

WEEKLY FOREIGN EXCHANGE OUTLOOK
22 Aug 2022 - 26 Aug 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- DXY is up for the third session in a row and prints new multi-week tops just north of the 108.00 hurdle on Friday and is likely to go higher.
- The next level is 109 level after reached YTD high at 109.29 on July 14.
- The greenback tends to strengthen due to prospects of more rate hikes by the U.S. Federal Reserve and the return of geopolitical angst.

Lower Bound	107.00	Upper Bound	109.00
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Forecast	Appreciation
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Dollar News

- The dollar index regained during the mid-week and climbed above 106.60 with investors turning cautious.
- The July retail sales data from the US was focused for fresh impetus before the FOMC published the minutes of its July meeting later on Wednesday.
- Retail sales were flat in July against expectations of a 0.1% increase.
- In minutes; Fed officials continue to worry about inflation, believing that it will remain high for some time. Because of this grim inflation outlook, the US central bank is going to continue its tightening cycle and further hike the federal funds rate. Moreover, the FOMC members agreed that moving to a restrictive stance would also be wise from a risk-management point of view.

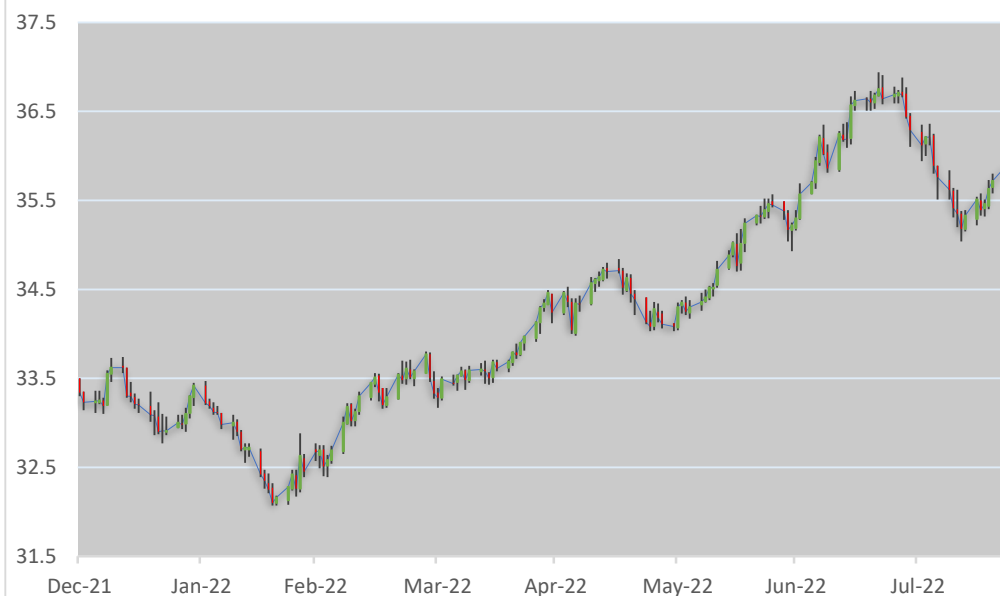
Dollar Index Performance

Last Week Close	105.63	Monthly High	109.29
Week Open	105.67	Monthly Low	104.64
Week Close	107.47	30 Days Average	106.74
Weekly High	108.29	90 Days Average	104.61
Weekly Low	105.55	YTD Change	+12.67%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Mfg PMI Flash	Aug	23-Aug	51.9	52.2
S&P Global Svcs PMI Flash	Aug	23-Aug	49.1	47.3
S&P Global Comp Flash PMI	Aug	23-Aug		47.7
New Home Sales-Units	Jul	23-Aug	0.575M	0.590M
Durable Goods	Jul	24-Aug	0.5%	2.0%
GDP 2nd Estimate	Q2	25-Aug	-0.8%	-0.9%
Initial Jobless Clm	20 Aug, w/	25-Aug	253k	250k
Consumption, Adjusted MM	Jul	26-Aug	0.4%	1.1%
U Mich Sentiment Final	Aug	26-Aug	55.2	55.1

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The baht could be appreciated during the rest of the year as the nation expects to attract 10 million international tourists this year, compared with the 6.1 million forecasts in April. Visitors are seen rising to 30 million people next year, still shy of the 40 million who traveled to the country in the year before Covid spread.
- The government's decision this month to downgrade Covid-19 to the same category as influenza is another positive factor for the baht, as it suggests that the nation's public health outlook is stabilizing.
- Meanwhile, the Bank of Thailand's first-rate hike in more than three years last week failed to give a strong boost to the baht, as policy makers signaled their future moves will be gradual. So the baht is likely to move fluctuate in coming weeks.

Lower Bound	35.50	Upper Bound	36.00
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Forecast	Depreciation
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Please carefully examine the Important Disclosure on the last section of this material.

Thai Baht News

- Thailand's baht rebounded so rapidly in the past few weeks on optimism about the country's tourism-led growth, however, the baht last week depreciated again against the US dollar due to the bullish Fed's comment.
- Moves in the baht last week emphasized how it's still vulnerable to global economic uncertainties. The currency declined 0.5% during Monday, the biggest drop in more than three weeks after China cut key interest rates and after a report showed economic growth was weaker than economists had estimated.
- Thailand's gross domestic product rose 2.5% in April-June from a year earlier, below the median estimate for a 3.1% expansion, according to the Bloomberg.

Thai Baht Performance

Last Week Close	35.33 THB/USD	Monthly High	36.36 THB/USD
Week Open	34.43 THB/USD	Monthly Low	35.06 THB/USD
Week Close	35.72 THB/USD	30 Days Average	36.08 THB/USD
Weekly High	35.80 THB/USD	90 Days Average	35.16 THB/USD
Weekly Low	35.22 THB/USD	YTD Change	+7.59%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Jul	24-Aug	10.69%	11.90%
Custom-Based Import Data	Jul	24-Aug	21.60%	24.50%
Customs-Based Trade Data	Jul	24-Aug	-1.57B	-1.53B

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- The euro is facing increasing bearish pressure and is near a critical support at \$1.0110; a break below 1.0100 would expose the parity level.
- The ECB is lagging behind the Fed and BoE whether it will raise its key rate by 25 or 50 basis points in September as the growth outlook in Europe becomes increasingly gloomy, which is weighing on the euro.
- Moreover, the winter is coming with a continuing threat of gas shortage and high energy prices are weighing on the eurozone economy and dampen the demand for the euro.
- The next resistance stands at 1.0160 followed by the strong barrier near 1.0200.

Lower Bound	0.9950	Upper Bound	1.0160
Forecast	Depreciation		

Euro News

- The euro dropped sharply during the American session and hit a low of \$1.0107, the lowest level since July 27. It remains under pressure amid a stronger US dollar across the board.
- The economic outlook for Germany, Europe's largest economy, is gloomy due to energy price rises and supply chain disruptions. Moreover, in connection with China's zero-COVID policy, all are weighing heavily on the economy's development.
- The GDP data for second quarter in Europe came out at 0.6%, lower than expectations and prior of 0.7%.

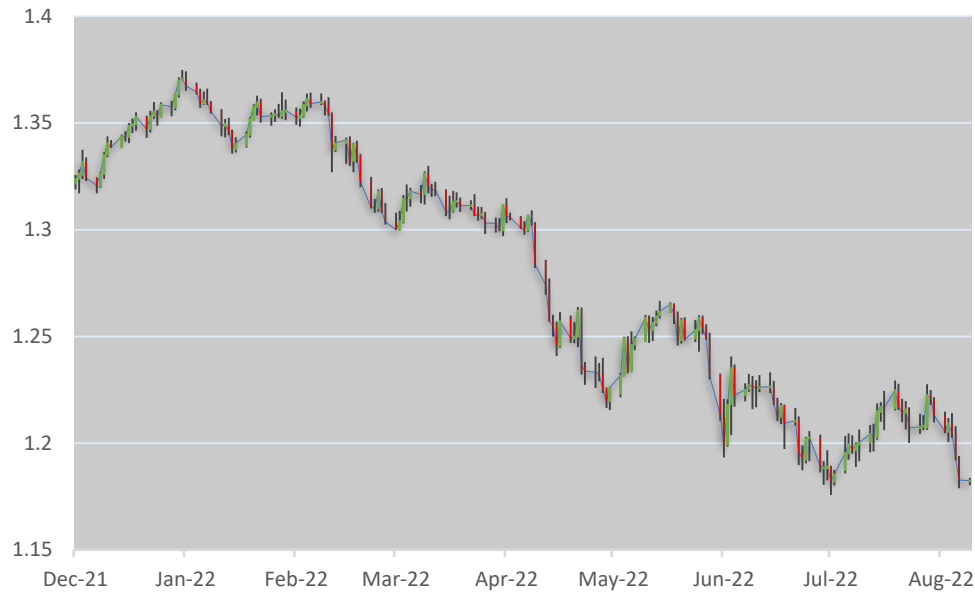
Euro Index Performance

Last Week Close	1.0258 USD/EUR	Monthly High	1.0368 USD/EUR
Week Open	1.0261 USD/EUR	Monthly Low	1.0024 USD/EUR
Week Close	1.0034 USD/EUR	30 Days Average	1.0183 USD/EUR
Weekly High	1.0268 USD/EUR	90 Days Average	1.0428 USD/EUR
Weekly Low	1.0030 USD/EUR	YTD Change	-11.70%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Mfg Flash PMI	Aug	23-Aug	49.0	49.8
S&P Global Serv Flash PMI	Aug	23-Aug	50.5	51.2
S&P Global Comp Flash PMI	Aug	23-Aug	49.0	49.9
Consumer Confid. Flash	Aug	23-Aug	-28.0	-27.0

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- Growing recession fears might force the BOE to adopt gradual approach to raise interest rates.
- Meanwhile, the bullish tone surrounding the US dollar still acts as a tailwind for the USD.
- Investors will look for clues about the possibility of a 75 bps Fed rate hike move at the September policy meeting. This should influence the USD and provide a fresh directional impetus to the GBP/USD pair.

Lower Bound	1.1750	Upper Bound	1.1950
Forecast	Neutral		

Pound Sterling News

- The sterling struggled to capitalize on hotter-than-expected UK CPI; the GBP/USD spiked above 1.2140 before erasing its gains and returning below 1.2100.
- The UK Office for National Statistics reported that the headline CPI accelerated to the highest level since 1982 and rose 10.1% YoY in July. The reading was well above the 9.4% recorded in June and 9.8% estimated, lifting bets for another rate hike by the Bank of England.
- The Sterling depreciated against the US dollar regarding expectation that the Fed would stick to its policy tightening path. Apart from this, the cautious market mood further underpins the dollar as safe-haven asset.

Pound Sterling Performance

Last Week Close	1.2130 USD/GBP	Monthly High	1.2293 USD/GBP
Week Open	1.2131 USD/GBP	Monthly Low	1.1793 USD/GBP
Week Close	1.1827 USD/GBP	30 Days Average	1.2039 USD/GBP
Weekly High	1.2148 USD/GBP	90 Days Average	1.2280 USD/GBP
Weekly Low	1.1789 USD/GBP	YTD Change	-12.59%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Flash Composite PMI	Aug	23-Aug	51.3	52.1
Flash Manufacturing PMI	Aug	23-Aug	51.3	52.1
Flash Services PMI	Aug	23-Aug	52.0	52.6

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- The RBA minutes, published on Tuesday, indicated that further rate hikes were coming, but reiterated that the Bank would be guided by economic data and the inflation forecast.
- The RBA will meet on September 6th and another rate hike is likely, even with the weak job report. The markets have priced in a 25-basis point hike, which would bring the cash rate to 2.10%.
- The Aussie is likely to be in bearish tone and could extend its decline toward 0.6850 price zone.
- Moreover, if the market sentiment still remains on the back foot, it should limit the demand for the Aussie and underpin the USD.

Lower Bound	0.6800	Upper Bound	0.6950
Forecast	Neutral		

Australian Dollar News

- Poor wage growth undermined demand for the Australian dollar, which was further hit by a dismal market mood that boosted demand for the greenback.
- The key employment-related report, the Q2 Wage Price Index. The Australian Bureau of Statistics reported wages were up 0.7% in the three months to June, while the annual rate growth was 2.6%, slightly below the 2.7% expected. Still, it is the highest annual rate of growth since Q3 2014.
- Also, Australia released the July employment report, and the numbers were surprisingly soft. The economy lost 40.9 thousand jobs, well below the estimate of 25.0 thousand.

Australian Dollar Performance

Last Week Close	0.7121 USD/AUD	Monthly High	0.71360 USD/AUD
Week Open	0.7106 USD/AUD	Monthly Low	0.68600 USD/AUD
Week Close	0.6872 USD/AUD	30 Days Average	0.70517 USD/AUD
Weekly High	0.7125 USD/AUD	90 Days Average	0.72082 USD/AUD
Weekly Low	0.6857 USD/AUD	YTD Change	-5.01%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Aug	23-Aug		55.7
Services PMI Flash	Aug	23-Aug		50.9
Comp PMI Flash	Aug	23-Aug		51.1
Retail Sales MM Final	Jul	29-Aug		0.2%


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Elsewhere, with the economic recovery in Japan still hampered by COVID, domestic price pressures are likely to remain modest. Thus, the key driver of USD/JPY remains the outlook for the global economy and the energy crunch. With the US labor market still in top shape, the JPY is likely to be under pressure.
- Moreover, the Fed-BoJ policy divergence and wide US-Japan yield differentials will keep the JPY soft for the foreseeable future. Though recession fears could limit deeper losses.
- However, if a slowdown in global economy turns into real recession, the demand for the safe-haven such as Yen should be increasing.

Lower Bound	134.50	Upper Bound	139.00
Forecast	Depreciation		

Japanese Yen News

- The yen weakened against the USD on geopolitical angst and the hawkish Fed narrative.
- The recent hawkish remarks by several Fed officials suggested that the US central bank would stick to its policy tightening path. This, along with a pickup in the US Treasury bond yields, continues to underpin the USD and pressured the Yen.
- Apart from this, a big divergence in the Fed-BoJ monetary policy stance is driving flows away from the Japanese yen. It is worth recalling that the BoJ has repeatedly said that it would retain its ultra-easy policy settings.

Japanese Yen Performance

Last Week Close	133.48 JPY/USD	Monthly High	137.43 JPY/USD
Week Open	133.43 JPY/USD	Monthly Low	130.42 JPY/USD
Week Close	136.93 JPY/USD	30 Days Average	126.36 JPY/USD
Weekly High	137.23 JPY/USD	90 Days Average	119.36 JPY/USD
Weekly Low	132.54 JPY/USD	YTD Change	+19.35%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Flash SA	Aug	23-Aug		52.1
JibunBK Comp Op Flash SA	Aug	23-Aug		50.2
JibunBK SVC PMI Flash SA	Aug	23-Aug		50.3
Chain Store Sales YY	Jul	23-Aug		-1.0%
Service PPI	Jul	25-Aug		2.00%
CPI Tokyo Ex fresh food YY	Aug	26-Aug	2.5%	2.3%
CPI, Overall Tokyo	Aug	26-Aug		2.5%
Leading Indicator Revised	Jun	29-Aug		-0.6

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