

WEEKLY FOREIGN EXCHANGE OUTLOOK

15 Aug 2022 - 19 Aug 2022

 **Dollar Index**

Dollar Index Graph



Source: Thomson Reuters

Dollar Outlook

- After Wednesday's CPI report, the Fed funds futures price in a 69% chance of another 75 bps rate hike in September.
- Financial Markets are currently pricing a top fed funds rate of 3.75% by year-end, with rate cuts to follow next year, presumably as policymakers move to counter economic weakness.
- However, the hawkish Fed commentary, renewed US-China trade tensions and China's covid lockdown concerns kept the dollar supported at lower levels, capping the upside attempts in cable.

Lower Bound	105.08	Upper Bound	107.41
Forecast	Depreciation		

Dollar News

- The dollar starts the new week on the firm side after some impressive US July jobs figures on last Friday.
- However, the dollar fell broadly after the July Consumer Price Index contracted more than anticipated, down to 8.5% YoY from 9.1% in June. More relevantly, the core reading held steady at 5.9%, better than the uptick towards 6.1% anticipated.
- Chicago Fed President Charles Evans said that he does not expect the Fed is finished with rate increases and that he expects the funds rate to top out at 4%. He also expects rates to rise this year and next.
- On the other, Minneapolis Fed President Neel Kashkari noted that the idea of cutting interest rates early next year is unrealistic but warned that the country may enter into a recession in the near future.

Dollar Index Performance

Last Week Close	106.62	Monthly High	109.29
Week Open	106.58	Monthly Low	104.64
Week Close	105.09	30 Days Average	106.67
Weekly High	106.93	90 Days Average	104.22
Weekly Low	104.64	YTD Change	+10.39%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Housing Starts Number	Jul	16-Aug	1.550M	1.559M
Industrial Production MM	Jul	16-Aug	0.2%	-0.2%
Retail Sales MM	Jul	17-Aug	0.1%	1.0%
Philly Fed Business Indx	Aug	18-Aug		-12.3
Existing Home Sales	Jul	18-Aug	4.85M	5.12M
Initial Jobless Clm		8 Aug, w/e 18-Aug		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht News

- The baht could fluctuate during the Monetary Policy Committee's (MPC) meeting which may push foreign investors to adjust their possession of bonds and baht.
- On Wednesday, the Bank of Thailand (BoT)'s Monetary Policy Committee (MPC) voted 6-1 to hike the policy interest rate by 25 basis points from a record low of 0.5% to 0.75% to tackle inflation. One member voted to raise the policy rate by 0.50 percentage point. The rate was last raised in December 2018.
- The Bank of Thailand (BOT), which had been among Asia's least hawkish central banks, finally joined most of its peers in raising rates as consumer inflation hovers near 14-year highs, though it stressed further hikes will be gradual.
- The BoT had signalled gradual policy tightening to cool price pressures. Driven largely by high energy prices, the consumer price index (CPI) rose 7.61% in July from a year earlier, far above its target.

Thai Baht Performance

Last Week Close	35.76 THB/USD	Monthly High	36.36 THB/USD
Week Open	34.43 THB/USD	Monthly Low	35.06 THB/USD
Week Close	35.33 THB/USD	30 Days Average	36.15 THB/USD
Weekly High	35.84 THB/USD	90 Days Average	35.05 THB/USD
Weekly Low	35.04 THB/USD	YTD Change	+6.30%

Thai Baht Outlook

- The world has been moving ahead with rate hikes, but Thailand has been trying to keep its balance as it tries to spur the domestic economy that has been battered by the impact of the Covid-19 outbreak while at the same time trying to tame inflation.
- The BOT may revise up its 2022 economic growth forecast of 3.3% when it reviews it next month, with foreign tourist numbers expected to beat its forecast of 6 million this year.
- However, the Thai currency will not weaken past its support level of 34.80 because investors are waiting to purchase the dollar at this level while other foreigners might sell the US currency for profit.

Lower Bound	35.02	Upper Bound	37.18
Forecast	Appreciation		

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
GDP Growth YY	Q2	15-Aug		2.2%
GDP Growth QQ SA	Q2	15-Aug		1.1%

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Euro Graph



Source: Thomson Reuters

Euro News

- Tensions between Germany and Russia over natural gas delivery undermined demand for EUR/USD.
- The EUR/USD was weighed by headlines indicating that Russia reportedly suspended oil flows via the southern leg of the Druzhba pipeline, amid transit payment issues.
- European stocks and government bonds rose following a lower-than-expected US CPI data release.
- The Germany Harmonized Index of Consumer Prices (HICP) landed at 8.5%, in line with the estimates and the prior release. It is worth noting that US inflation dropped sharply on declining oil prices while German inflation remained steady, which indicates that the energy crisis has deepened in the Eurozone area.

Euro Index Performance

Last Week Close	1.0181 USD/EUR	Monthly High	1.0368 USD/EUR
Week Open	1.0177 USD/EUR	Monthly Low	1.0124 USD/EUR
Week Close	1.0258 USD/EUR	30 Days Average	1.0199 USD/EUR
Weekly High	1.0368 USD/EUR	90 Days Average	1.0468 USD/EUR
Weekly Low	1.0157 USD/EUR	YTD Change	-10.03%

Euro Outlook

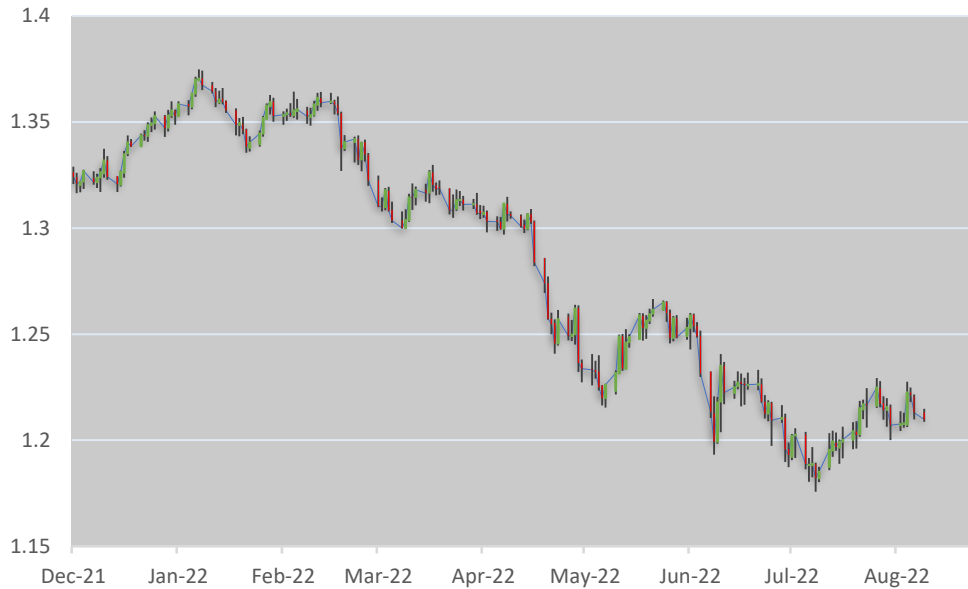
- In Europe, the focus is on the energy crisis – a result of the Ukraine war. Power prices stand at record highs as the government studies how to limit energy supplies ahead of the winter.
- The upcoming week will bring a couple of first-tier events, but attention will generally remain on potential recession risks. The EU will publish the second estimate of its Q2 Gross Domestic Product and the final estimate of its July CPI.
- EUR/USD may soon confirm the latest advance was a mere correction.

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Reserve Assets Total	Jul	15-Aug		1,122.09B
Total Trade Balance SA	Jun	16-Aug		-26.00B
GDP Flash Estimate QQ	Q2	17-Aug		0.7%
GDP Flash Estimate YY	Q2	17-Aug		4.0%
HICP Final MM	Jul	18-Aug		0.8%
HICP Final YY	Jul	18-Aug		8.9%

Lower Bound	1.0125	Upper Bound	1.0306
Forecast	Depreciation		

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The energy crisis affecting Europe has led to the UK government planning potential organised energy blackouts this winter for industry and households as a worst-case scenario.
- The investing community is aware of the fact that the Russia-Ukraine tussle escalated the oil prices abruptly, which remained critical to higher cost pressures in the global economy.
- The pound is one of the worst G10 currencies performers this year, having weakened almost 10% against the U.S. dollar in 2022 amid a grim outlook for the UK economy.

Pound Sterling News

- The Pound Sterling strengthened against a slightly weaker dollar on Tuesday, with the outlook for UK interest rates in focus after a Bank of England official flagged a further increase.
- BoE Deputy Governor Dave Ramsden told that the bank will probably have to raise interest rates further from their current 14-year-high to tackle inflation pressures that are gaining a foothold in Britain's economy.
- However, the Pound Sterling slid as investors turned their focus to the energy crisis hitting economic growth prospects in Britain.
- The UK's Office for National Statistics reported on Friday that the Gross Domestic Product contracted by 0.1% on a quarterly basis in the second quarter. Moreover, Industrial Production and Manufacturing Production fell by 0.9% and 1.6%, respectively, on a monthly basis in July.

Pound Sterling Performance

Last Week Close	1.2071 USD/GBP	Monthly High	1.2293 USD/GBP
Week Open	1.2071 USD/GBP	Monthly Low	1.2004 USD/GBP
Week Close	1.2130 USD/GBP	30 Days Average	1.2041 USD/GBP
Weekly High	1.2276 USD/GBP	90 Days Average	1.2340 USD/GBP
Weekly Low	1.2044 USD/GBP	YTD Change	-10.58%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Claimant Count Unem Chng	Jul	16-Aug		-20.0k
ILO Unemployment Rate	Jun	16-Aug		3.8%
HMRC Payrolls Change	Jul	16-Aug		31k
CPI YY	Jul	17-Aug		9.4%
Retail Sales MM	Jul	19-Aug		-0.1%
Retail Sales Ex-Fuel MM	Jul	19-Aug		0.4%
Retail Sales YY	Jul	19-Aug		-5.8%

Lower Bound	1.1944	Upper Bound	1.2269
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- Markets remain split on whether the Reserve Bank of Australia (RBA) will hike by a quarter- or half-point at its next policy meeting in September, having already lifted rates by 175 basis points since May to 1.85%.
- Investors are keenly watching this week's second quarter wage price index release, which will offer signs of its inflation outlook. In the meantime, however, moves in the risk-sensitive currency will remain largely pegged to the broader U.S. dollar trends and global economic outlook.
- China covid cases are back in focus, surging and cities go into lockdown.

Australian Dollar News

- The Australian dollars held firm on Tuesday as data showed Australian business activity and costs surging but consumers turning more pessimistic by the day, pointing to higher rates in the short term but lower yields further out.
- A measure of Australian business confidence rebounded in July as sales and profits held up surprisingly well in the face of rising interest rates and high inflation, though firms also reported record costs amid supply constraints.
- Australia Consumer Inflation Expectations dropped to 5.9% in August, versus 6.3% prior. The Aussie data tracks the US Consumer Price Index (CPI) that declined to 8.5% on YoY in July versus 8.7% expected and 9.1% prior.
- China's July Consumer Price Index and Producer Price Index inflation came in lower than expected. CPI inflation increased to 2.7% YoY (cons. 2.9%, TD 3.0%, last 2.5%) while PPI inflation fell to 4.2%

Australian Dollar Performance

Last Week Close	0.6909 USD/AUD	Monthly High	0.71360 USD/AUD
Week Open	0.6902 USD/AUD	Monthly Low	0.68700 USD/AUD
Week Close	0.7121 USD/AUD	30 Days Average	0.70563 USD/AUD
Weekly High	0.7136 USD/AUD	90 Days Average	0.72243 USD/AUD
Weekly Low	0.6896 USD/AUD	YTD Change	-2.71%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Composite Leading Idx MM	Jul	17-Aug		-0.16%
Wage Price Index QQ	Q2	17-Aug		0.7%
Wage Price Index YY	Q2	17-Aug		2.4%
Employment	Jul	18-Aug		88.4k
Unemployment Rate	Jul	18-Aug		3.5%

Lower Bound	0.6845	Upper Bound	0.7111
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Recession fears offer support to the safe-haven JPY and cap gains amid modest USD weakness.
- A big divergence in the monetary policy stance adopted by the Federal Reserve and the Bank of Japan continues to weigh on the Japanese yen.
- The Covid situation and lower inflation is getting more critical for the Bank of Japan (BOJ). The central bank is failing in keeping the inflation rate above 2% and pushing growth rates higher despite the continuation of an ultra-loose monetary policy.
- Lower yields, risk appetite and expectations of a less aggressive Federal Reserve weighed on the USD/JPY.

Lower Bound	131.01	Upper Bound	138.67
Forecast	Depreciation		

Japanese Yen News

- The Japanese Yen has appreciated dramatically in the aftermath of US CPI coming in softer than anticipated.
- The USD/JPY slightly climbed on Thursday following the release of the University of Michigan Consumer Sentiment for August, which exceeded estimations, but consumer expectations of inflation remained mixed.
- Japanese Prime Minister Fumio Kishida is set to retain Finance Minister Shunichi Suzuki in a cabinet reshuffle this week. Now, eyes will remain on measures to be taken by the Japanese administration to step up the labor cost index, which is critical to keep the inflation rate above 2%.
- Japan recorded a current account deficit of JPY 132.4B, outperformed expectations of a JPY 703.8B deficit.

Japanese Yen Performance

Last Week Close	134.97 JPY/USD	Monthly High	135.57 JPY/USD
Week Open	135.01 JPY/USD	Monthly Low	130.42 JPY/USD
Week Close	133.48 JPY/USD	30 Days Average	124.84 JPY/USD
Weekly High	135.57 JPY/USD	90 Days Average	118.52 JPY/USD
Weekly Low	131.72 JPY/USD	YTD Change	+15.96%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
GDP QQ	Q2	15-Aug	0.6%	-0.1%
GDP QQ Annualised	Q2	15-Aug	2.5%	-0.5%
Reuters Tankan N-Man Idx	Aug	17-Aug		14
Machinery Orders MM	Jun	17-Aug		-5.6%
Machinery Orders YY	Jun	17-Aug		7.4%
Exports YY	Jul	17-Aug		19.4%
Imports YY	Jul	17-Aug		46.1%
Trade Balance Total Yen	Jul	17-Aug		-1,383.8B
CPI, Core Nationwide YY	Jul	19-Aug	2.2%	
CPI, Overall Nationwide	Jul	19-Aug	2.4%	

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