

WEEKLY FOREIGN EXCHANGE OUTLOOK
27 Jun 2022 - 01 Jul 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- The Fed is expected to stick to its aggressive policy tightening path and deliver another 75-basis point rate hike at its next policy meeting in July. As the US probably continue to be a higher interest rate market and equities should continue to appeal to foreign investors and boost the demand for the US dollar.
- While, May Pending Home Sales data from the US will be focused as fresh impetus after Fed Chair Powell acknowledged that they were seeing a slowdown in the housing market. In case the data come out significant contraction, the dollar should be able to stay strong against its risk-sensitive rivals.

Lower Bound	103.50	Upper Bound	105.50
Forecast	Neutral		

Dollar News

- The dollar index was capped around the 104.00 region as markets seem to have digested testimonies by Fed Chair Powell before the Senate and the House of Representatives on Wednesday and Thursday, respectively. Powell's message reiterated the FOMC's statement of the June meeting, placing the pledge to bring down inflation amid risks to growth.
- The US Dollar Index (DXY), which tracks the greenback vs a bundle of its main competitors, returned to the negative ground at the 104.20 region during the end of the week.

Dollar Index Performance

Last Week Close	104.70	Monthly High	105.79
Week Open	104.65	Monthly Low	101.30
Week Close	103.95	30 Days Average	103.23
Weekly High	105.79	90 Days Average	101.08
Weekly Low	103.86	YTD Change	+8.38%

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Durable Goods	May	27-Jun	0.0%	0.5%
Consumer Confidence	Jun	28-Jun	100.9	106.4
GDP Final	Q1	29-Jun	-1.5%	-1.5%
Consumption, Adjusted MM	May	30-Jun	0.5%	0.9%
Initial Jobless Clm	25 Jun, w/i	30-Jun	227k	229k
S&P Global Mfg PMI Final	Jun	1-Jul		52.4
ISM Manufacturing PMI	Jun	1-Jul	55.0	56.1

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Central banks in many countries are tightening monetary policy and raising rates to manage turbulence in capital markets and to wrestle inflation back under control, while Thailand still maintains an accommodative monetary policy to support recovery which should weigh on the Thai baht to remain weaker further.
- While the positive signs of inward FDI (foreign direct investment) based on the BOI's report in Q1/2022 which increased by 29.1% YoY to THB 77.3 billion, and the benefitting from the reopening country should limit the depreciation in Thai baht. The positive impacts from further relaxation and the lowering of nationwide Covid-19 alert from level 3 to 2 should help the economic activities to return close to normal.

Lower Bound	35.20	Upper Bound	35.60
Forecast	Depreciation		

Thai Baht News

- The baht continually depreciated to level around 35.50 THB/USD as the Fed accelerates rate hikes to tame rising prices with another 75 bps rise possible in July.
- The comment that the BOT's rate panel isn't scheduled to meet until Aug 10, and the central bank recently ruled out an emergency meeting, saying it will happen only under "exceptional circumstances" and if unexpected developments threaten its policy targets has also weighed on the baht recently.

Thai Baht Performance

Last Week Close	35.24 THB/USD	Monthly High	35.57 THB/USD
Week Open	34.43 THB/USD	Monthly Low	34.19 THB/USD
Week Close	35.45 THB/USD	30 Days Average	34.66 THB/USD
Weekly High	35.57 THB/USD	90 Days Average	33.94 THB/USD
Weekly Low	35.22 THB/USD	YTD Change	+6.24%

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Manufacturing Prod YY	May	28-Jun		0.56%
Exports YY	May	30-Jun		6.60%
Imports YY	May	30-Jun		19.10%
Trade Account	May	30-Jun		1.10B
Current Account	May	30-Jun		-3.40B
Manufacturing PMI SA	Jun	1-Jul		51.9
Overall Comprehensive Risk	Q3	4-Jul		4.32


Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- Fundamentally, the US continue to raise interest rate which will attract foreign investors and as the current environment with economic growth slowing down, it favors the US dollar as a safe-haven asset and could weigh the euro to level around 1.04 USD/EUR.
- The shared currency is having a hard time finding demand as investors reconsider the ECB policy outlook. Moreover, the disappointing PMI data from the euro area and Germany revived concerns over a recession in Europe. Right now, the markets are pricing a less-than-150 bps ECB rate hikes by the end of the year compared to 170 bps earlier in the week.
- Investors will focus on ECB President Lagarde speaks on Monday.

Lower Bound	1.0450	Upper Bound	1.0600
Forecast	Depreciation		

Euro News

- The ECB Governing Council member Nagel said on Wednesday that if monetary policy falls behind the curve, even stronger hikes in interest rates could become necessary to get inflation under control.
- The euro erased its Wednesday's gains on Thursday and holding around 1.0530 after the German IFO Business Climate Index dropped sharply to 92.3 in June versus last month's 93.0 and estimates of 92.9. However, the euro remains little affected by the mixed German IFO survey.
- The euro edged lower later after the ECB Vice President Luis de Guindos said on Friday that it was possible to see negative growth in the euro area in 2023. Regarding the inflation outlook, de Guindos noted that inflation could continue to rise in coming months before starting to fall in the Q4 of the year.

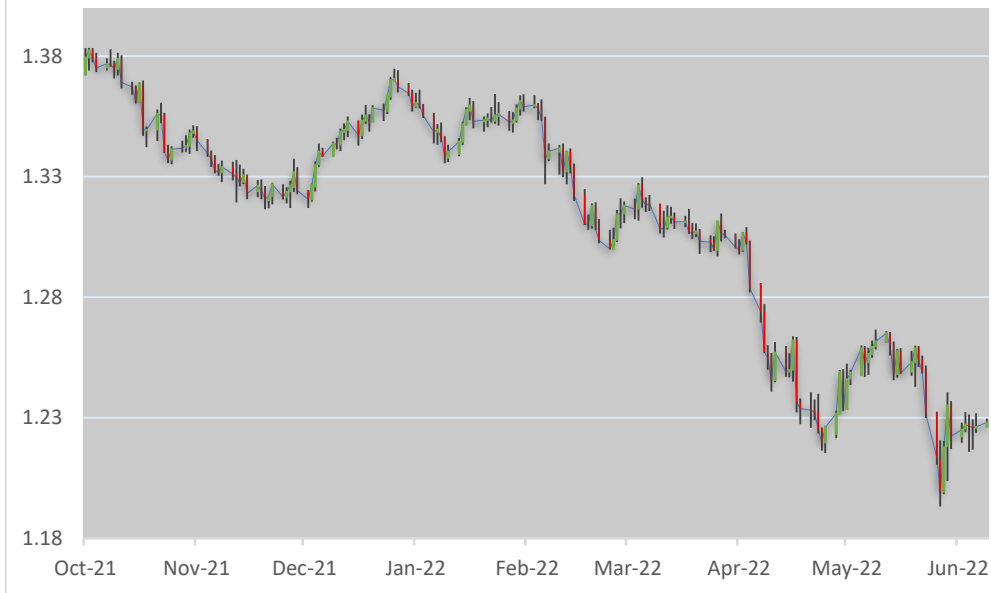
Euro Index Performance

Last Week Close	1.0498 USD/EUR	Monthly High	1.0773 USD/EUR
Week Open	1.0470 USD/EUR	Monthly Low	1.0360 USD/EUR
Week Close	1.0554 USD/EUR	30 Days Average	1.0615 USD/EUR
Weekly High	1.0605 USD/EUR	90 Days Average	1.0784 USD/EUR
Weekly Low	1.0467 USD/EUR	YTD Change	-7.09%

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Final	Jun	29-Jun	-23.6	-23.6
Unemployment Rate	May	30-Jun	6.8%	6.8%
S&P Global Mfg Final PMI	Jun	1-Jul	52.0	52.0
HICP Flash YY	Jun	1-Jul	8.3%	8.1%
HICP-X F&E Flash YY	Jun	1-Jul	4.7%	4.4%

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- The focus will be on the EU-UK negotiations on the implementation of the Northern Ireland protocol as the Brexit Tensions are increasing and may weigh on the British pound in coming months.
- If the global sentiment is worsened, or the West imposes tougher sanctions on Russia, we are likely to see the GBP moving lower.
- Investors will also focus on the UK economic data, if the incoming data comes out softer than expect, it might fuel fear of recession and reaffirm the market to bet that the BoE would opt for a more gradual approach toward raising interest rates.

Lower Bound	1.2150	Upper Bound	1.2350
Forecast	Depreciation		

Pound Sterling News

- The Sterling has lost its traction after having advanced toward 1.2300 and retreat to the 1.2250 area.
- The UK Retail Sales declined by 0.5% on a monthly basis in May. The reading came in slightly better than the market expectation of a decrease of 0.7%, however, the data fail to help the Pound Sterling find demand.
- Meanwhile, the British PM Boris Johnson's Conservative Party lost 2 parliamentary seats after the by-elections on last Friday. Earlier this month, PM Johnson survived a no-confidence vote, but several Conservative lawmakers have already voiced their dissent against the party's leadership after the disappointing results.

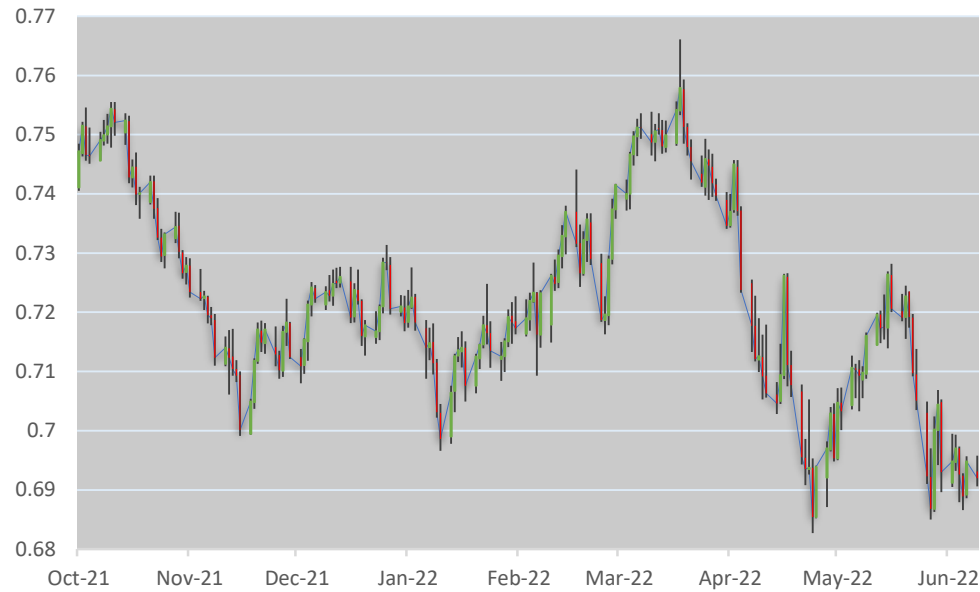
Pound Sterling Performance

Last Week Close	1.2224 USD/GBP	Monthly High	1.2616 USD/GBP
Week Open	1.2223 USD/GBP	Monthly Low	1.1935 USD/GBP
Week Close	1.2262 USD/GBP	30 Days Average	1.2410 USD/GBP
Weekly High	1.2324 USD/GBP	90 Days Average	1.2783 USD/GBP
Weekly Low	1.2159 USD/GBP	YTD Change	-9.25%

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
GDP QQ	Q1	30-Jun	0.8%	0.8%
GDP YY	Q1	30-Jun	8.7%	8.7%
Nationwide house price mm	Jun	30-Jun	0.5%	0.9%
Nationwide house price yy	Jun	30-Jun	10.8%	11.2%
S&P GBLB/CIPS Mfg PMI FNL	Jun	1-Jul	53.4	53.4

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- For economic data; the Australia's retail sales numbers for May dued on Wednesday. If the retail sales number beat estimates, it should boost the Aussie.
- Moreover, investors will pay attention to the US on how the Fed evaluated the current outlook between high inflation and recession fears regarding the PCE report on Thursday, following by the ISM Manufacturing on Friday.

Australian Dollar News

- The Aussie was trading around 0.6900 level, having failed to sustain the tepid bounce near the 0.6930 region as investors remain worried about a looming risk of a global recession and increasing demand for the US dollar on the return of risk-off flows.
- RBA Governor Phillip Lowe said on Friday that he does not expect a recession in Australia but acknowledged that there is a narrow path back to low inflation. While earlier in the week, Lowe noted that they will discuss raising the policy rate by either 25 or 50 basis point at the next policy meeting. The Aussie shows no reaction to Lowe's comment and was seen trading at 0.6905.

Australian Dollar Performance

Last Week Close	0.6930 USD/AUD	Monthly High	0.72820 USD/AUD
Week Open	0.6912 USD/AUD	Monthly Low	0.68510 USD/AUD
Week Close	0.6948 USD/AUD	30 Days Average	0.73735 USD/AUD
Weekly High	0.6995 USD/AUD	90 Days Average	0.72684 USD/AUD
Weekly Low	0.6866 USD/AUD	YTD Change	-4.66%

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	May	29-Jun	0.4%	0.9%
Building Approvals	May	4-Jul		-2.4%

Lower Bound	0.6800	Upper Bound	0.7000
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- As Japan's economic growth has been subdued in early 2022 following a renewed outbreak of Covid cases, we believe that the BoJ is comfortable with its easy monetary policy stance. A widening gap between steady Japanese yields and rising global bond yields should weigh on the yen and could soften further.
- Markets will look forward to the US economic data along with the US bond yields, the broader risk sentiment which should provide some impetus to the USD/JPY pair.

Lower Bound	134.00	Upper Bound	136.50
Forecast	Depreciation		

Japanese Yen News

- The yen continued to push lower after touching around 135 on Thursday. The data from Japan showed that the National Consumer Price Index stayed unchanged at 2.5% on a yearly basis in May, falling short of estimate of 2.9%.
- However, the BoJ will stick with its monetary easing to support the economy, said the central bank Deputy Governor Masayoshi on Friday. He also added that the uncertainty regarding Japan's economy is extremely high, and BoJ must closely watch impact of financial, forex market moves on Japan's economy.
- The disappointing release of the flash Eurozone PMI for June fueled worries about a possible recession and boosted demand for safe-haven assets; the JPY recovered slightly and trading at 134.68 on the day.

Japanese Yen Performance

Last Week Close	134.96 JPY/USD	Monthly High	136.71 JPY/USD
Week Open	134.89 JPY/USD	Monthly Low	128.82 JPY/USD
Week Close	135.17 JPY/USD	30 Days Average	115.30 JPY/USD
Weekly High	136.71 JPY/USD	90 Days Average	114.60 JPY/USD
Weekly Low	134.25 JPY/USD	YTD Change	+17.04%

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Industrial O/P Prelim MM SA	May	30-Jun	-0.3%	-1.5%
CPI Tokyo Ex fresh food YY	Jun	1-Jul	2.1%	1.9%
Unemployment Rate	May	1-Jul	2.5%	2.5%
Tankan Big Mf Idx	Q2	1-Jul	13	14
Tankan Big Non-Mf Idx	Q2	1-Jul	14	9
Tankan Small Mf Idx	Q2	1-Jul	-6	-4
Tankan Small Non-Mf Idx	Q2	1-Jul	-2	-6
Tankan All Sm Capex Est	Q2	1-Jul	-6.7%	-11.4%
JibunBK Mfg PMI Final SA	Jun	1-Jul		52.7

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