

**WEEKLY FOREIGN EXCHANGE OUTLOOK**

**19 Sep 2022 - 23 Sep 2022**

 **Dollar Index**

**Dollar Index Graph**



Source: Thomson Reuters

**Dollar Outlook**

- Over the weekend, the CME Fed watch tool cemented a 75 bps September rate hike while it was predicted a 20% chance of even super 100 bps lift-off.
- We think that with a 75 bps Fed rate hike fully baked in, hints on the future tightening path and the bank's Summary of Economic Projections (SEP) will steal the show. The greenback could kick off a fresh uptrend should the Fed surprise with a full percentage point increase. Meanwhile, a "terminal rate" nearer 5% would be significantly hawkish, sending the greenback higher but a more modest 4.50% level would allow for a "buy the rumor, sell the fact" outcome, grinding the greenback lower.
- We also believe that it will be tense trading ahead of the release, then an explosion of volatility, with ripple effects later in the week.

<b>Lower Bound</b>	<b>109.00</b>	<b>Upper Bound</b>	<b>111.50</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Dollar News**

- The US dollar extended its corrective declines from two-decade peaks at the start of last week as risk flows dominated amid hopes of inflation easing in the US economy, which could give the Fed a chance for a breather.
- However, the dollar rallied hard and triggered a fresh risk-off wave on increased hefty Fed rate hike bets, triggering a 'sell everything' mode after Tuesday's release of higher-than-expected US inflation figures
- CPI in August reflected an 8.3% increase yoy and a 0.1% increase mom, both well above an expected of 8.1% and -0.1% respectively. Meanwhile, on a core basis prices rose 6.3% over last year and 0.6% over the prior month which were also better than consensus.
- The US Dollar Index (DXY), which gauges the greenback vs. its main competitors, kept the bid bias well and sound and approaches the 110.00 neighbourhood at the end of the week.

**Dollar Index Performance**

<b>Last Week Close</b>	<b>109.00</b>	<b>Monthly High</b>	<b>110.79</b>
<b>Week Open</b>	<b>108.60</b>	<b>Monthly Low</b>	<b>104.64</b>
<b>Week Close</b>	<b>109.48</b>	<b>30 Days Average</b>	<b>108.30</b>
<b>Weekly High</b>	<b>110.79</b>	<b>90 Days Average</b>	<b>106.03</b>
<b>Weekly Low</b>	<b>107.68</b>	<b>YTD Change</b>	<b>+14.60%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Housing Starts Number	Aug	20-Sep	1.445M	1.446M
Existing Home Sales	Aug	21-Sep	4.70M	4.81M
Fed Funds Tgt Rate	21 Sep	22-Sep	3-3.25	2.25-2.5
Fed Int On Excess Reserves	21 Sep	22-Sep		2.40%
Initial Jobless Clm	17 Sep, w/	22-Sep	218k	213k
S&P Global Mfg PMI Flash	Sep	23-Sep	51.2	51.5
S&P Global Svcs PMI Flash	Sep	23-Sep	45.0	43.7

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**Thai Baht Graph**



Source: Thomson Reuters

**Thai Baht News**

- The baht started the week strongly and moved to the range 36.20-36.25 THB/USD but after the released of US CPI on Tuesday(13/9) the baht reversly depreciated over 37 THB/USD,its lowest since late 2006,as investors are growing more anxious about a possible recession and bracing for another big interest-rate increase by the US Federal Reserve this week.
- As the gold price significantly dipped,the USD was directly wanted by gold importer which send the USD/THB depreciated rapidly.
- The BoT in a statement earlier this week said that the 1.35 trillion Baht that disappeared from the international reserves was just 'revaluation' of asset,and insist that there're no sign of unusual funds movement.
- There are some reported suggested that BoT was ready to intervene any excessive moves in the currency but nothing clear at this moment.
- Last week, foreign investors were net sellers of 4.18 billion baht and 0.86 billion baht in stock market and bond market respectively.

**Thai Baht Performance**

<b>Last Week Close</b>	<b>36.32</b> THB/USD	<b>Monthly High</b>	<b>37.10</b> THB/USD
<b>Week Open</b>	<b>34.43</b> THB/USD	<b>Monthly Low</b>	<b>36.20</b> THB/USD
<b>Week Close</b>	<b>36.81</b> THB/USD	<b>30 Days Average</b>	<b>36.14</b> THB/USD
<b>Weekly High</b>	<b>37.10</b> THB/USD	<b>90 Days Average</b>	<b>35.65</b> THB/USD
<b>Weekly Low</b>	<b>36.15</b> THB/USD	<b>YTD Change</b>	<b>+10.77%</b>

**Thai Baht Outlook**

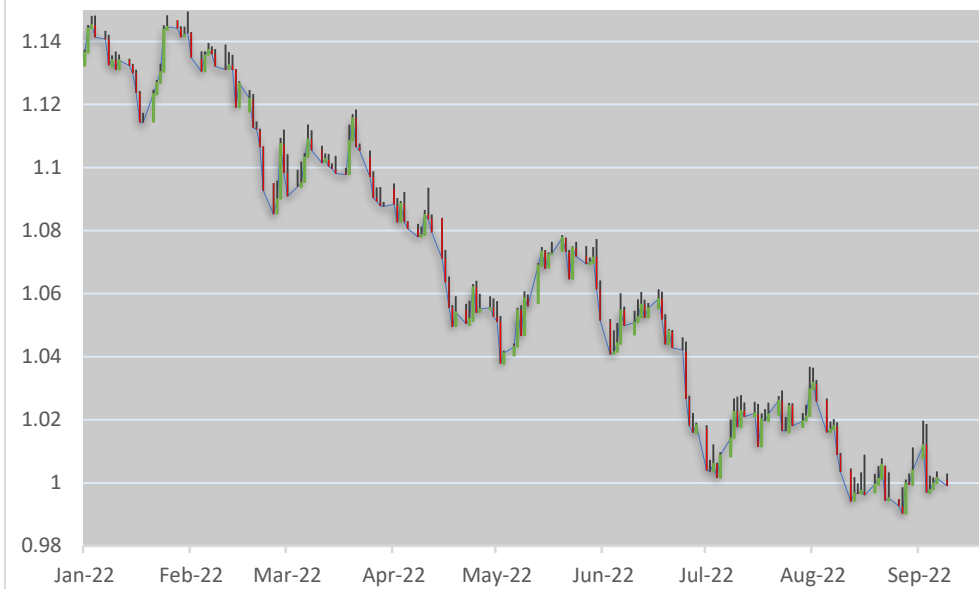
- Investor will keep an eye on FED meeting on Wednesday (21/9).More hawkish rate hike or rate projection may send the dollar appreciate further.
- After breaking the July high at around 36.90 level,we believe that the baht has a chance to depreciate further,with the resistance of 37.25 and 37.50 was expected.However,Thailand's positive economic outlook may help the baht to outperform global peers and capped the currency at just the 37s level.
- The reaction or intervention to the baht from BOT has to be closely watched.

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

Events	Period	Date	Forecast	Previous
Custom-Based Export Data	Aug	22-Sep	7.35%	4.30%
Custom-Based Import Data	Aug	22-Sep	18.05%	23.90%
Customs-Based Trade Data	Aug	22-Sep	-3.40B	-3.66B

<b>Lower Bound</b>	<b>36.50</b>	<b>Upper Bound</b>	<b>37.50</b>
<b>Forecast</b>	<b>Depreciation</b>		

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**Euro Graph**


Source: Thomson Reuters

**Euro Outlook**

- The movement showed that the euro is giving a fight but King Dollar's grip on the throne looks strong.
- The preliminary Purchasing Managers' Indexes (PMIs) from S&P Global stand out on the economic calendar. All the indicators came out below 50 in August, representing contraction. Further deterioration is likely.
- We still believe that the euro is trending lower where the strong support is at around 0.9870 region, struggling to stage meaningful recoveries.

**Euro News**

- At the beginning of last week, the euro moved higher to the level around 1.0200 as markets refused to believe Fed Chair Jerome Powell's hawkish rhetoric and looked beyond September's rate hike.
- However, price rises were unrelenting as the Core Consumer Price Index jumped by 0.6% in August, double the early expectations. Other CPI indicators moved up as well, triggering speculation of a 100 bps rate hike.
- As a result, the euro collapsed, and managed only small bounces in response to weaker US data such as underwhelming retail sales figures.
- European Central Bank officials came out in an almost coordinated chorus to support large rate hikes in October. That contrasts the more nuanced message from ECB President Christine Lagarde after the latest rate decision.

**Euro Index performance**

<b>Last Week Close</b>	<b>1.0039</b> USD/EUR	<b>Monthly High</b>	<b>1.0197</b> USD/EUR
<b>Week Open</b>	<b>1.0078</b> USD/EUR	<b>Monthly Low</b>	<b>0.9865</b> USD/EUR
<b>Week Close</b>	<b>1.0015</b> USD/EUR	<b>30 Days Average</b>	<b>1.0067</b> USD/EUR
<b>Weekly High</b>	<b>1.0197</b> USD/EUR	<b>90 Days Average</b>	<b>1.0293</b> USD/EUR
<b>Weekly Low</b>	<b>0.9943</b> USD/EUR	<b>YTD Change</b>	<b>-12.22%</b>

**Next Week's Euro Economic Events**

Events	Period	Date	Forecast	Previous
Euro Consumer Confid. Flash	Sep	22-Sep	-26.0	-24.9
Germany S&P Global Mfg Flash PMI	Sep	23-Sep	48.3	49.1
Germany S&P GLOB SVC Flash PMI	Sep	23-Sep	47.2	47.7
Germany S&P Global Comp Flash PMI	Sep	23-Sep	46.0	46.9
Euro S&P Global Mfg Flash PMI	Sep	23-Sep	48.8	49.6
Euro S&P Global Serv Flash PMI	Sep	23-Sep	49.1	49.8
Euro S&P Global Comp Flash PMI	Sep	23-Sep	48.2	48.9

<b>Lower Bound</b>	<b>0.9850</b>	<b>Upper Bound</b>	<b>1.0150</b>
<b>Forecast</b>	<b>Neutral</b>		

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**Pound Sterling**
**Pound Sterling Graph**


Source: Thomson Reuters

**Pound Sterling Outlook**

- On the economic data front, it will be a quiet start to the critical week, as the UK market is closed on Monday, in observance of the funeral of Queen Elizabeth. The US data also remains data-empty. On Tuesday, the mid-tier US housing data will be reported, which is unlikely to have any impact on the dollar valuations ahead of Wednesday's Fed rate hike announcement.
- Cable is set to lose amid a hawkish Fed rhetoric. But the pair's reaction to the Fed decision could be undone, as traders gear up for Thursday's BOE policy meeting.
- On Thursday(22/9) the BOE's policy guidance will hold the key, as a 50 bps rate hike is widely expected. The central bank's view on the energy crisis and the country's economic outlook will be closely examined.

**Pound Sterling News**

- At the start of the week, as risk flows dominated amid hopes of inflation easing in the US economy, the pound continued its previous recovery mode from 37-year lows of 1.1405 and recaptured the 1.1700 barrier.
- The pound witnessed a 300 pips sell-off and breached the 1.1500 level after the US headline and core CPI readings outpaced market expectations.
- 75 bps September BOE rate hike expectations dropped at the midweek after the UK CPI 12-month rate came in at 9.9% in August when compared to 10.1% seen in July while missing estimates of a 10.2% print.
- At the end of the week, downbeat UK Retail Sales for August combined with persisting Brexit concerns also weighed further on the British currency, dragging the pair to fresh four-decade lows at the 1.1300 level.

**Pound Sterling Performance**

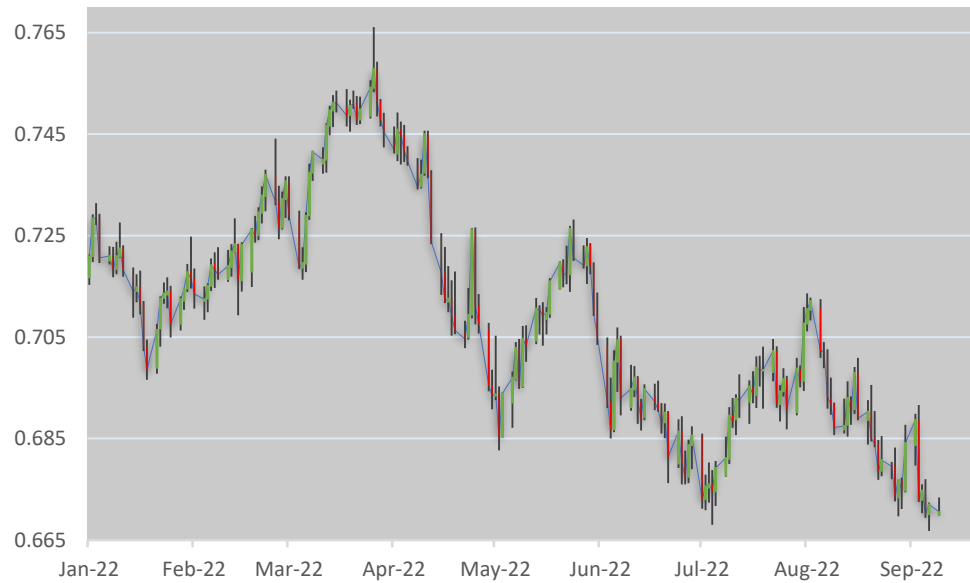
<b>Last Week Close</b>	<b>1.1587</b> USD/GBP	<b>Monthly High</b>	<b>1.1738</b> USD/GBP
<b>Week Open</b>	<b>1.1592</b> USD/GBP	<b>Monthly Low</b>	<b>1.1351</b> USD/GBP
<b>Week Close</b>	<b>1.1412</b> USD/GBP	<b>30 Days Average</b>	<b>1.1753</b> USD/GBP
<b>Weekly High</b>	<b>1.1738</b> USD/GBP	<b>90 Days Average</b>	<b>1.2068</b> USD/GBP
<b>Weekly Low</b>	<b>1.1348</b> USD/GBP	<b>YTD Change</b>	<b>-15.85%</b>

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

Events	Period	Date	Forecast	Previous
CBI Trends - Orders	Sep	21-Sep		-7
BOE Bank Rate	Sep	22-Sep	2.25%	1.75%
GfK Consumer Confidence	Sep	23-Sep	-42	-44
Flash Composite PMI	Sep	23-Sep	49.0	49.6
Flash Manufacturing PMI	Sep	23-Sep	48.0	47.3
Flash Services PMI	Sep	23-Sep	50.0	50.9
CBI Distributive Trades	Sep	23-Sep		37

<b>Lower Bound</b>	<b>1.1200</b>	<b>Upper Bound</b>	<b>1.1600</b>
<b>Forecast</b>	<b>Depreciation</b>		

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


Source: Thomson Reuters

**Australian Dollar Outlook**

- In fact, the markets have been pricing in the possibility of a full 100 bps rate hike at the upcoming FOMC meeting on September 20-21. Moreover, the US central bank is further expected to deliver another supersized 75 bps rate increase in November. This, along with the risk-off impulse, drives haven flows towards the buck and weighs on the risk-sensitive aussie.
- As the AUD/USD pair confirms a fresh breakdown below the 0.6700 round figure. We think a subsequent fall below the previous YTD low, around the 0.6680 region, might have already set the stage for further losses, en route to the 0.6600 mark, looks like a distinct possibility.
- RBA meeting minutes released on Tuesday(20/9) will be closely watched.

<b>Lower Bound</b>	<b>0.6600</b>	<b>Upper Bound</b>	<b>0.6800</b>
<b>Forecast</b>	<b>Depreciation</b>		

**Australian Dollar News**

- The AUD/USD broke below 0.6700, hits the lowest level since June 2020 amid stronger USD from expectations that the Fed will tighten its monetary policy at a faster pace and the bets were reaffirmed by the stronger US CPI report.
- The aussie defied downside bias after the Australian employment change has remained slightly lower than expectations(33.5k jobs vs 35k expected) while the unemployment rate has increased to 3.5% against the forecast and the prior release of 3.4%.
- Investors look past upbeat Chinese economic data released on Friday(16/9) as industrial production rose 4.2% YoY versus 3.8% expected and prior while Retail Sales rose past 3.5% market expectations and 2.7% prior to 5.4%.
- RBA Governor Philip Lowe defended recent rate hikes as his speech implied that the case for outsized interest-rate increases has "diminished" now that the cash rate is approaching "more normal settings," suggesting smaller moves ahead.

**Australian Dollar Performance**

<b>Last Week Close</b>	<b>0.6841</b> USD/AUD	<b>Monthly High</b>	<b>0.69160</b> USD/AUD
<b>Week Open</b>	<b>0.6837</b> USD/AUD	<b>Monthly Low</b>	<b>0.66710</b> USD/AUD
<b>Week Close</b>	<b>0.6720</b> USD/AUD	<b>30 Days Average</b>	<b>0.68744</b> USD/AUD
<b>Weekly High</b>	<b>0.6916</b> USD/AUD	<b>90 Days Average</b>	<b>0.71058</b> USD/AUD
<b>Weekly Low</b>	<b>0.6668</b> USD/AUD	<b>YTD Change</b>	<b>-7.91%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
Composite Leading Idx MM	Aug	21-Sep		-0.16%
Mfg PMI Flash	Sep	23-Sep		53.8
Services PMI Flash	Sep	23-Sep		50.2
Comp PMI Flash	Sep	23-Sep		50.2


**Japanese Yen Graph**


Source: Thomson Reuters

**Japanese Yen Outlook**

- The barrage of central bank decisions will start to gather pace a few hours after the Fed's when the Bank of Japan announces the outcome of its meeting.
- As the Japanese government becoming more and more uncomfortable with the yen's depreciation, Governor Kuroda will likely use stronger language to describe the yen's latest slump, expressing concern about the "rapid" fall. He may also flag an eventual exit out of stimulus. However, if both policy and guidance are kept unchanged, this would strongly imply that FX intervention is the Bank's preferred option for putting a floor under the yen.
- We believe that any acting from BOJ will make the yen temporary gain, with the support of 140 level may be tested.

<b>Lower Bound</b>	<b>140.00</b>	<b>Upper Bound</b>	<b>145.00</b>
<b>Forecast</b>	<b>Appreciation</b>		

**Japanese Yen News**

- The stronger US CPI report released on Tuesday lifted bets for a more aggressive policy tightening by the Fed, which continues to underpin the greenback and acts as a tailwind for the USD/JPY pair.
- However, the yen has been displaying back-and-forth moves in a range between 141.00-145.00 after a firmer decline at around 145.00 as investors are aware of the fact that the Japanese administration is worried about depreciating the Japanese yen.
- Now, Japanese officials feel that the fundamentals of the economy don't justify the downside pressure and have discussed intervention in Fx moves with the Bank of Japan (BOJ). A seldom decision of intervening is not expected to be welcomed by other G7 countries. While a change in stance on policy seems to be the potential way to provide a cushion to the falling yen.

**Japanese Yen Performance**

<b>Last Week Close</b>	<b>142.52 JPY/USD</b>	<b>Monthly High</b>	<b>144.98 JPY/USD</b>
<b>Week Open</b>	<b>142.32 JPY/USD</b>	<b>Monthly Low</b>	<b>139.07 JPY/USD</b>
<b>Week Close</b>	<b>142.91 JPY/USD</b>	<b>30 Days Average</b>	<b>128.86 JPY/USD</b>
<b>Weekly High</b>	<b>144.95 JPY/USD</b>	<b>90 Days Average</b>	<b>122.43 JPY/USD</b>
<b>Weekly Low</b>	<b>141.83 JPY/USD</b>	<b>YTD Change</b>	<b>+24.58%</b>

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

<b>Events</b>	<b>Period</b>	<b>Date</b>	<b>Forecast</b>	<b>Previous</b>
CPI, Core Nationwide YY	Aug	20-Sep	2.7%	2.4%
CPI, Overall Nationwide	Aug	20-Sep		2.6%
JP BOJ Rate Decision	22 Sep	22-Sep	-0.10%	-0.10%
Chain Store Sales YY	Aug	22-Sep		1.8%

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