

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**05 Dec 2022 - 09 Dec 2022**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

-Although upbeat employment data provided a boost to the US Dollar with the initial reaction, it failed to influence how markets price the Federal Reserve's next policy move. According to the CME Group FedWatch Tool, there is an 80% probability of a 50 basis points rate hike in December.

- The dollar is expected to extend loss as more cities, including financial hub Shanghai and Urumqi in the far west, announced an easing of some Covid curbs over the weekend.

-The US will publish the official November ISM Services PMI, foreseen at 55.6, up from 54.4 in October, the November Producer Price Index, and the preliminary estimate of the December Michigan Consumer Sentiment Index.

<b>Lower Bound</b>	<b>103.50</b>	<b>Upper Bound</b>	<b>106.00</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Dollar News**

- The US Dollar attempted to recover at the beginning of last week but came under strong selling pressure after Jerome Powell's speech on Wednesday, signaling a 50 bps rate hike next month. He said that it makes sense to moderate the pace of tightening, adding that slowing down at this point is a good way to balance risks.
- The US published PCE price index rose by 6% YoY in October, easing from 6.3% while the ISM Manufacturing PMI fell to 49 in November, down from the previous 50.2. Easing inflation coupled with easing growth fueled speculation the Fed will hike by 50 bps in December.
- However, the US Dollar Index staged a rebound on Friday's upbeat jobs report as November Nonfarm Payrolls rose by 263k, beating the market expectation of 200k. Additionally, the annual wage inflation rose to 5.1% from 4.9%, reigniting wage inflation spirals, adding further pressure on the Fed.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>105.96</b>	<b>Monthly High</b>	<b>113.15</b>
<b>Week Open</b>	<b>106.06</b>	<b>Monthly Low</b>	<b>104.11</b>
<b>Week Close</b>	<b>104.38</b>	<b>30 Days Average</b>	<b>108.06</b>
<b>Weekly High</b>	<b>107.20</b>	<b>90 Days Average</b>	<b>109.28</b>
<b>Weekly Low</b>	<b>104.38</b>	<b>YTD Change</b>	<b>+9.54%</b>

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

Events	Period	Date	Forecast	Previous
Factory Orders MM	Oct	5-Dec	0.7%	
ISM N-Mfg PMI	Nov	5-Dec	53.3	
International Trade \$	Oct	6-Dec	-80.0B	
Initial Jobless Clm		3 Dec, w/e 8-Dec	230k	
PPI Machine Manuf'ing	Nov	9-Dec		
U Mich Sentiment Prelim	Dec	9-Dec	56.9	

Philly Fed Business Indx	Jun	16-Jun	5.3	2.6
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**Thai Baht Graph**


Source: Thomson Reuters

**Thai Baht News**

- The baht depreciated at the beginning of last week as escalating risks in China dragged market sentiment lower. However, the baht gradually gained and touched the most appreciate level since June as the US dollar dropped against major currencies after FED Chairman said the Fed would slow down rate hike at December meeting.
- Thailand's exports and import shrank unexpectedly in October while fresh data showed that Thailand posted the largest current account surplus since March in October of USD 0.8 billion, supported by a rebound in foreign tourist arrivals, lower oil prices, and falling shipping cost.
- The Monetary Policy Committee unanimously raise the policy rate by 0.25% per year from 1.00% to 1.25% per annum as expected, and reiterated that if the outlook for the Thai economy and inflation changes from the estimate, the MPC is ready to adjust the size and the time of further raise the policy interest rate appropriately.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>35.67</b> THB/USD	<b>Monthly High</b>	<b>35.10</b> THB/USD
<b>Week Open</b>	<b>34.43</b> THB/USD	<b>Monthly Low</b>	<b>34.59</b> THB/USD
<b>Week Close</b>	<b>34.66</b> THB/USD	<b>30 Days Average</b>	<b>36.37</b> THB/USD
<b>Weekly High</b>	<b>36.07</b> THB/USD	<b>90 Days Average</b>	<b>36.69</b> THB/USD
<b>Weekly Low</b>	<b>34.65</b> THB/USD	<b>YTD Change</b>	<b>+5.01%</b>

**Thai Baht Outlook**

- We believe that the baht will stay strong on easing of some COVID curbs in China over the weekend as the yuan jumped past 7-per-dollar level on Monday(12/5)
- This week, investors await for the inflation data of November(6/12) and consumer confidence(8/12).
- China's policy U-turns or worsening of the infections could be seen as some risk for all asian currencies. Moreover, new Omicron variant rekindles fears over the impact on economic sentiment as last week the number of Covid-19 hospitalisations and deaths doubled up from beginning of the November.

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

Events	Period	Date	Forecast	Previous
CPI Headline Inflation	Nov	7-Dec	5.86%	
CPI Core Inflation YY	Nov	7-Dec	3.20%	
CPI Index	Nov	7-Dec		
Consumer Confidence Idx	Nov	8-Dec		
Forex Reserves		2 Dec, w/e 9-Dec		
Currency Swaps		2 Dec, w/e 9-Dec		

<b>Lower Bound</b>	<b>34.55</b>	<b>Upper Bound</b>	<b>35.20</b>
<b>Forecast</b>	<b>Appreciation</b>		

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**Euro Graph**



Source: Thomson Reuters

**Euro News**

- The euro started December on a strong footing, reaching a fresh six-month high of 1.0550 after the US dollar came under strong selling pressure following a speech from US Federal Reserve (Fed) Chair Jerome Powell in a private event organized by the Brookings Institution.
- Although the euro retreated towards 1.0425 on Friday following the release of the Nonfarm Payrolls report, it bounced back and closed the week with substantial gains.
- Macroeconomic data in the union are still far from optimal. European Manufacturing PMIs was revised downwardly, reflecting a steeper contraction in November. Meanwhile, the consumer price from both the euro area and Germany were all easing from the previous month but still too high (more than 10%), while other minor figures also missed expectations.

**Euro Index Performance**

<b>Last Week Close</b>	<b>1.0395</b> USD/EUR	<b>Monthly High</b>	<b>1.0594</b> USD/EUR
<b>Week Open</b>	<b>1.0380</b> USD/EUR	<b>Monthly Low</b>	<b>1.0394</b> USD/EUR
<b>Week Close</b>	<b>1.0538</b> USD/EUR	<b>30 Days Average</b>	<b>1.0229</b> USD/EUR
<b>Weekly High</b>	<b>1.0544</b> USD/EUR	<b>90 Days Average</b>	<b>1.0037</b> USD/EUR
<b>Weekly Low</b>	<b>1.0288</b> USD/EUR	<b>YTD Change</b>	<b>-7.68%</b>

**Euro Outlook**

- The upcoming week will bring some interesting figures. S&P Global will release the final November Services PMIs for the EU, while October Retail Sales and the final estimate of the Q3 Gross Domestic Product will be watched.
- Technically, we think the weekly chart favors a continue advance as the pair posted a higher high and a higher low pattern. The level around 1.0650 is expected to be test this week.


**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
Retail Sales MM	Oct	5-Dec	-1.7%	0.8%
Retail Sales YY	Oct	5-Dec	-2.6%	0.0%
GDP Revised QQ	Q3	7-Dec	0.2%	
GDP Revised YY	Q3	7-Dec	2.1%	

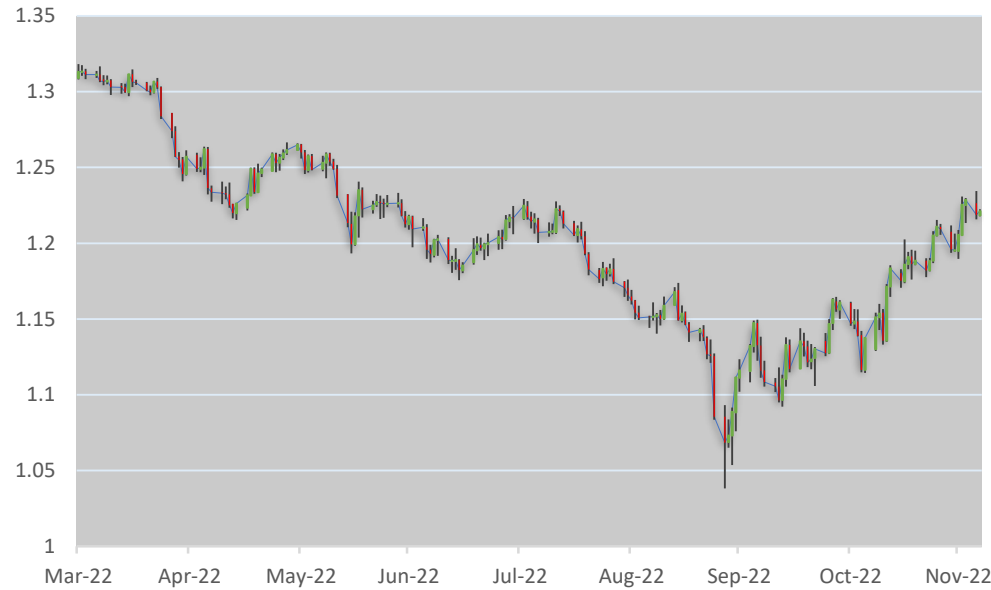
<b>Lower Bound</b>	<b>1.0300</b>	<b>Upper Bound</b>	<b>1.0650</b>
<b>Forecast</b>	<b>Appreciation</b>		

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 **Pound Sterling**

**Pound Sterling Graph**



Source: Thomson Reuters

**Pound Sterling Outlook**

- The United Kingdom data docket is devoid of any high-impact economic data in the week ahead. Therefore, all eyes will be on the United States calendar amid the Federal Reserve's 'blackout period' heading toward the central bank's December 13-14 policy meeting.
- Risk sentiment will play a pivotal role following the OPEC and its allies (OPEC+) meeting at the weekend while China's Covid developments will be also closely followed.
- Technically, We think GBP/USD's near-term technical outlook points to a bullish bias as the pair continues to trade within the ascending regression channel while holding comfortably above the 200-Daily MA.

<b>Lower Bound</b>	<b>1.2000</b>	<b>Upper Bound</b>	<b>1.2400</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Pound Sterling News**

- Last week, the pound briefly recaptured 1.2300, hitting its highest since June this year.
- It was a relatively quiet week data-wise and, therefore, the risk-on sentiment continued to favor Pound Sterling bulls. Moreover, the dovish Federal Reserve policy tightening outlook narrowed the divergence with the Bank of England's (BoE), keeping the buoyant tone intact around the Cable.
- Bank of England Governor (BoE) Andrew Bailey said while testifying on policy and inflation outlook that "United Kingdom labor market has turned out to be much more constrained than we thought, different to other countries". However, his speech failed to have any material impact on the Pound.

**Pound Sterling Performance**

<b>Last Week Close</b>	<b>1.2093</b> USD/GBP	<b>Monthly High</b>	<b>1.2344</b> USD/GBP
<b>Week Open</b>	<b>1.2075</b> USD/GBP	<b>Monthly Low</b>	<b>1.2071</b> USD/GBP
<b>Week Close</b>	<b>1.2287</b> USD/GBP	<b>30 Days Average</b>	<b>1.1781</b> USD/GBP
<b>Weekly High</b>	<b>1.2309</b> USD/GBP	<b>90 Days Average</b>	<b>1.1608</b> USD/GBP
<b>Weekly Low</b>	<b>1.1897</b> USD/GBP	<b>YTD Change</b>	<b>-9.85%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Composite PMI Final	Nov	5-Dec	48.3	
Reserve Assets Total	Nov	5-Dec		
All-Sector PMI	Nov	6-Dec		
Halifax House Prices MM	Nov	7-Dec		
Halifax House Prices YY	Nov	7-Dec		

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


Source: Thomson Reuters

**Australian Dollar Outlook**

- To trim the inflation rate down, it was believed that RBA Governor Philip Lowe is set to hike its Official Cash rate (OCR) further at the final monetary policy meeting of the year on 6 Dec, which will take the OCR to 3.10%. This would be the third consecutive 25 bps rate hike by the RBA.
- Investors will also keep an eye on Australian Gross Domestic Product (GDP) data, which will release on Wednesday. The Australian economy is likely to deliver a decline in the growth rates to 0.7% and 1.8% on a quarter and an annual basis.
- We remain bullish bias on the AUD but the resistance either around 0.6850 level or 200 day DMA need to be broken through.

<b>Lower Bound</b>	<b>0.6650</b>	<b>Upper Bound</b>	<b>0.6900</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Australian Dollar News**

- Last week, the aussie refreshed seven-week high above 0.6850 USD/AUD amid a cheerful market mood and more dovish tone from FED official.
- The Australian economic docket were mixed as Retail Sales for October shrank 0.2% MoM, vs. 0.6% expansion, while housing data remained in negative territory but was better-than-expected.
- The Aussie asset has witnessed stellar buying interest from the market participants as the Reserve Bank of Australia (RBA) is all set to tighten its policy further for bringing price stability although the Australian Consumer Price Index (CPI) in October was dropped to 6.9% after printing a high of 7.3% in the previous month.
- However, on Friday (2/12) the AUD struggled at the 200-DMA, tumbled below 0.6800 after positive US jobs data.

<b>Last Week Close</b>	<b>0.6749</b> USD/AUD	<b>Monthly High</b>	<b>0.68500</b> USD/AUD
<b>Week Open</b>	<b>0.6725</b> USD/AUD	<b>Monthly Low</b>	<b>0.66880</b> USD/AUD
<b>Week Close</b>	<b>0.6789</b> USD/AUD	<b>30 Days Average</b>	<b>0.65839</b> USD/AUD
<b>Weekly High</b>	<b>0.6843</b> USD/AUD	<b>90 Days Average</b>	<b>0.68054</b> USD/AUD
<b>Weekly Low</b>	<b>0.6638</b> USD/AUD	<b>YTD Change</b>	<b>-7.62%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Services PMI Final	Nov	5-Dec		
Comp PMI Final	Nov	5-Dec		
Current Account Balance SA	Q3	6-Dec	6.2B	
Net Exports Contribution	Q3	6-Dec	-0.5%	
RBA Cash Rate	Dec	6-Dec	3.10%	
Building Approval Total YY	Nov	2-Dec		
Real GDP QQ SA	Q3	7-Dec	0.7%	
Real GDP YY SA	Q3	7-Dec	6.2%	
Trade Balance G&S (A\$)	Oct	8-Dec	12,100M	


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- From a technical perspective, Friday's break below the very important 200-day SMA for the first time since February 2021 supports prospects for an extension of the recent sharp pullback from a 32-year peak.
- However, we believe that the yen will consolidate at the level around 135 before make its choice to up or down.
- Japan Services PMI, Household spending and GDP Q3 are the economic data released this week.

**Japanese Yen News**

- The US Dollar remains on the defensive amid a modest downtick in the US Treasury bond yields and turns out to be a key factor acting as a headwind for the USD/JPY pair.
- The US 10 year treasury yields fell to the lowest of the week on Friday(2/12) at around 3.47%. As a result, the yen gained to the level around 133.7 before slid back to the level near 135.
- The optimism over the easing of COVID-19 restrictions in China undermines the safe-haven Japanese Yen
- Japan's data showed that major Japanese firms remained optimistic over the country's economic outlook, despite increasing headwinds from high inflation and a weak yen. The Bank of Japan has also given no indication that it will tighten monetary policy to help curb inflation, which weighed heavily on the yen this year as the gap between local and U.S. interest rates widened.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>139.10</b> JPY/USD	<b>Monthly High</b>	<b>137.49</b> JPY/USD
<b>Week Open</b>	<b>139.31</b> JPY/USD	<b>Monthly Low</b>	<b>133.64</b> JPY/USD
<b>Week Close</b>	<b>134.30</b> JPY/USD	<b>30 Days Average</b>	<b>135.48</b> JPY/USD
<b>Weekly High</b>	<b>139.89</b> JPY/USD	<b>90 Days Average</b>	<b>132.77</b> JPY/USD
<b>Weekly Low</b>	<b>133.60</b> JPY/USD	<b>YTD Change</b>	<b>+19.09%</b>

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

Events	Period	Date	Forecast	Previous
GDP Rev QQ Annualised	Q3	8-Dec	-1.1%	
GDP Revised QQ	Q3	8-Dec	-0.3%	
GDP Cap Ex Rev QQ	Q3	8-Dec	1.5%	

<b>Lower Bound</b>	<b>134.50</b>	<b>Upper Bound</b>	<b>137.50</b>
<b>Forecast</b>	<b>Neutral</b>		

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