

**WEEKLY FOREIGN EXCHANGE OUTLOOK**
**26 Dec 2022 - 30 Dec 2022**

**Dollar Index**
**Dollar Index Graph**


Source: Thomson Reuters

**Dollar Outlook**

- The Dollar Index is heading for its biggest quarterly loss as a modest improvement in investors' appetite for riskier currencies continued to weigh on the safe-haven dollar.
- Should DXY fall past 103.40 will highlight the 103.00 round figure ahead of directing bears toward the May 2022 low near 101.30. Given the US Dollar's safe-haven demand, the recently mixed headlines from China test the US Dollar Index traders. If at all the US Dollar Index rises past 106.45, the bulls are likely to retake control and can aim for the 108.00

<b>Lower Bound</b>	<b>103.00</b>	<b>Upper Bound</b>	<b>105.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Dollar Index News**

- The US Dollar Index (DXY) dropped to 103.95, following BOJ's YCC action as the greenback traders feared less Japanese bond-buying of the US Treasury bonds. Note that Japan is the biggest holder of the US Treasury bonds and the latest move allows Tokyo to put more funds into the nation than letting it flow outside.
- US10YT was up to 3.7%, while US2YT slightly down to 4.26%
- On Thursday, the DXY witnessed notable gains while extending the previous day's rebound as the United States economy expanded at an annualized rate of 3.2% in the third quarter (Q3). Further, the Personal Consumption Expenditure (PCE) Prices match 4.3% QoQ estimations during Q3 2022 whereas the Core PCE improved to 4.7% QoQ versus 4.6% market forecasts.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>104.70</b>	<b>Monthly High</b>	<b>107.99</b>
<b>Week Open</b>	<b>104.84</b>	<b>Monthly Low</b>	<b>103.45</b>
<b>Week Close</b>	<b>104.12</b>	<b>30 Days Average</b>	<b>105.38</b>
<b>Weekly High</b>	<b>104.93</b>	<b>90 Days Average</b>	<b>108.98</b>
<b>Weekly Low</b>	<b>103.75</b>	<b>YTD Change</b>	<b>+8.71%</b>

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

Events	Period	Date	Forecast	Previous
Chicago PMI	Dec	30-Dec	40.0	37.2

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**Thai Baht**
**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht Outlook**

- The Thai economy is projected to recover faster than expected this year, but will face slower growth in 2023 because of global headwinds. World Bank lowered growth forecast by 0.7 in 2023 to 3.6%, with the tourism recovery and private consumption remaining the major drivers of growth.
- On the data front, export and import data are due on 27/12 where export is expected to decline by 5.0% and import to increase by 1.0%

<b>Lower Bound</b>	<b>34.50</b>	<b>Upper Bound</b>	<b>35.20</b>
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<b>Forecast</b>	<b>Appreciation</b>
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Please carefully examine the Important Disclosure on the last section of this material.

**Thai Baht News**

- Thai Baht traded within a bullish momentum, with major support at 34.50, amid a risk on market mood. Meanwhile, investors are keeping an eye on China as a further scaling back of Covid-19 restrictions fuels hopes of economic recovery.
- Thailand's economic growth is estimated to expand by 3.4% in 2022, exceeding the 2.9% World Bank projection made in June. The country also welcomed 10.9 million visitors between January and December 20 of this year.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>34.82</b> THB/USD	<b>Monthly High</b>	<b>35.16</b> THB/USD
<b>Week Open</b>	<b>34.43</b> THB/USD	<b>Monthly Low</b>	<b>34.49</b> THB/USD
<b>Week Close</b>	<b>34.76</b> THB/USD	<b>30 Days Average</b>	<b>35.20</b> THB/USD
<b>Weekly High</b>	<b>35.03</b> THB/USD	<b>90 Days Average</b>	<b>36.56</b> THB/USD
<b>Weekly Low</b>	<b>34.59</b> THB/USD	<b>YTD Change</b>	<b>+4.20%</b>

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

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Nov	27-Dec	-3.70%	-3.71%
Custom-Based Export Data	Nov	27-Dec	-5.20%	-4.40%
Custom-Based Import Data	Nov	27-Dec	-0.80%	-2.10%
Customs-Based Trade Data	Nov	27-Dec	-0.20B	-0.60B
Exports YY	Nov	29-Dec		-3.60%
Imports YY	Nov	29-Dec		5.40%
Trade Account	Nov	29-Dec		1.70B
Current Account	Nov	29-Dec		0.80B

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Euro

Euro Graph



Source: Thomson Reuters

Euro News

- The euro strengthened against the dollar following upbeat German business morale data. In addition, a modest improvement in investors' appetite for riskier currencies also weighed on the safe-haven dollar.
- The German Producer Price Index (PPI) for November dropped to -3.9% YoY versus -2.6% market forecasts and -4.2% prior.
- The euro rose 0.2% to \$1.06085, not far from the six-month high of \$1.0737 touched last week.

Euro Index Performance

<b>Last Week Close</b>	<b>1.0582</b> USD/EUR	<b>Monthly High</b>	<b>1.0735</b> USD/EUR
<b>Week Open</b>	<b>1.0590</b> USD/EUR	<b>Monthly Low</b>	<b>1.0394</b> USD/EUR
<b>Week Close</b>	<b>1.0614</b> USD/EUR	<b>30 Days Average</b>	<b>1.0499</b> USD/EUR
<b>Weekly High</b>	<b>1.0658</b> USD/EUR	<b>90 Days Average</b>	<b>1.0101</b> USD/EUR
<b>Weekly Low</b>	<b>1.0571</b> USD/EUR	<b>YTD Change</b>	<b>-6.54%</b>

Euro Outlook

- European Central Bank vice-president Luis de Guindos reiterated it would keep raising euro zone rates to curb inflation and was not considering revising its own mid-term inflation goal of 2%.
- Fears surrounding European economic growth, due to the geopolitical tension with Russia and the oil prices cap, as well as the comments from the European Central Bank (ECB) should be watched carefully for clear directions.

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous

Lower Bound 1.0500 Upper Bound 1.0700

Forecast Appreciation

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**Pound Sterling Graph**



Source: Thomson Reuters

**Pound Sterling Outlook**

- The next significant upside targets are aligned at 1.2242 and the 1.2250 psychological level.
- However, Sterling could be the main victim given that the Bank of England is closer to ending its tightening cycle than the Fed and that the UK's large current account deficit leaves sterling vulnerable in a global slowdown.

**Pound Sterling News**

- GBP/USD is struggling to extend the previous rebound from below 1.2100, reversing toward 1.2150 after running into strong offers just shy of the 1.2200 barrier.
- The downside in the GBP/USD pair remains cushioned, as the higher-yielding Pound Sterling finds some support from the return of risk flows.

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2140</b> USD/GBP	<b>Monthly High</b>	<b>1.2445</b> USD/GBP
<b>Week Open</b>	<b>1.2149</b> USD/GBP	<b>Monthly Low</b>	<b>1.1994</b> USD/GBP
<b>Week Close</b>	<b>1.2058</b> USD/GBP	<b>30 Days Average</b>	<b>1.2099</b> USD/GBP
<b>Weekly High</b>	<b>1.2241</b> USD/GBP	<b>90 Days Average</b>	<b>1.1628</b> USD/GBP
<b>Weekly Low</b>	<b>1.1990</b> USD/GBP	<b>YTD Change</b>	<b>-10.92%</b>

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

Events	Period	Date	Forecast	Previous
Nationwide house price mm	Dec	30-Dec	-0.7%	-1.4%
Nationwide house price yy	Dec	30-Dec	2.3%	4.4%

**Lower Bound** 1.2000 **Upper Bound** 1.2300

**Forecast** Neutral

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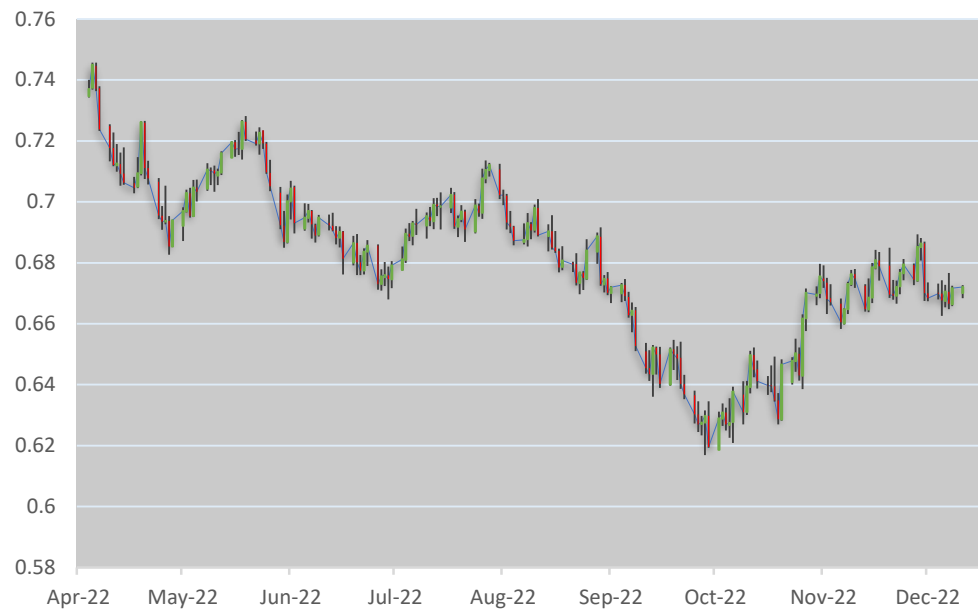
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**Australian Dollar**

**Australian Dollar Graph**



Source: Thomson Reuters

**Australian Dollar Outlook**

- A goodish recovery in the global risk sentiment - as depicted by the upbeat tone around the equity markets is seen as a key factor lending some support to the perceived riskier Aussie.

- However, worries about rising COVID-19 cases in China along with dovish RBA minutes contribute to capping gains for the AUD/USD pair. In addition, mixed concerns in the market and a cautious mood ahead of the key diplomatic meeting between the Aussie and Chinese policymakers also challenge the AUD/USD pair.

**Lower Bound**      **0.6600**      **Upper Bound**      **0.6800**

**Forecast**      **Depreciation**

**Australian Dollar News**

- The AUD/USD pair struggles to capitalize on its recent gains and faced rejection near the 0.6700 round-figure mark. The pair, however, sticks to a mildly positive bias and is currently trading around the 0.6675-0.6680 region, just above the 100-day SMA support.
- RBA Minutes suggested that Australia's central bank considered leaving interest rates unchanged at its December policy meeting, citing the lagged effects of the aggressive tightening delivered so far and the benefits of moving cautiously in an uncertain environment.

<b>Last Week Close</b>	<b>0.6684</b> USD/AUD	<b>Monthly High</b>	<b>0.68930</b> USD/AUD
<b>Week Open</b>	<b>0.6702</b> USD/AUD	<b>Monthly Low</b>	<b>0.66300</b> USD/AUD
<b>Week Close</b>	<b>0.6717</b> USD/AUD	<b>30 Days Average</b>	<b>0.63975</b> USD/AUD
<b>Weekly High</b>	<b>0.6767</b> USD/AUD	<b>90 Days Average</b>	<b>0.67128</b> USD/AUD
<b>Weekly Low</b>	<b>0.6626</b> USD/AUD	<b>YTD Change</b>	<b>-7.42%</b>

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

Events	Period	Date	Forecast	Previous

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**Japanese Yen Graph**



Source: Thomson Reuters

**Japanese Yen News**

- The Japanese yen appreciated against the dollar after the Bank of Japan stunned markets with a surprise tweak to its bond yield control program.
- While it kept broad policy settings unchanged, pinning short-term JGB yields at -0.1% and the 10-year yield around zero, the BOJ decided to let long-term yields move 50 basis points either side of its 0% target, wider than the 25 basis point band previously.
- The dollar was down 3.9% against the Japanese currency at 131.655 yen. It hit a low of 130.58 yen, a level last seen in early August. The 10-year JGB yield jumped to 0.46% from the previous cap at 0.25%

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>136.69</b> JPY/USD	<b>Monthly High</b>	<b>138.17</b> JPY/USD
<b>Week Open</b>	<b>136.03</b> JPY/USD	<b>Monthly Low</b>	<b>130.59</b> JPY/USD
<b>Week Close</b>	<b>132.79</b> JPY/USD	<b>30 Days Average</b>	<b>136.67</b> JPY/USD
<b>Weekly High</b>	<b>137.47</b> JPY/USD	<b>90 Days Average</b>	<b>134.43</b> JPY/USD
<b>Weekly Low</b>	<b>130.56</b> JPY/USD	<b>YTD Change</b>	<b>+15.49%</b>

**Japanese Yen Outlook**

- BOJ governor Kuroda sought to emphasize that the change in YCC was not a shift to normalisation but to improve bond market function. He reiterated it was too early to discuss an exit from stimulus.
- However, the market sees here is that the Bank of Japan have opened the door towards further policy tightening and the market seems fairly certain that could come in the spring.
- On the data front, retail sales in november is expected to increase from 4.4% to 5.0%

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

Events	Period	Date	Forecast	Previous
Service PPI	Nov	26-Dec		1.80%
Jobs/Applicants Ratio	Nov	27-Dec	1.36	1.35
Unemployment Rate	Nov	27-Dec	2.5%	2.6%
Retail Sales YY	Nov	27-Dec	3.7%	4.3%
Large Scale Retail Sales YY	Nov	27-Dec		5%
Housing Starts YY	Nov	27-Dec	1.5%	-1.8%
Industrial O/P Prelim MM SA	Nov	28-Dec	-0.3%	-3.2%

**Lower Bound** 131.00      **Upper Bound** 134.00

**Forecast** Depreciation

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