

WEEKLY FOREIGN EXCHANGE OUTLOOK

23 May 2022 - 27 May 2022



Dollar Index Graph



Source: Thomson Reuters

Dollar News

- The Dollar Index fell across a major currencies last week to 102.66, its lowest since May 5, as the markets are growing more concerned about a US recession down.
- Fed Chair Jerome Powell had said earlier in the week that the U.S. central bank would push interest rates as high as needed to stem a surge in inflation, and weak U.S. housing data on Wednesday (18/5) added to slowdown concerns.
- Poor U.S. housing data on Wednesday (18/5) added to economic slowdown concerns, with building permits at 1.819 million but contracting 3.2% month-on-month in April 2022. Housing starts were at 1.724 million but contracted 0.2% month-on-month.

Dollar Index Performance

Last Week Close	104.56	Monthly High	105.01
Week Open	104.47	Monthly Low	99.57
Week Close	102.77	30 Days Average	102.49
Weekly High	105.01	90 Days Average	99.07
Weekly Low	102.66	YTD Change	+7.02%

Dollar Outlook

- Next week economic calendar is packed full of high importance US data and events which will add an extra dose of volatility to the US dollar.
- All eyes are on the FOMC meeting minutes on Wednesday (25/5), where the document will reveal further details about this month's 50-bases point rate hike. A hawkish tone coupled with confidence in the economy could bolster tightening bets, just one day before the first look at US Q2 GDP.
- On Thursday (26/6), the Fed's preferred inflation reading PCE will highlight the growing pressures in the US. ☒

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
New Home Sales-Units	Apr	24-May	0.758M	0.763M
S&P Global Mfg PMI Flash	May	24-May		59.2
S&P Global Svcs PMI Flash	May	24-May		55.6
S&P Global Comp Flash PMI	May	24-May		56.0
Durable Goods	Apr	25-May	0.5%	1.1%
GDP 2nd Estimate	Q1	26-May	-1.4%	-1.4%
Initial Jobless Claims		16 May, w, 26-May		
Consumption, Adjusted MM	Apr	27-May	0.7%	1.1%
U Mich Sentiment Final	May	27-May	59.1	59.1

Lower Bound	102.00	Upper Bound	104.00
Forecast	Appreciation		

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Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- The Thai Baht could depreciate against the U.S. dollar due to the policy divergence between the Fed and the central bank.
- However, following the relaxation of other Covid-19 restrictions and the expectation of tourism will be recovery in Thailand soon could be some support the Thai Baht.
- The market will be focus on a result of Bangkok governor election on Sunday (22/5) and the trade balance data on Monday (23/5).

Lower Bound	34.00	Upper Bound	34.65
Forecast	Neutral		

Thai Baht News

- The Thai Baht appreciate due to the weakened US dollar and risk appetite was improved after Thailand reported a stronger-than-anticipated economic growth at 2.2% in the first quarter of 2022.
- Thailand has no need to raise interest rates following the United States Federal Reserve's hikes as domestic factors and its economic recovery will be the key issues when deciding policy, Bank of Thailand (BoT) governor Sethaput Suthiwartnarueput said on Thursday (19/5)
- However, The National Economic and Social Development Council (NESDC) has decided to cut Thailand's gross domestic product (GDP) growth projection for 2022 to between 2.5% and 3.5%, or an average of 3%, from earlier projection of between 3.5% and 4.5%, due to uncertainties over the conflict in Ukraine, according to NESDC Secretary-General Danucha Pichayanan.

Thai Baht Performance

Last Week Close	34.70 THB/USD	Monthly High	34.84 THB/USD
Week Open	34.43 THB/USD	Monthly Low	34.02 THB/USD
Week Close	34.39 THB/USD	30 Days Average	34.20 THB/USD
Weekly High	34.84 THB/USD	90 Days Average	33.42 THB/USD
Weekly Low	34.21 THB/USD	YTD Change	+2.73%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Customs-Based Trade Data	Apr	23-May		1.46B
Custom-Based Import Data	Apr	23-May		18.00%
Custom-Based Export Data	Apr	23-May		19.50%
Manufacturing Prod YY	Apr	23-May		-0.10%

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Euro Graph


Source: Thomson Reuters

Euro News

- The Euro surged against the U.S. dollar last week to 1.0607 as the release of the account of the European Central Bank's April meeting showed concern over inflation had tipped dovish members of the central bank into supporting a quarter percentage point rate hike as soon as July.
- Eurozone Consumer Confidence Index rose from -22.0 in April to -21.1 in May, according to the latest data release from the European Commission. That was slightly better than the small expected rise to -21.5, but still left the index close to multi-year lows, as EU consumers struggle amid surging energy-driven inflation, a slowing economy and uncertainty with war raging close to its borders in Ukraine.

Euro Index Performance

Last Week Close	1.0411 USD/EUR	Monthly High	1.0641 USD/EUR
Week Open	1.0404 USD/EUR	Monthly Low	1.0351 USD/EUR
Week Close	1.0560 USD/EUR	30 Days Average	1.0638 USD/EUR
Weekly High	1.0607 USD/EUR	90 Days Average	1.0983 USD/EUR
Weekly Low	1.0387 USD/EUR	YTD Change	-6.79%

Euro Outlook

- The Euro could appreciate against the U.S. dollar following a comment from the ECB Governing Council (GC) members on Friday (20/5), Ignazio Visco commented that the ECB can move out of negative rate territory, and a June hike is "certainly" out of the question.
- Moreover, US data and FOMC minutes next week also drive the Euro.
- During this week, the economic focus will be on the Euro Zone PMI index on Tuesday (24/5) and Germany GDP in first quarter on Wednesday (25/5)

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Germany Ifo Business Climate New	May	23-May		91.8
Euro Zone S&P Global Comp Flash PMI	May	24-May		55.8
Euro Zone S&P Global Mfg Flash PMI	May	24-May		55.5
Euro Zone S&P Global Serv Flash PMI	May	24-May		57.7
France Business Climate Mfg	May	24-May		108
Germany GDP Detailed QQ SA	Q1	25-May	0.2%	0.2%
Germany GDP Detailed YY NSA	Q1	25-May	4.0%	4.0%

Lower Bound	1.0500	Upper Bound	1.0700
Forecast	Neutral		

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Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling News

- The pound sterling rose to 1.2524, its best showing since late 2020, helped by better than expected retail sales data for April, rising 1.4% month-on-month last month after a 1.2% drop in March.
- Moreover, the unemployment rate falling to its lowest since 1974 at 3.7%, below the expected 3.8%. Meanwhile, wages were up 7.0% year-over-year in March, well above the expected gain of 5.4%. Meanwhile, analysts said the latest labor market data will encourage the BoE to continue lifting interest rates at upcoming meetings. Another 25-bps rate hike is expected from the bank in June.
- However in the middle of the week, The pound sterling dropped after data on Wednesday (18/5) showed inflation reached a 40-year high of 9% in April - more than four times the Bank of England's 2% target while Britain's worst cost of living crisis in three decades will not subside until late this year.

Pound Sterling Performance

Last Week Close	1.2261 USD/GBP	Monthly High	1.2638 USD/GBP
Week Open	1.2233 USD/GBP	Monthly Low	1.2157 USD/GBP
Week Close	1.2487 USD/GBP	30 Days Average	1.2620 USD/GBP
Weekly High	1.2524 USD/GBP	90 Days Average	1.3098 USD/GBP
Weekly Low	1.2215 USD/GBP	YTD Change	-7.22%

Pound Sterling Outlook

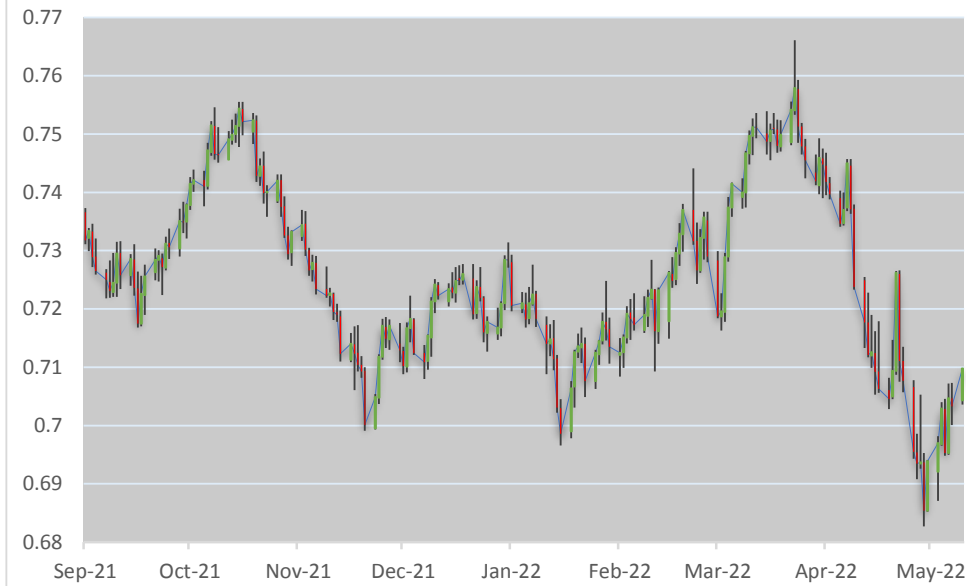
- The British pound will be come under pressured against the U.S. dollar which has been performing well against the broader market.
- While the BoE is poised to continue its run of a rate hike at every meeting, making it one of the more hawkish central banks, the moves in the pound are also a reflection of the challenges facing the UK economy, which the central bank believes is heading for double-digit inflation and a recession.
- The market will focus on manufacturing and services PMI data on Tuesday (24/4)

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
Flash Services PMI	May	24-May		58.9
Flash Manufacturing PMI	May	24-May		55.8
Flash Composite PMI	May	24-May		58.2

Lower Bound	1.2400	Upper Bound	1.2650
Forecast	Neutral		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- We are confident that the Australian Dollar can rebound strongly once lockdowns are eased because of China's commitment to ramp up infrastructure spending.
- The market will focus on the manufacturing and services PMI on Tuesday (24/5) and retail sales on Friday (27/5).
- Moreover, the Reserve Bank of New Zealand will also publish policy decision on Wednesday (25/5).

Australian Dollar News

- The Australian dollar shook off a smaller-than-forecast increase in the employment change, which was 4,000 in April 2022. The latest employment data also showed that the full employment change was 92,400 and the unemployment rate was 3.9%.
- Signs of a re-opening in China lent some support to the the Australian dollar.
- China's path out of its COVID-19 lockdowns remains unclear, even as the city of Shanghai prepares to allow more businesses in zero-COVID areas to resume normal operations from the beginning of June 2022.

Australian Dollar Performance

Last Week Close	0.6939 USD/AUD	Monthly High	0.72660 USD/AUD
Week Open	0.6921 USD/AUD	Monthly Low	0.68300 USD/AUD
Week Close	0.7033 USD/AUD	30 Days Average	0.73198 USD/AUD
Weekly High	0.7073 USD/AUD	90 Days Average	0.72133 USD/AUD
Weekly Low	0.6871 USD/AUD	YTD Change	-2.14%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	Apr	27-May		1.6%
Comp PMI Flash	May	24-May		55.9
Services PMI Flash	May	24-May		56.1
Mfg PMI Flash	May	24-May		58.8
Capital Expenditure	Q1	26-May		1.1%

Lower Bound	0.7000	Upper Bound	0.7200
Forecast	Appreciation		

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 **Japaneseese Yen**

Japanese Yen Graph



Source: Thomson Reuters

Japanese Yen News

- The Japanese Yen was set for a second consecutive weekly advance, with the dollar falling to 127.01 yen in last week.
- Japanese trade data for April 2022, showed that exports rose 12.5% year-on-year, imports rose 28.2% year-on-year, and the trade balance contracted to -¥839.2 billion (-\$6.51 billion).
- The Bank of Japan will keep interest rates ultra-low as inflation won't pick up much, governor Haruhiko Kuroda said on Friday(20/5), underscoring the view that Japan will remain an outlier among G7 nations eyeing monetary policy tightening.

Japanese Yen Performance

Last Week Close	129.19 JPY/USD	Monthly High	131.34 JPY/USD
Week Open	129.25 JPY/USD	Monthly Low	127.04 JPY/USD
Week Close	127.85 JPY/USD	30 Days Average	114.84 JPY/USD
Weekly High	129.77 JPY/USD	90 Days Average	114.03 JPY/USD
Weekly Low	127.01 JPY/USD	YTD Change	+10.88%

Japanese Yen Outlook

- We expected that the Japanese Yen has a strong positive correlation with U.S. interest rates, especially the 10-year yield. If yields continue to fall, the US Dollar could come under further pressure against the Japanese Yen.
- For most of the year, the 10-year yield has been in a solid uptrend, driven by the FOMC's hawkish monetary policy in response to soaring inflation. Rising long-term rates have been a major bullish catalyst for the U.S. dollar in recent months, driving it to multi-year highs against the Japanese yen during the first half of May.
- The market will focus on The manufacturing PMI on Tuesday (24/5) and CPI data on Friday (27/5)

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Flash SA	May	24-May		53.5
CPI, Overall Tokyo	May	27-May		2.5%
CPI Tokyo Ex fresh food YY	May	27-May		1.9%

Lower Bound	126.00	Upper Bound	128.50
Forecast	Appreciation		

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