

WEEKLY FOREIGN EXCHANGE OUTLOOK

24 Jan 2022 - 28 Jan 2022



Dollar Index Graph



Source: Thomson Reuters

Dollar News

- The dollar strengthened against major currencies during a thin trade due to the Martin Luther King, Jr. Day. However, the investors continued to hold on dollars as the Federal Reserve tightening plans were largely priced in amid hawkish rhetoric from the Fed in recent months.
- The dollar appreciated against other major currencies following a jump in US Treasury yields as investors prepared for the possibility of the Fed being more hawkish than expected. The US 10-year yields hit two-year high at 1.87%, with two-year yields which track short-term rate expectations crossing 1% for the first time since February 2020.
- Moreover, Joe Biden admits that his economic reform agenda is stalled, but said he supports the Federal Reserve's intentions to get inflation down.

Dollar Index Performance

Last Week Close	95.17	Monthly High	96.91
Week Open	95.19	Monthly Low	94.63
Week Close	95.65	30 Days Average	95.93
Weekly High	95.86	90 Days Average	95.13
Weekly Low	95.04	YTD Change	-0.30%

Dollar Outlook

- The highlight of the week ahead will be Wednesday's FOMC meeting, where our team expect the Fed to announce the end of QE prematurely and signal a readiness to hike in March. Given that four hikes are already priced this year, the focus on the Fed balance sheet could see the pricing of the Fed terminal rate stall/marginally reverse and be mildly dollar negative.
- In terms of data, we'll get our first look at 4Q21 US GDP data – expected near 5% QoQ annualised after soft December figures. More important will be the 4Q Employment Cost Index on Friday. ☒

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg PMI Flash	Jan	24-Jan	56.7	57.7
Markit Svcs PMI Flash	Jan	24-Jan	55.0	57.6
Markit Comp Flash PMI	Jan	24-Jan		57.0
Consumer Confidence	Jan	25-Jan	111.8	115.8
New Home Sales-Units	Dec	26-Jan	0.760M	0.744M
Fed Funds Tgt Rate	26 Jan	27-Jan	0-0.25	0-0.25
Fed Int On Excess Reserves	26 Jan	27-Jan		0.15%
Durable Goods	Dec	27-Jan	-0.5%	2.6%
GDP Advance	Q4	27-Jan	5.4%	2.3%
Initial Jobless Clm	22 Jan, w/€	27-Jan	255k	286k

Lower Bound	95.16	Upper Bound	96.00
Forecast	Appreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The infections of Omicron still pressured the Thai Baht. If the number continually rising, the Baht might be depreciated during the first quarter.
- Market eyes on the FOMC meeting on Wednesday which might affected the capital flow in Thailand.

Lower Bound	32.80	Upper Bound	33.30
Forecast	Depreciation		

Thai Baht News

- The baht dramatically appreciated against the dollar after the news that the government may revive the quarantine-free visa program for vaccinated travelers from abroad. Moreover, officials will propose lifting the suspension of the Test & Go program to the nation's virus task force led by Prime Minister Prayut Chan-o-cha on Thursday.
- The baht lost its gains and slightly depreciated against the dollar after the government will reduce the number of Covid-19 control zones and Thailand will resume the 'Test & Go' quarantine waiver for vaccinated arrivals from Feb 1. In a further relaxation of Covid-19 restrictions, restaurants will be allowed to serve alcohol until 11 pm. - easing the current 9pm cut-off. However, Bars and nightclubs will remain closed.

Thai Baht Performance

Last Week Close	33.20 THB/USD	Monthly High	33.74 THB/USD
Week Open	33.19 THB/USD	Monthly Low	32.81 THB/USD
Week Close	32.91 THB/USD	30 Days Average	33.34 THB/USD
Weekly High	33.35 THB/USD	90 Days Average	33.36 THB/USD
Weekly Low	32.77 THB/USD	YTD Change	-1.05%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	Dec	26-Jan		4.84%
Exports YY	Dec	31-Jan		23.70%
Imports YY	Dec	31-Jan		13.50%
Trade Account	Dec	31-Jan		4.20B
Current Account	Dec	31-Jan		0.30B

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Euro Graph



Source: Thomson Reuters

Euro News

- The euro depreciated against the dollar after a jump in US bond yields. Meanwhile German investor sentiment hit its highest in six months in January on expectations the incidence of COVID-19 cases will fall by early summer.
- The euro slightly rose against the dollar as the European Central Bank (ECB) will keep its options open on its next monetary policy moves and inflation developments will be key to how fast it acts, Bank of France head and ECB policymaker Francois Villeroy de Galhau said on Wednesday.
- The euro edged lower even German producer prices rose but the European Central Bank (ECB) head Christine Lagarde said euro zone inflation will decrease gradually over the year, adding that the ECB did not need to act as boldly as the Fed because of a different economic situation.

Euro Index Performance

Last Week Close	1.1414 USD/EUR	Monthly High	1.1482 USD/EUR
Week Open	1.1412 USD/EUR	Monthly Low	1.1273 USD/EUR
Week Close	1.1340 USD/EUR	30 Days Average	1.1339 USD/EUR
Weekly High	1.1434 USD/EUR	90 Days Average	1.1441 USD/EUR
Weekly Low	1.1299 USD/EUR	YTD Change	-0.32%

Euro Outlook

- Locally the week starts off with the release of January PMIs for the Eurozone, Germany and France. Small declines are expected as the continent battles both Omicron and higher energy prices. Further insights into German business sentiment comes with the German Ifo. Notably, the ECB has also been sticking to its position that it does not need to follow the Fed with higher rates this year.
- It is hard to see any real geo-political risk premium being priced into the EUR yet. Yet undoubtedly the risks, including aggressive sanctions against Russia, would hit Europe's growth prospects far harder than those of the US – plus the spike in energy costs would hit the euro via the Terms of Trade channel. Elsewhere, the investor will keep an eye on political developments in Italy.

Euro Index Economic Events

Events	Period	Date	Forecast	Previous
Markit Mfg Flash PMI	Jan	24-Jan	57.5	58.0
Markit Serv Flash PMI	Jan	24-Jan	52.2	53.1
Markit Comp Flash PMI	Jan	24-Jan	52.6	53.3
Consumer Confid. Final	Jan	28-Jan		-8.5
GDP Flash Prelim YY	Q4	31-Jan		3.9%
GDP Flash Prelim QQ	Q4	31-Jan	0.3%	2.2%

Lower Bound	1.1270	Upper Bound	1.1400
Forecast	Depreciation		

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Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling Outlook

- Market pricing of the BoE rate cycle has barely budged recently. Pricing a 25bps hike at the 3 February meeting remains around 90%, although GBP has given up some of its gains on the softer December retail sales data. Politics has yet to hit GBP on the view that even if PM Johnson were to resign, Chancellor Sunak would be seen as a safe pair of hands as an alternative.

- For the week ahead, there may be some focus on UK-EC negotiations over Brexit – key officials meet on Monday. Our point last year had been that a no deal is not much worse than the current deal – thus GBP should not be too badly hit on any negative headlines.

Pound Sterling News

- The pound sterling dropped against the dollar as investors assessed the impact of a potential leadership change in the country as Prime Minister Boris Johnson faces the gravest crisis of his premiership after revelations about a series of gatherings in Downing Street during Covid-19 lockdowns.
- The pound sterling depreciated against the dollar despite strong UK job data. Figures indicating that real wage growth has fallen behind the pace of soaring global inflation which may prompt further speculation of hawkish moves by the BoE.
- The pound sterling dropped as a survey showed people in Britain turned more pessimistic this month in the face of fast-rising inflation and the prospect of more interest rates hikes by the Bank of England.

Pound Sterling Performance

Last Week Close	1.3673 USD/GBP	Monthly High	1.3748 USD/GBP
Week Open	1.3673 USD/GBP	Monthly Low	1.3432 USD/GBP
Week Close	1.3554 USD/GBP	30 Days Average	1.3480 USD/GBP
Weekly High	1.3689 USD/GBP	90 Days Average	1.3511 USD/GBP
Weekly Low	1.3543 USD/GBP	YTD Change	+0.23%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Flash Composite PMI	Jan	24-Jan	55.0	53.6
Flash Manufacturing PMI	Jan	24-Jan	57.9	57.9
Flash Services PMI	Jan	24-Jan	54.8	53.6
Nationwide house price mm	Jan	31-Jan		1.0%
Nationwide house price yy	Jan	31-Jan		10.4%

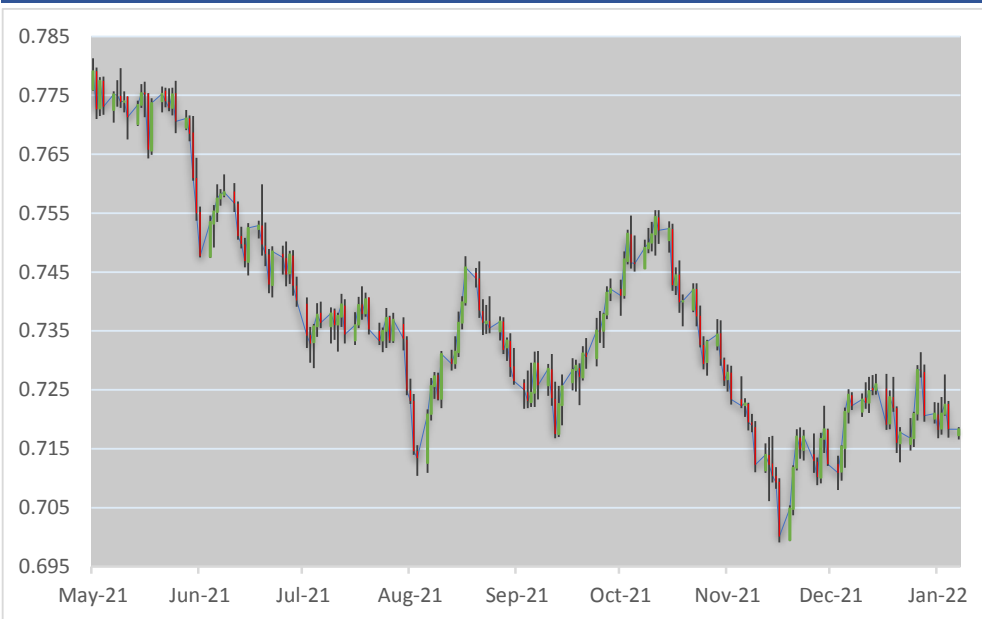
Lower Bound	1.3500	Upper Bound	1.3650
Forecast	Neutral		

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Australian Dollar Graph



Source: Thomson Reuters

Australian Dollar Outlook

- Next week, we are likely to see another tick-up in inflation in 4Q from the latest 3.0% read. While not very high compared to similar markets, it could still fuel some hawkish speculations on the RBA and boost the AUD, even though we doubt the RBA tightening is a story for the first three quarters of 2022. Some retreat in the USD could also help AUD/USD build some support at 0.72 level.

Lower Bound	0.7150	Upper Bound	0.7260
Forecast	Appreciation		

Australian Dollar News

- AUD/USD flattened up this week, following swings in sentiment while finding some support from a bigger-than-expected drop in Australia's unemployment in December (to 4.2%). The Reserve Bank of Australia is now presented with a question of whether to react to such improvements in the jobs market with a significant hawkish turn at the 1 February meeting, with the counter-argument still related to growth concerns as Western Australia keeps delaying reopening plans due to the ongoing Covid outbreak.

Australian Dollar Performance

Last Week Close	0.7206 USD/AUD	Monthly High	0.7314 USD/AUD
Week Open	0.7201 USD/AUD	Monthly Low	0.7131 USD/AUD
Week Close	0.7183 USD/AUD	30 Days Average	0.7347 USD/AUD
Weekly High	0.7276 USD/AUD	90 Days Average	0.7330 USD/AUD
Weekly Low	0.7168 USD/AUD	YTD Change	-1.05%

Australian Dollar Economic Events

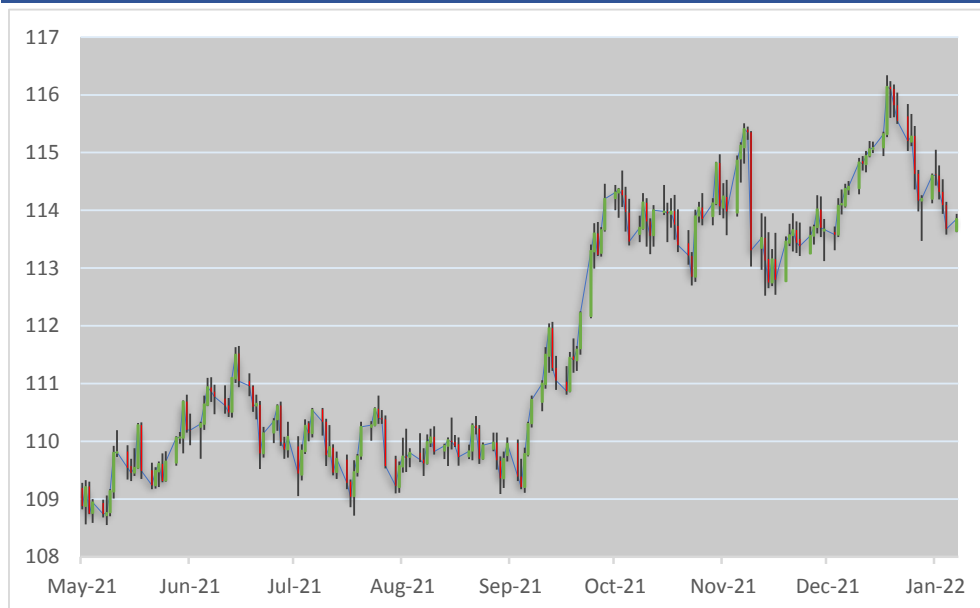
Events	Period	Date	Forecast	Previous
Mfg PMI Flash	Jan	24-Jan		57.7
Services PMI Flash	Jan	24-Jan		55.1
Comp PMI Flash	Jan	24-Jan		54.9
CPI QQ	Q4	25-Jan	1.0%	0.8%
CPI YY	Q4	25-Jan	3.2%	3.0%
RBA Weightd Medn CPI QQ	Q4	25-Jan	0.7%	0.7%
RBA Weightd Medn CPI YY	Q4	25-Jan	2.3%	2.1%
RBA Trimmed Mean CPI QQ	Q4	25-Jan	0.7%	0.7%
RBA Trimmed Mean CPI YY	Q4	25-Jan	2.4%	2.1%

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Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The safe-haven Japanese currency has benefited from the recent souring of risk sentiment in global financial markets. Bank of Japan policymakers are debating how soon they can start telegraphing an eventual interest rate hike, which could come even before inflation hits the bank's 2% target cases at the latest.
- The yen slipped after the Bank of Japan said it would maintain its ultra-loose monetary policy even as its global counterparts move towards normalization. The widening divergence between the BoJ and the Fed policy expectations should continue to place upward pressure on USD/JPY.
- The yen gained against the dollar as well, while the BOJ kept its negative interest rate, bond yield target and asset purchases unchanged at the end of its meeting on Tuesday,

Japanese Yen Performance

Last Week Close	114.20 JPY/USD	Monthly High	116.34 JPY/USD
Week Open	114.20 JPY/USD	Monthly Low	113.49 JPY/USD
Week Close	113.68 JPY/USD	30 Days Average	110.36 JPY/USD
Weekly High	115.05 JPY/USD	90 Days Average	110.17 JPY/USD
Weekly Low	113.58 JPY/USD	YTD Change	-1.06%

Japanese Yen Outlook

- The JPY has been strengthening on the crosses as the global equity market correction gains traction. Somewhat surprisingly, 4Q21 US earnings have hit equity markets and more are to be released this week – especially some high-profile US tech stocks. The JPY has consistently shown a negative correlation with US equities.
- Developments in Japan have had little bearing on the JPY for a long while now (including even BoJ view changes), but if the ultimate achievement of the Fed is to increase real US rates – plus energy prices remain high – we would expect continued demand for USD/JPY on dips near 112.50.

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Jibun Bank Mfg PMI Flash	Jan	24-Jan		54.3
CPI Tokyo Ex fresh food YY	Jan	28-Jan	0.3%	0.5%
CPI, Overall Tokyo	Jan	28-Jan		0.8%
Industrial O/P Prelim MM SA	Dec	31-Jan		7.0%

Lower Bound	112.75	Upper Bound	114.50
Forecast	Depreciation		

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