

WEEKLY FOREIGN EXCHANGE OUTLOOK
12 Dec 2022 - 16 Dec 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The focus in this week is on Fed policy meetings (13-14 Dec), which is expected to provide more clues about the central bank's next steps, after signals of slowing the pace of tightening, with widely expectations of 50 basis points hike to 4.25-4.50% in this meeting, with terminal rate seen just above 5% and expected to be reached in May 2023.
- Investors also focus on U.S. Consumer Price Index in November that will be released on Tuesday (13 Dec), which was expected at 7.7% YoY, and should influence the Fed's policy outlook and drive the dollar demand.

Lower Bound	104.00	Upper Bound	106.00
Forecast	Appreciation		

Dollar Index News

- At the beginning of last week, the dollar index weakened after the Chinese Yuan soared to its highest level since mid-September as relaxation of some of China's strict COVID-19 curbs boosted risk appetite.
- However the dollar index rallied after data showed that U.S. services industry activity unexpectedly picked up in November, prompting speculation the Federal Reserve may lift interest rates more than recently projected.
- At the end of last week, the dollar index came under pressure on renewed concerns about slowdown of US economy, after jobless claims rose, adding to worries that the economy may slide into recession in 2023.
- Data on Friday (9/12) showed that U.S. producer prices rose slightly more than expected last month amid a jump in the costs of services, but the underlying trend is moderating as supply chains ease and demand for goods ebbs.

Dollar Index Performance

Last Week Close	104.55	Monthly High	113.15
Week Open	104.51	Monthly Low	104.11
Week Close	104.48	30 Days Average	107.12
Weekly High	105.90	90 Days Average	109.22
Weekly Low	104.11	YTD Change	+9.29%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Core CPI MM, SA	Nov	13-Dec	0.4%	0.3%
Core CPI YY, NSA	Nov	13-Dec	6.10%	6.3%
CPI MM, SA	Nov	13-Dec	0.3%	0.4%
CPI YY, NSA	Nov	13-Dec	7.30%	7.7%
Fed Funds Tgt Rate	14 Dec	15-Dec	4.25-4.50%	3.75-4.0%
Retail Sales MM	Nov	15-Dec	-0.1%	1.3%
Industrial Production MM	Nov	15-Dec	-0.2%	-0.1%
S&P Global Comp Flash PMI	Dec	16-Dec	46.8	46.4

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht News

- The Thai baht depreciated against the U.S. dollar at the beginning of last week, after the greenback surged following better than expected in U.S. service PMI data.
- However, the Thai baht appreciated against the U.S. dollar after data on Wednesday (7/12) showed that Thailand's headline consumer price index (CPI) rose by a less-than-expected 5.55% in November from a year earlier, the slowest pace in seven months, compared with a forecast for a 5.86% rise and followed October's 5.98% increase, but the core CPI index in November was up 3.22% from a year ago, versus a forecast rise of 3.20%, and following October's 3.17%.
- Thailand's consumer confidence index rose to 47.9 in November from 46.1 in the previous month, according to the University of the Thai Chamber of Commerce.

Thai Baht Performance

Last Week Close	34.66 THB/USD	Monthly High	35.16 THB/USD
Week Open	34.43 THB/USD	Monthly Low	34.59 THB/USD
Week Close	34.64 THB/USD	30 Days Average	35.86 THB/USD
Weekly High	35.16 THB/USD	90 Days Average	36.63 THB/USD
Weekly Low	34.57 THB/USD	YTD Change	+4.35%

Thai Baht Outlook

- There is no Thailand's economic data release this week, but investors will focus on FOMC meeting (13-14 Dec).
- We expected that the Thai baht can be volatile as markets weighed more signs of an economic reopening in China against growing concerns over a U.S. recession and a rate hikes by the Federal Reserve.
- The Bank of Thailand is likely to continue raising interest rates as headline inflation is expected to be higher than the previous projection for 2023.

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Forex Reserves	Dec-09	16-Dec		\$214.0b

Lower Bound	34.60	Upper Bound	35.30
Forecast	Depreciation		

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Euro Graph



Source: Thomson Reuters

Euro News

- The euro slightly dropped against the U.S. dollar at the beginning of last week, after earlier touched a five-month high of 1.0595 USD/EUR, despite mixed Eurozone PMI data and extended gains after the U.S. dropped after comment by Federal Reserve officials.
- However, the euro extended its rally against the US Dollar to a six-month high of 1.0594, holding nearby ahead of the weekly close.
- The Euro Area delivered mixed signs. S&P Global downwardly revised the November PMIs, indicating a steeper economic contraction. Retail Sales in October were down by 1.8% MoM and declined by 2.7% YoY. On a positive note, growth in the three months to September was up by 0.3%, according to the Gross Domestic Product Q3 estimate, slightly better than the 0.2% expected.

Euro Index Performance

Last Week Close	1.0538 USD/EUR	Monthly High	1.0594	USD/EUR
Week Open	1.0515 USD/EUR	Monthly Low	1.0394	USD/EUR
Week Close	1.0530 USD/EUR	30 Days Average	1.0323	USD/EUR
Weekly High	1.0594 USD/EUR	90 Days Average	1.0056	USD/EUR
Weekly Low	1.0441 USD/EUR	YTD Change	-7.20%	

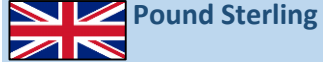
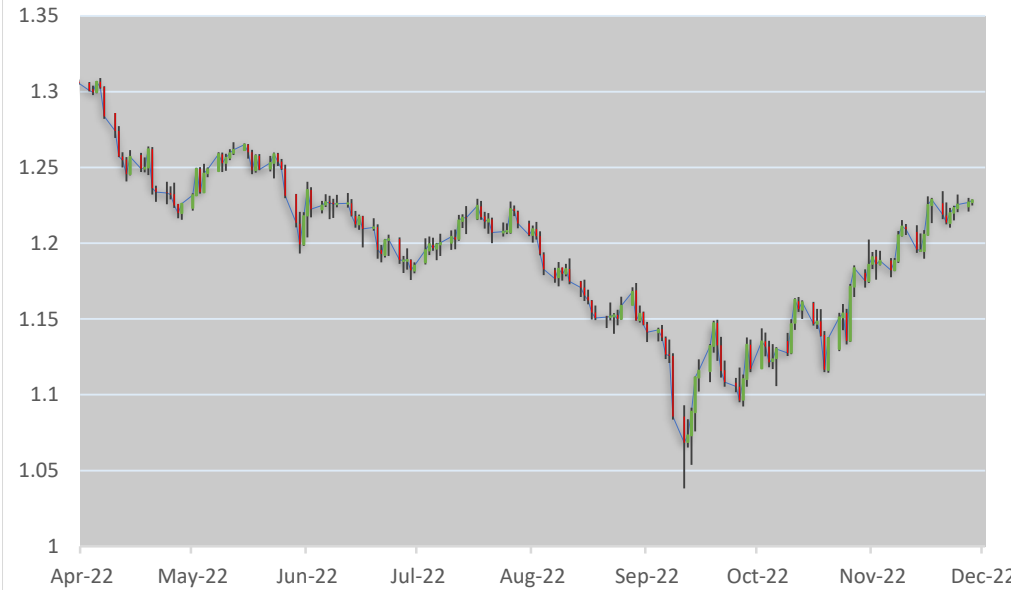
Euro Outlook

- This week, we will focus on ECB meeting on Thursday (15 dec), which is still expected to hike interest rates at its final policy meeting of the year with Eurozone inflation still running well above its 2% target.
- European policymakers hinted at a potential 75 bps hike, but the most likely scenario is a more conservative 50 bps one.
- We will also focus on the data that will be released this week such as Eurozone manufacturing and service PMI data and inflation data on Friday (16 Dec).

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Industrial Production MM	Oct	14-Dec	-1.2%	0.9%
Industrial Production YY	Oct	14-Dec	3.40%	4.9%
ECB Refinancing Rate	Dec	15-Dec	2.50%	2.00%
ECB Deposit Rate	Dec	15-Dec	2.00%	1.50%
S&P Global Mfg Flash PMI	Dec	16-Dec	47.3	47.1
S&P Global Serv Flash PMI	Dec	16-Dec	48.5	48.5
S&P Global Comp Flash PMI	Dec	16-Dec	47.9	47.8
Total Trade Balance SA	Oct	16-Dec		-37.70B
HICP Final MM	Nov	16-Dec	-0.1%	1.5%
HICP Final YY	Nov	16-Dec	10.0%	10.0%

Lower Bound	1.0350	Upper Bound	1.0600
Forecast	Depreciation		

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The BoE is set to hike its rates further by 50 bps in its meeting on Thursday (15 Dec) despite the economy falling into recession as it battles inflation running at more than five times of its target. Inflation in Britain has been rampant, elevated by surging energy costs following Russia's invasion of Ukraine that has also further disrupted supply chains still healing from the coronavirus pandemic.
- Meanwhile, the Office for National Statistics said on Friday (9/12) that it was canceling the release of this week's U.K. PPI data, after the discovery of further potential problems with the calculation of the series.

Lower Bound	1.2100	Upper Bound	1.2400
Forecast	Appreciation		

Pound Sterling News

- The pound sterling dropped to 1.2107 USD/GBP after U.K. house prices fell at the sharpest pace in 14 years in November after interest surged, reducing the affordability of properties. The mortgage lender said prices fell 2.3%, the third consecutive decline.
- However, at the end of last week, the pound sterling edged higher toward 1.2300 USD/GBP, its highest since June this year, amid sustained the dollar weakness and risk-on market.

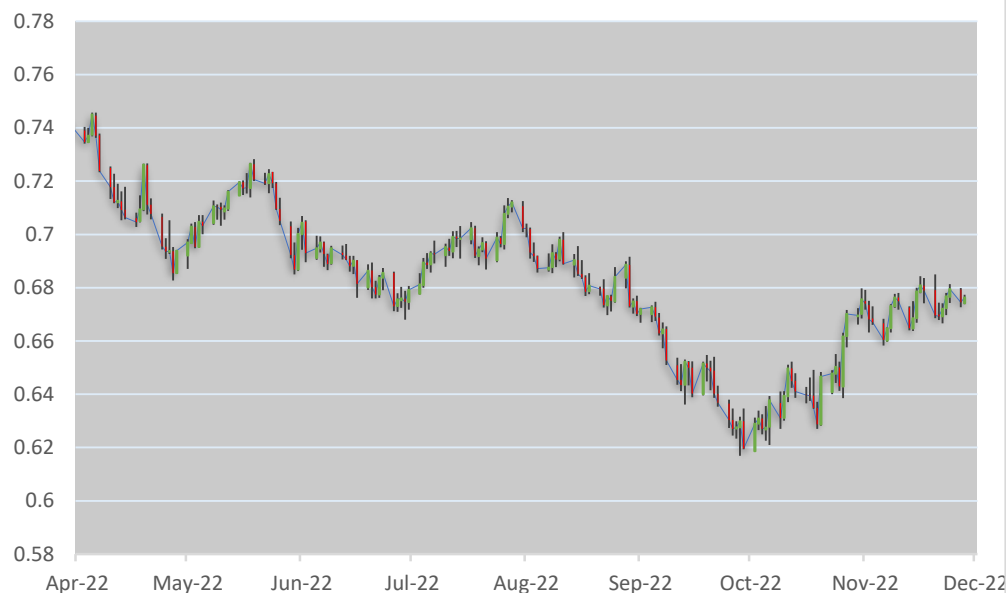
Pound Sterling Performance

Last Week Close	1.2287 USD/GBP	Monthly High	1.2344 USD/GBP
Week Open	1.2264 USD/GBP	Monthly Low	1.2071 USD/GBP
Week Close	1.2255 USD/GBP	30 Days Average	1.1895 USD/GBP
Weekly High	1.2344 USD/GBP	90 Days Average	1.1615 USD/GBP
Weekly Low	1.2103 USD/GBP	YTD Change	-9.21%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
GDP Est 3M/3M	Oct	12-Dec	-0.40%	-0.2%
GDP Estimate MM	Oct	12-Dec	0.40%	-0.6%
ILO Unemployment Rate	Oct	13-Dec	3.70%	3.6%
Core CPI YY	Nov	14-Dec	6.50%	6.5%
CPI YY	Nov	14-Dec	10.90%	11.1%
BOE Bank Rate	Dec	15-Dec	3.50%	3.00%
Retail Sales MM	Nov	16-Dec	0.30%	0.6%
Retail Sales Ex-Fuel MM	Nov	16-Dec	0.30%	0.3%
Retail Sales YY	Nov	16-Dec	-5.60%	-6.1%
Flash Composite PMI	Dec	16-Dec	48.0	48.2

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- The latest optimism over easing COVID-19 restrictions in China could underpin the risk-sensitive Aussie. Softer Australian GDP print, Chinese trade data contribute to capping the Aussie.
- The supporting factors, however, were offset by the softer Australian Q3 GDP print, which showed that the economy expanded 0.6% QoQ as compared to the 0.7% rise anticipated and the 0.9% in the previous quarter.

Australian Dollar News

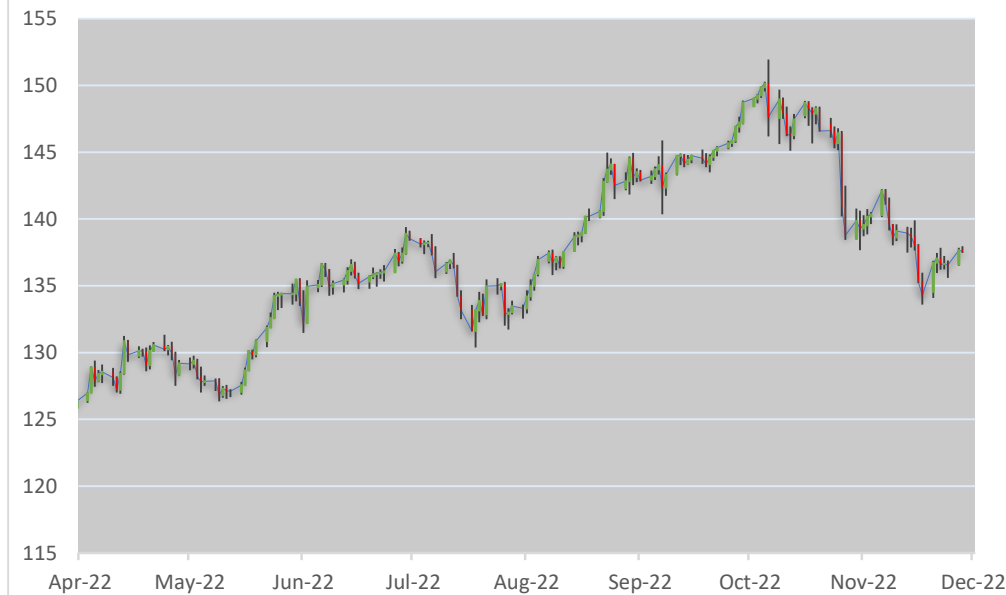
- The initial sell-off in Australian dollar was a result of the US Dollar launching higher in the aftermath of strong US data reminding markets that the Fed might have some more heavy lifting to do to rein in inflation.
- The RBA hiked by 25 basis points on Tuesday (6/12), but the market hardly blinked at the move as it was mostly expected. This brings the monetary policy tightening total for this cycle to 300 basis points (bps) since May.
- The accompanying statement maintained the course that the bank has made clear for some time now. That is, the jobs market is tight, growth is solid, inflation is anticipated to peak at 8% before easing and a wage-price spiral is to be avoided.

Last Week Close	0.6789 USD/AUD	Monthly High	0.68500	USD/AUD
Week Open	0.6791 USD/AUD	Monthly Low	0.66700	USD/AUD
Week Close	0.6795 USD/AUD	30 Days Average	0.65020	USD/AUD
Weekly High	0.6850 USD/AUD	90 Days Average	0.67662	USD/AUD
Weekly Low	0.6666 USD/AUD	YTD Change	-6.85%	

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
NAB Business Confidence	Nov	13-Dec		0.0k
Employment	Nov	15-Dec	15.0k	32.2k
Unemployment Rate	Nov	15-Dec	3.4%	3.4%
Mfg PMI Flash	Dec	16-Dec		51.3
Services PMI Flash	Dec	16-Dec		47.6
Comp PMI Flash	Dec	16-Dec		48.0

Lower Bound	0.6600	Upper Bound	0.6850
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- The focus will remain glued to the upcoming FOMC policy meeting on December 13-14 and we expect that the Fed will slow the pace of its policy tightening cycle and keeps the USD bulls on the defensive and caps the upside for the USD/JPY pair.
- We will also focus on the data that will be released this week such as Tankan manufacturing index on Wednesday (14 Dec), trade balance on Thursday (15 Dec) and Japan manufacturing and services PMI data on Friday (16 Dec)

Lower Bound	136.00	Upper Bound	139.00
Forecast	Depreciation		

Japanese Yen News

- The Japanese yen fell to 135.61 JPY/USD, by the weaker domestic data, showing an unexpected current account deficit and an economic contraction during the third quarter. Apart from this, a goodish rebound in the US Treasury bond yields widens the US-Japan rate differential and further contributes to driving flows away from the Japanese yen.
- Japan posted an unexpected current account deficit in October, data showed on Thursday (8/12), as sluggish exports, increasingly expensive imports and pressure from high inflation weighed on the country's economy.
- The country logged a current account deficit of 64 billion yen, compared to a surplus of 909 billion yen in the prior month. The decline follows earlier data that showed that the country logged a wider trade deficit in October, with imports surging over 50% from last year as fuel imports continued to remain expensive.

Japanese Yen Performance

Last Week Close	134.30 JPY/USD	Monthly High	137.97	JPY/USD
Week Open	134.55 JPY/USD	Monthly Low	133.64	JPY/USD
Week Close	136.56 JPY/USD	30 Days Average	135.34	JPY/USD
Weekly High	137.85 JPY/USD	90 Days Average	133.27	JPY/USD
Weekly Low	134.10 JPY/USD	YTD Change	+19.56%	

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Machinery Orders MM	Oct	14-Dec	2.6%	-4.6%
Machinery Orders YY	Oct	14-Dec	2.6%	2.9%
Tankan Big Mf Idx	Q4	14-Dec		8
Exports YY	Nov	15-Dec	19.8%	25.3%
Imports YY	Nov	15-Dec	27.0%	53.5%
Trade Balance Total Yen	Nov	15-Dec	-1,680.3B	-2,166.2B
JibunBK Mfg PMI Flash SA	Dec	16-Dec		49.0
JibunBK Comp Op Flash SA	Dec	16-Dec		48.9
JibunBK SVC PMI Flash SA	Dec	16-Dec		50.3

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