

WEEKLY FOREIGN EXCHANGE OUTLOOK

10 Jan 2022 - 14 Jan 2022



Dollar Index Graph



Source: Thomson Reuters

Dollar News

- The dollar index weakened after the Labor Department said nonfarm payrolls rose by 199,000 last month, well short of the 400,000 estimate. But analysts noted underlying data in the report appeared sturdier, with the unemployment rate falling to 3.9% against expectations of 4.1% while earnings rose by 0.6%.
- The minutes showed Fed policymakers were concerned about rising inflation, which along with a tight labor market, could result in the Fed's raising rates sooner than anticipated along with a reduction in its asset holdings.
- St. Louis Fed President James Bullard said the Fed could start reducing its balance sheet soon after it begins hiking. Even dovish San Francisco Fed President Mary Daly said the balance sheet reduction would follow normalising rates.

Dollar Index Performance

Last Week Close	95.66	Monthly High	96.91
Week Open	95.68	Monthly Low	95.54
Week Close	95.75	30 Days Average	96.17
Weekly High	96.46	90 Days Average	94.82
Weekly Low	95.65	YTD Change	-0.05%

Dollar Outlook

- The dollar index tends to appreciate against other currencies as the increased expectations that the Fed will begin to hike interest rates at its March meeting, with futures on the federal funds rate implying a 90% chance of a hike, up from 80% earlier.
- The market's eyes are on Fed Chair Powell Testifies which is scheduled on Tuesday (11/1).

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
ISM Manufacturing PMI	Dec	4-Jan	60.0	61.1
Initial Jobless Clm	27 Dec, w/	6-Jan	197k	200k
Factory Orders MM	Nov	6-Jan	1.5%	1.0%
ISM N-Mfg PMI	Dec	6-Jan	66.9	69.1
Non-Farm Payrolls	Dec	7-Jan	400k	210k
Unemployment Rate	Dec	7-Jan	4.1%	4.2%
Average Earnings YY	Dec	7-Jan	4.2%	4.8%

Lower Bound	95.50	Upper Bound	97.50
Forecast	Appreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The Thai baht could weaken against the dollar due to the concerns over the Covid-19 Omicron variant.
- Another point that may bring the baht lower is the strong dollar as investors expect the Fed to hike its rate at its March meeting.
- The market's eyes are on the number of the Covid-19 cases in Thailand along with how can the government deal with it.

Lower Bound	33.35	Upper Bound	33.85
Forecast	Depreciation		

Thai Baht News

- According to minutes of the central bank's last policy meeting, Thailand's outbreak of the Omicron coronavirus variant could have a larger and more prolonged impact than expected on an economic recovery.
- Thailand's headline consumer price index (CPI) rose less than expected by 2.17% in December from a year earlier, driven by higher oil and vegetable prices.
- Thailand's tourism-reliant economy faces fresh risks from Omicron, as the government on Thursday (6/1) raised its COVID-19 alert level due to rising infections driven by the variant.
- Investor confidence in Thai financial markets for the next three months has dropped to a five-month low, dented by concerns over the Omicron coronavirus variant.

Thai Baht Performance

Last Week Close	33.23 THB/USD	Monthly High	33.73 THB/USD
Week Open	33.23 THB/USD	Monthly Low	33.14 THB/USD
Week Close	33.62 THB/USD	30 Days Average	33.52 THB/USD
Weekly High	33.73 THB/USD	90 Days Average	33.33 THB/USD
Weekly Low	33.10 THB/USD	YTD Change	

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing PMI SA	Dec	4-Jan		50.6
CPI Headline Inflation	Dec	5-Jan	2.56%	2.71%
CPI Core Inflation YY	Dec	5-Jan	0.30%	0.29%
Forex Reserves		31 Dec, w/ 7-Jan		244.0B
Currency Swaps		31 Dec, w/ 7-Jan		34.3B

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Euro Graph


Source: Thomson Reuters

Euro News

- The euro strengthened against the greenback in the wake of the payrolls report, after showing little reaction to data showing euro zone inflation rose to 5% in December.
- German exports grew in November despite persisting supply bottlenecks in manufacturing, while industrial output fell.
- The Eurozone policymakers have said they expect inflation to gradually slow down in 2022 and a rate hike will likely not be needed this year.
- Germany's 10-year bond yield lurched closer to positive territory on Thursday, just as borrowing costs across the euro area hit new highs in the face of a hawkish tone from the U.S. Federal Reserve and fresh signs of high German inflation.

Euro Index Performance

Last Week Close	1.1368 USD/EUR	Monthly High	1.1379 USD/EUR
Week Open	1.1352 USD/EUR	Monthly Low	1.1273 USD/EUR
Week Close	1.1359 USD/EUR	30 Days Average	1.1315 USD/EUR
Weekly High	1.1379 USD/EUR	90 Days Average	1.1489 USD/EUR
Weekly Low	1.1270 USD/EUR	YTD Change	

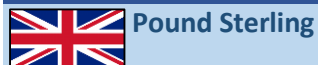
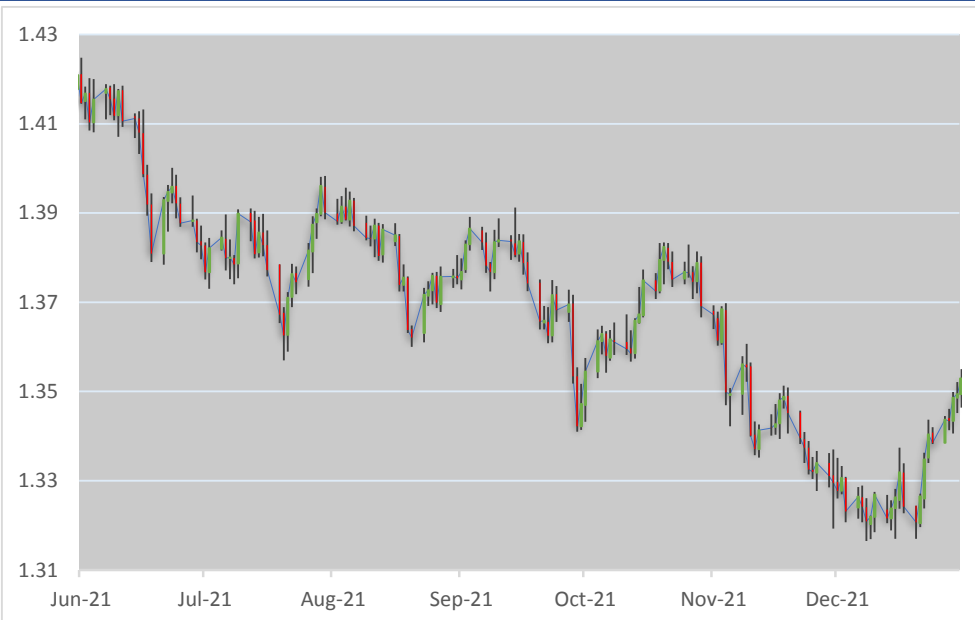
Euro Outlook

- It is likely that the euro could drop against the dollar due to the policy divergence between the ECB and the Fed. It is possible that the Fed could hike its interest rate at its meeting on March, while there was no hints from the ECB about rate hike.
- In the medium term, the euro could rise against the dollar as the less concern over the Omicron variant could bring the capital inflows to the riskier asset.

Euro Index Economic Events

Events	Period	Date	Forecast	Previous
Unemployment Rate SA	Dec	4-Jan	5.3%	5.3%
Markit Services PMI	Dec	5-Jan	48.4	48.4
Markit Comp Final PMI	Dec	5-Jan	50.0	50.0
Markit Serv Final PMI	Dec	5-Jan	53.3	53.3
Markit Comp Final PMI	Dec	5-Jan	53.4	53.4
CPI Prelim YY	Dec	6-Jan	5.1%	5.2%
HICP Prelim YY	Dec	6-Jan	5.7%	6.0%
Industrial Output MM	Nov	7-Jan	1.0%	2.8%

Lower Bound	1.1200	Upper Bound	1.1400
Forecast	Depreciation		

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- Investors will closely watch to see if the Bank of England will further tighten policy, with a further interest rate rise expected as early as next month after a surprise hike in December. It could lead to the capital inflows to the pound.
- In the short term, the cable could appreciate against the greenback due to the less concern over the Covid-19 Omicron variant.

Lower Bound	1.3500	Upper Bound	1.3650
Forecast	Appreciation		

Pound Sterling News

- The pound sterling held gains even after data showed growth in Britain's construction sector cooled in December as the Omicron variant of coronavirus spread.
- The pound appreciated even the number of Covid-19 cases are still high due to Omicron variant proving less disruptive to the economy than originally feared, analysts have said, with the government only lightly tightening restrictions so far.
- A Purchasing Managers' Index (PMI) survey for the services sector on Thursday showed the biggest loss of momentum since the country was last in lockdown, falling to a 10-month low in December.
- Prime Minister Boris Johnson announced a relaxation of the rules around travelling to England, scrapping the need for a pre-departure test.

Pound Sterling Performance

Last Week Close	1.3529 USD/GBP	Monthly High	1.3598 USD/GBP
Week Open	1.3529 USD/GBP	Monthly Low	1.3432 USD/GBP
Week Close	1.3585 USD/GBP	30 Days Average	1.3353 USD/GBP
Weekly High	1.3598 USD/GBP	90 Days Average	1.3530 USD/GBP
Weekly Low	1.3429 USD/GBP	YTD Change	

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
BOE Consumer Credit	Nov	4-Jan	0.800B	0.706B
Mortgage Lending	Nov	4-Jan	3.550B	1.604B
Mortgage Approvals	Nov	4-Jan	65.400k	67.199k
Markit/CIPS Mfg PMI Final	Dec	4-Jan	57.6	57.6
Markit/CIPS Serv PMI Final	Dec	6-Jan	53.2	53.2
Reserve Assets Total	Dec	6-Jan		202,221.35M
Halifax House Prices MM	Dec	7-Jan		1.0%
Markit/CIPS Cons PMI	Dec	7-Jan	54.0	55.5

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Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- The Australian dollar might move lower due to the higher chance of the Fed's rate hike on March.
- As the market treats the aussie as a commodity currency and the oil prices is in the upward trend, the aussie could appreciate against the greenback at some point as there were capital inflows to the riskier asset.

Australian Dollar News

- The Australian dollar was down by the minutes of the Fed's December meeting being more hawkish than expected.
- The daily infection rate of the Covid-19 in Australia surpassed 100,000 for the first time amid an outbreak of the Omicron variant.
- The aussie, along with another currencies, strengthened against the dollar after the downbeat US nonfarm payroll reported.

Australian Dollar Performance

Last Week Close	0.7260 USD/AUD	Monthly High	0.7277 USD/AUD
Week Open	0.7252 USD/AUD	Monthly Low	0.7131 USD/AUD
Week Close	0.7178 USD/AUD	30 Days Average	0.7410 USD/AUD
Weekly High	0.7277 USD/AUD	90 Days Average	0.7349 USD/AUD
Weekly Low	0.7127 USD/AUD	YTD Change	

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Mfg PMI Final	Dec	4-Jan		57.4
ANZ Internet & NewsPaper Job	Dec	5-Jan		7.4%
Services PMI Final	Dec	6-Jan		55.1
Comp PMI Final	Dec	6-Jan		54.9

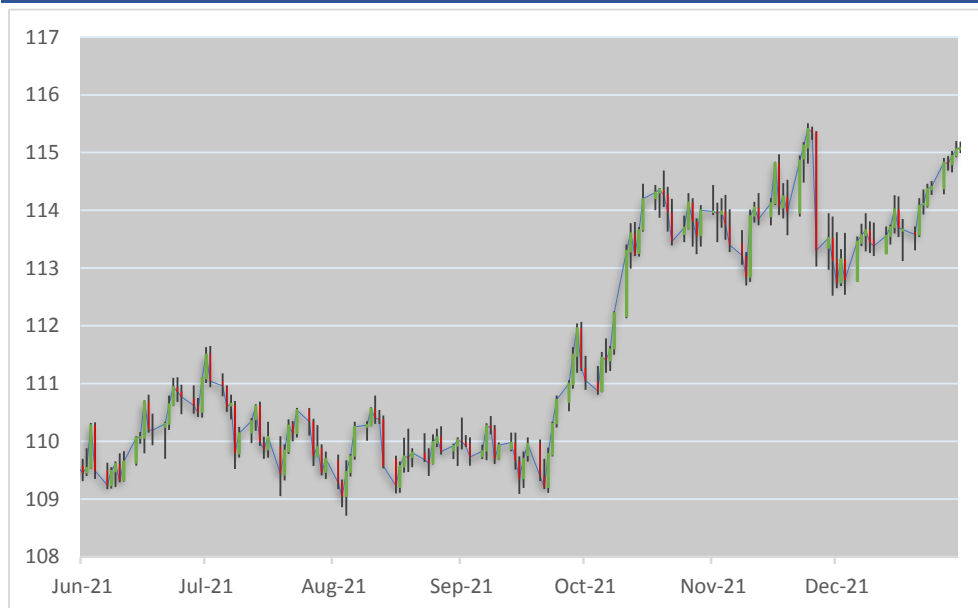
Lower Bound	0.7100	Upper Bound	0.7200
Forecast	Depreciation		

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The yen has been the most prominent casualty of the dollar's strength in the first trading week of the year, as investors reckon the Bank of Japan will lag others on rate hikes.
- Japan's Finance Minister Shunichi Suzuki stressed on Friday the need for currency stability and said he was watching market moves "carefully," in the wake of the yen's recent declines against the dollar.
- Data released on Friday (7/1) showed household spending fell for the fourth straight month and inflation-adjusted real wages slumped 1.6% in November from a year earlier.
- Japanese policymakers see little room to intervene in the currency market to arrest the yen's decline, with some conceding there is good reason for it to soften given Japan's weak economy, waning competitiveness and dire public finances.

Japanese Yen Performance

Last Week Close	115.08 JPY/USD	Monthly High	116.34 JPY/USD
Week Open	115.09 JPY/USD	Monthly Low	114.97 JPY/USD
Week Close	115.55 JPY/USD	30 Days Average	109.83 JPY/USD
Weekly High	116.34 JPY/USD	90 Days Average	109.96 JPY/USD
Weekly Low	114.94 JPY/USD	YTD Change	

Japanese Yen Outlook

- J.P. Morgan analysts say the yen's real effective rate, which tumbled to its lowest level in 50 years, is set to fall further and slash consumers' spending power.
- The Japanese yen is likely to depreciate against the dollar as the central bank made no changes to its ultra-easy policies at its December rate review except for a partial scale-down of the pandemic funding programme, as inflation remains below its 2% target. Meanwhile, the Fed could hike the rate in March.

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Jibun Bank Mfg PMI	Dec	4-Jan		54.2
Services PMI	Dec	6-Jan		53.0
All Household Spending YY	Nov	7-Jan	1.6%	-0.6%
All Household Spending MM	Nov	7-Jan	1.2%	3.4%
CPI Tokyo Ex fresh food YY	Dec	7-Jan	0.5%	0.3%
CPI, Overall Tokyo	Dec	7-Jan		0.5%

Lower Bound	115.00	Upper Bound	116.50
Forecast	Depreciation		

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