain some respite in the near term, but with markets still unsure of the Fed's next steps, more clarity is needed before Asian currencies see lasting gains.
- Meanwhile, Chinese leader Xi Jinping warned against playing with fire over Taiwan in a call with U.S. President Joe Biden, highlighting Beijing's concerns about a possible visit to the Chinese-claimed island by U.S. House Speaker Nancy Pelosi.

<b>Lower Bound</b>	<b>36.00</b>	<b>Upper Bound</b>	<b>36.40</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Thai Baht News**

- The Thai baht gained against the dollar after the Bank of Thailand believes Thai economic growth might increase past 3% in the second quarter by a rebound in domestic consumption under the central bank's commitment to maintain flexible inflation targeting. While the recovery is clearer and should be intact, it is still not broad-based, with the export sector performing better than pre-pandemic levels, while tourism remains low, although recovering faster than expected, governor Sethaput Suthiwartnarueput said.

- THB appreciated from a weaker USD on the back of a less hawkish FOMC decision on Wednesday, along with the disappointing US Q2 GDP print, which fueled speculation that the Fed would not raise interest rates as aggressively as previously estimated. Apart from this, a further decline in the US Treasury bond yields is another factor which continues to weigh on the US dollar.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>36.64</b> THB/USD	<b>Monthly High</b>	<b>36.35</b> THB/USD
<b>Week Open</b>	<b>34.43</b> THB/USD	<b>Monthly Low</b>	<b>36.16</b> THB/USD
<b>Week Close</b>	<b>36.29</b> THB/USD	<b>30 Days Average</b>	<b>36.07</b> THB/USD
<b>Weekly High</b>	<b>36.88</b> THB/USD	<b>90 Days Average</b>	<b>34.81</b> THB/USD
<b>Weekly Low</b>	<b>36.10</b> THB/USD	<b>YTD Change</b>	<b>+8.88%</b>

**Next Week's Thai Baht Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Consumer Confidence Idx	Jul	4-Aug		41.6
Forex Reserves	25 Jul, w/e	5-Aug		218.0B
Currency Swaps	25 Jul, w/e	5-Aug		28.6B

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**Euro Graph**


Source: Thomson Reuters

**Euro Outlook**

-EUR/USD prices retreat from the intraday high, also near the weekly top, as traders await the key data from Eurozone and the US. That said, the major currency pair earlier poked the weekly high before easing from 1.0254 at the latest.

-Eurozone money markets now price in roughly 44% chance of 50 bps ECB September rate hike versus 50% earlier in the week. The reduction in the bullish bias over the ECB's next move could be linked to the broad fears of recession and the downbeat Treasury yields, not to forget the Eurozone crisis.

<b>Lower Bound</b>	<b>1.0150</b>	<b>Upper Bound</b>	<b>1.0350</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Euro News**

-The euro fell below \$1.0200 after being down more than 100 pips earlier in the day from very weak PMI data. The Eurozone Flash PMI arrived at 49.6 in July vs 51.0 expectations and 52.1 last. The index hit a 25-month low. While Eurozone Composite PMI slumped to 49.4 in July vs 51.0 estimated and 52.0 previous, lowest level in 17 months.

-The Eurozone economy expanded by 0.7% on the quarter in the three months to June of 2022, beating 0.2% expected and 0.6% previous, the preliminary release showed on Friday. On an annualized basis, the bloc's GDP rate rose by 4.0% in Q2 vs. 5.4% booked in the first quarter of 2021 while surpassing 3.4% expectations.

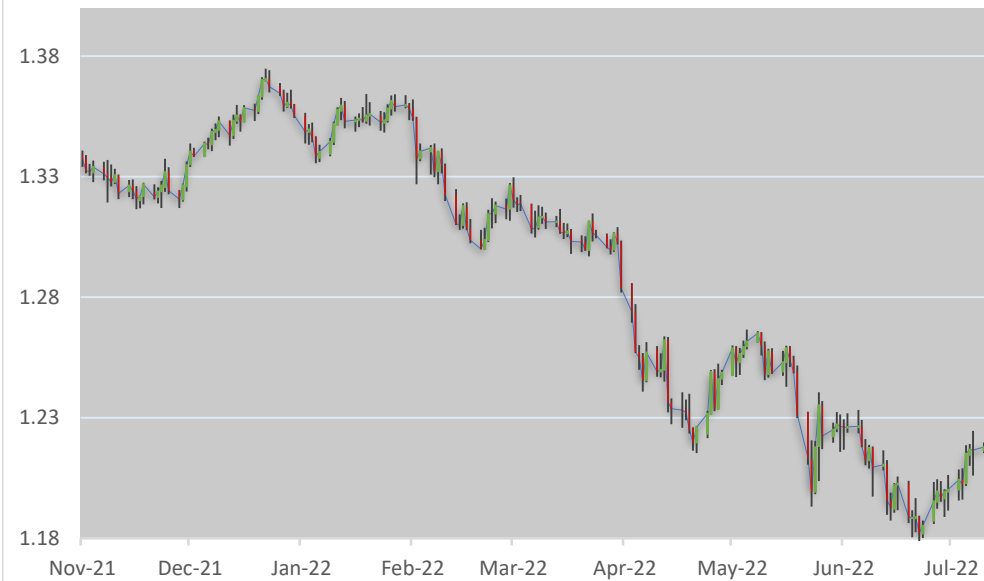
**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0210</b> USD/EUR	<b>Monthly High</b>	<b>1.0241</b> USD/EUR
<b>Week Open</b>	<b>1.0210</b> USD/EUR	<b>Monthly Low</b>	<b>1.0210</b> USD/EUR
<b>Week Close</b>	<b>1.0218</b> USD/EUR	<b>30 Days Average</b>	<b>1.0290</b> USD/EUR
<b>Weekly High</b>	<b>1.0257</b> USD/EUR	<b>90 Days Average</b>	<b>1.0552</b> USD/EUR
<b>Weekly Low</b>	<b>1.0095</b> USD/EUR	<b>YTD Change</b>	<b>-10.08%</b>

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
S&P Global/BME Mfg PMI	Jul	1-Aug	49.2	49.2
S&P Global Mfg Final PMI	Jul	1-Aug	49.6	49.6
Unemployment Rate	Jun	1-Aug	6.6%	6.6%
S&P Global Services PMI	Jul	3-Aug	49.2	49.2
S&P Global Comp Final PMI	Jul	3-Aug	48.0	48.0
S&P Global Serv Final PMI	Jul	3-Aug	50.6	50.6
S&P Global Comp Final PMI	Jul	3-Aug	49.4	49.4
Industrial Orders MM	Jun	4-Aug	-0.7%	0.1%
Industrial Output MM	Jun	5-Aug	-0.4%	0.2%
Industrial Production YY SA	Jun	5-Aug		-1.41%

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**Pound Sterling Graph**


Source: Thomson Reuters

**Pound Sterling Outlook**

The UK central bank is expected to hike interest rates by 50 bps on August 4 and a message that cautions against extrapolating 50 bps hikes into the future. Early details of active Gilt sales should be announced, but no decision yet made, though the British pound might continue to be influenced by the USD price dynamics.

In the near term, the GBP/USD is neutral-upwards biased. Since July 14, after reaching a daily low at 1.1759, the major began trending higher, within a 200-pip width ascending channel, which put a lid on Friday's rally around 1.2245. Therefore, the GBP/USD first resistance would be 1.2210.

<b>Lower Bound</b>	<b>1.2100</b>	<b>Upper Bound</b>	<b>1.2300</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Pound Sterling News**

The pound sterling slightly fell on Monday after it rebounded from the session's lows but the upside remained capped. The latest mixed economic data weighed on the currency. However, a correction in the US dollar kept the downside limited. The S&P Global PMI released on Friday showed UK's manufacturing sector grew at 52.2 vs the market expectation of 52 but below June's 52.8 which declined for the first time in the last two-year. Besides, UK Retail sales declined 0.1% m/m in June, below the market expectations of a 0.3% drop.

The UK has faced with the high inflation situation and the Bank of England have made it clear that forcing down inflation is its primary goal, even at the cost of growth.

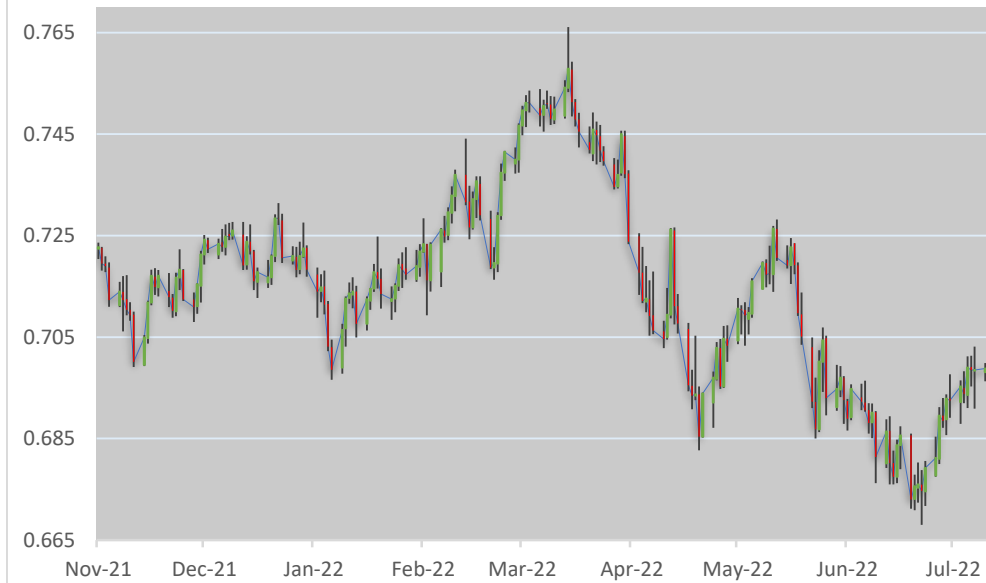
**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2002</b> USD/GBP	<b>Monthly High</b>	<b>1.2198</b> USD/GBP
<b>Week Open</b>	<b>1.2002</b> USD/GBP	<b>Monthly Low</b>	<b>1.2166</b> USD/GBP
<b>Week Close</b>	<b>1.2166</b> USD/GBP	<b>30 Days Average</b>	<b>1.2060</b> USD/GBP
<b>Weekly High</b>	<b>1.2245</b> USD/GBP	<b>90 Days Average</b>	<b>1.2445</b> USD/GBP
<b>Weekly Low</b>	<b>1.1957</b> USD/GBP	<b>YTD Change</b>	<b>-9.96%</b>

**Next Week's Pound Sterling Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
S&P GLBL/CIPS Mfg PMI FNL	Jul	1-Aug	52.2	52.2
Nationwide house price mm	Jul	2-Aug	0.5%	0.3%
Nationwide house price yy	Jul	2-Aug		10.7%
Composite PMI Final	Jul	3-Aug	52.8	52.8
Reserve Assets Total	Jul	3-Aug		185,229.72M
BOE Bank Rate	Aug	4-Aug	1.50%	1.25%
Halifax House Prices MM	Jul	5-Aug		1.8%
Halifax House Prices YY	Jul	5-Aug		12.98%

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**Australian Dollar**
**Australian Dollar Graph**


Source: Thomson Reuters

**Australian Dollar Outlook**

Next week, the Australian calendar will unveil the Reserve Bank of Australia (RBA), Interest Rate Decision, where the bank is expected to hike 50 bps from 1.35% to 1.85% on Tuesday and another in September, according to 32 of 34 economists surveyed July 22-28. Moreover, 19 of 31 economists who had a long-term view on rates, now expect the cash rate to reach 2.35% or higher by end-September, not year-end as forecast in the previous poll and 14 of 25 - who had forecasts until the end of next year saw rates hitting 3.00% or higher. Money market traders are betting on rates going above that by the end of this year.

<b>Lower Bound</b>	<b>0.6900</b>	<b>Upper Bound</b>	<b>0.7100</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Australian Dollar News**

The AUD/USD is trading below its opening price as investors reassess the Fed decision. On Wednesday, bulls were everywhere, with global equities rallying as if the Federal Reserve paused or cut rates. Another reason that would cap the AUD/USD gains is that China's foreign trade is facing higher risks, according to China's Commerce Minister. He added that the second-half trade growth is not optimistic.

The Australian docket featured the Producer Price Index for the Q2 on its annual reading, which increased by 5.6%, more than the 4.9% estimated, giving enough ammunition to the Reserve Bank of Australia to continue hiking rates.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6925</b> USD/AUD	<b>Monthly High</b>	<b>0.69990</b> USD/AUD
<b>Week Open</b>	<b>0.6922</b> USD/AUD	<b>Monthly Low</b>	<b>0.69710</b> USD/AUD
<b>Week Close</b>	<b>0.6985</b> USD/AUD	<b>30 Days Average</b>	<b>0.70858</b> USD/AUD
<b>Weekly High</b>	<b>0.7031</b> USD/AUD	<b>90 Days Average</b>	<b>0.72410</b> USD/AUD
<b>Weekly Low</b>	<b>0.6879</b> USD/AUD	<b>YTD Change</b>	<b>-3.72%</b>

**Next Week's Australian Dollar Economic Events**

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Mfg PMI Final	Jul	1-Aug		55.7
Building Approvals	Jun	2-Aug	-5.0%	9.9%
Owner-Occp'd Hous'g Fin MM	Jun	2-Aug	-4.25%	2.10%
RBA Cash Rate	Aug	2-Aug	1.85%	1.35%
Retail Trade	Q2	3-Aug	1.2%	1.2%
Trade Balance G&S (A\$)	Jun	4-Aug	14,200M	15,965M


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

USD/JPY traded around 133.30, down 0.73% on the day and the pair is consolidating the recovery from multi-week troughs of 132.51 after Japanese Finance Minister Shunichi Suzuki said on Friday that they are closely watching FX moves with a sense of urgency while working with the Bank of Japan (BOJ).

**Japanese Yen News**

- The yen eased its gains after it rallied to 135.56 JPY/USD, reaching the lowest level in two weeks against the greenback even as stock prices rise in Wall Street and Europe. The rally in bonds gained speed after the release of weaker-than-expected US data, adding fuel to the yen. Japan Core CPI climbed at a faster pace of 2.2% in June from a year earlier, with energy costs amplified by a weaker yen and higher processed food prices the main contributors.
- The Flash Japan PMI slipped to a seasonally adjusted 52.2 in July from the previous month's 52.7 final, marking the slowest expansion since last September.
- After that, the Japanese yen weakened against the dollar as there were capital inflows to the dollar. Investors await the Federal Reserve monetary policy decision. A rate hike announcement by the Fed will escalate the Fed-BOJ policy divergence.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>136.05</b> JPY/USD	<b>Monthly High</b>	<b>133.34</b> JPY/USD
<b>Week Open</b>	<b>136.07</b> JPY/USD	<b>Monthly Low</b>	<b>132.08</b> JPY/USD
<b>Week Close</b>	<b>133.19</b> JPY/USD	<b>30 Days Average</b>	<b>121.11</b> JPY/USD
<b>Weekly High</b>	<b>137.46</b> JPY/USD	<b>90 Days Average</b>	<b>116.92</b> JPY/USD
<b>Weekly Low</b>	<b>132.49</b> JPY/USD	<b>YTD Change</b>	<b>+15.17%</b>

**Next Week's Japanese Yen Economic Events**

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Final SA	Jul	1-Aug		52.2
JibunBK SVC PMI Final SA	Jul	3-Aug		51.2
All Household Spending YY	Jun	5-Aug	1.5%	-0.5%
All Household Spending MM	Jun	5-Aug	0.2%	-1.9%

<b>Lower Bound</b>	<b>131.00</b>	<b>Upper Bound</b>	<b>131.50</b>
<b>Forecast</b>	<b>Appreciation</b>		

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