

WEEKLY FOREIGN EXCHANGE OUTLOOK
26 Sep 2022 - 30 Sep 2022

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar News

- After the meeting US dollar jumped to a new two-decade high after the Federal Open Market Committee (FOMC) raised its benchmark rate by 0.75% to a range of 3% to 3.25% from 2.25% to 2.5% previously. The Fed now sees its benchmark rate rising to 4.4% in 2022, above the 3.4% forecast in June, paving the way for further front-loading of rate hikes in the remaining two Fed meetings for the year and into 2023. Fed Chair Jerome Powell, in his press briefing, said there is no painless way to bring inflation down, reiterating that it wants to act aggressively now and keep at it. He added that the Fed's actions are likely to result in slower growth and higher unemployment.

Dollar Index Performance

Last Week Close	109.76	Monthly High	114.53
Week Open	109.64	Monthly Low	106.31
Week Close	111.08	30 Days Average	109.29
Weekly High	114.53	90 Days Average	106.49
Weekly Low	109.36	YTD Change	+18.40%

Dollar Outlook

- The US dollar still benefits from fears about a global downturn and higher interest rate continue to weigh on market sentiment that affects emerging and commodity currencies.
- Moreover, Economic headwinds stemming from China's zero-covid policy and the risk of a further escalation in the Russia-Ukraine conflict, have been fueling recession fears. This is seen as another factor contributing to driving flows to safe haven.
- Market participants now look forward to the release of the Durable Goods Orders, Consumer Confidence, Gross Domestic Product (GDP), Core Personal Consumer Expenditure (PCE), ISM Manufacturing PMI in next week.

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Durable Goods	Aug	27-Sep	-0.5%	
Consumer Confidence	Sep	27-Sep	104.0	
New Home Sales-Units	Aug	27-Sep	0.500M	
GDP Final	Q2	29-Sep	-0.6%	
Initial Jobless Clm	24 Sep, w/e	29-Sep	215k	
Consumption, Adjusted MM	Aug	30-Sep	0.2%	
U Mich Sentiment Final	Sep	30-Sep	59.5	

Lower Bound	112.50	Upper Bound	115.00
Forecast	Appreciation		

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Thai Baht
Thai Baht Graph


Source: Thomson Reuters

Thai Baht Outlook

- Given the hawkish Fed outlook on interest rates. The dollar's relentless rise should be most robust against the emerging market currencies."
- Market expected the U.S. dollar would continue to strengthen through the end of this year. After the events of this week, we have increased conviction in that view, and now believe dollar strength could continue into the early part of 2023."
- The baht may weaken further in the short term along with other emerging market currencies if the Fed makes a big hike," said Amonthep Chawla, head of research at CIMB Thai Bank Plc. "This will put pressure on BoT to raise rate to prevent outflows. Still, we don't expect BoT to adopt an aggressive rate hike path and they'll likely raise rate by 25 basis points next week."

Lower Bound	37.60	Upper Bound	38.00
Forecast	Depreciation		

Thai Baht News

- The baht strengthened against the dollar after Thailand's central bank has announced on Friday (16/9) that it had seen no unusual capital movements and the weakness in the baht currency was mainly driven by the strength of the US dollar. Meanwhile, it was closely monitoring the baht and was ready to manage any excessive moves in the currency which hit its weakest level in nearly 16 years.
- The baht fell to a new 16-year low against the dollar after hawkish Fed rate hike projection. Meanwhile, the finance minister said on Wednesday that Thailand's central bank is closely monitoring baht weakness to ensure it will not impact the economy. While the baht weakness had been driven by dollar strength and it should stabilize if the US Federal Reserve stopped raising interest rates and brought inflation under control.

Thai Baht Performance

Last Week Close	37.00 THB/USD	Monthly High	37.91 THB/USD
Week Open	36.86 THB/USD	Monthly Low	36.20 THB/USD
Week Close	37.51 THB/USD	30 Days Average	36.46 THB/USD
Weekly High	37.53 THB/USD	90 Days Average	35.76 THB/USD
Weekly Low	36.81 THB/USD	YTD Change	+13.62%

Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
1-Day Repo Rate	28 Sep	28-Sep	1.00%	
Manufacturing Prod YY	Aug	30-Sep	0.10%	
Exports YY	Aug	30-Sep		
Imports YY	Aug	30-Sep		
Trade Account	Sep	30-Sep		
Current Account	Oct	30-Sep	10.10%	

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Euro

Euro Graph



Source: Thomson Reuters

Euro Outlook

-- According to analysts from Danske Bank, the US dollar will continue to move higher versus the euro from the Fed continuing to hike rates and its status as the world's predominant safe-haven currency during the coming volatile months for markets.

- They forecast the EUR/USD pair at 0.96 in a three months period and at 0.95 in a year as the coordinated tightening of global financial conditions, broadening USD strength and downside risk to the euro area makes us keep our focus on EUR/USD moving still lower.

Lower Bound	0.9500	Upper Bound	0.97
Forecast	Depreciation		

Euro News

-- On Monday, EUR rebounded back to the parity level with the US dollar as hawkish expectations for the European Central Bank supported the bloc's currency while the greenback's rally momentarily paused. Nevertheless, Inflation in the Eurozone peaked again at 9.1% in August, the highest since 1999. Higher consumer prices were fueled by rampant energy and food costs, according to Eurostat.

- The euro has reversed its direction after touching a fresh week high of 1.0051 earlier Tuesday. Fundamentally, the inflation reading out of Germany was +7.9% for the month which is not good for the economy and moved the euro lower.

- The euro resumed its decline towards 0.9800 after the post-Fed US dollar rally shows no signs of exhaustion amid risk aversion and firmer Treasury yields. Looming Russia tensions also offset hawkish ECB commentary.

Euro Index Performance

Last Week Close	1.0015 USD/EUR	Monthly High	1.0197 USD/EUR
Week Open	1.0010 USD/EUR	Monthly Low	0.9569 USD/EUR
Week Close	0.9690 USD/EUR	30 Days Average	0.9995 USD/EUR
Weekly High	1.0050 USD/EUR	90 Days Average	1.0253 USD/EUR
Weekly Low	0.9666 USD/EUR	YTD Change	-15.21%

Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Final	Sep	29-Sep	-28.80%	
CPI Prelim YY	Sep	29-Sep	9.50%	
HICP Prelim YY	Sep	29-Sep	0.00B	
Unemployment Chg SA	Sep	30-Sep	20k	
Unemployment Rate SA	Sep	30-Sep	5.50%	
Unemployment Rate	Aug	30-Sep	6.60%	
CPI (EU Norm) Prelim MM	Sep	30-Sep	1.60%	
CPI (EU Norm) Prelim YY	Sep	30-Sep	9.40%	

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Pound Sterling

Pound Sterling Graph



Source: Thomson Reuters

Pound Sterling Outlook

- Market remain bearish on the pound as it approaches levels closer to the all-time low of 1.0520 in 1985 and point out the loss of confidence in GBP is becoming more concerning. At the same time the BoE's decision to raise rates by "only" 50bps this week instead of 75bps like the ECB and Fed could be adding to concerns that the BoE is falling behind the curve in fighting inflation.

- For reference, the FX options now price the chances of GBP/USD hitting 1.00 by year-end at 17%. That is up from 6% in late June.

Pound Sterling News

- The pound dropped to 1.1374 from modest daily gains at around 1.1450 early Tuesday. "There aren't currently any negotiations taking place with the US and I don't have any expectation that those are going to start in the short to medium term," British PM Liz Truss said regarding a potential trade deal with the US but these comments were largely ignored by market participants.

- Meanwhile, investors are looking ahead to an expected interest rate hike on Thursday by the Bank of England (BoE), as well as the domestic fiscal policy implications of a planned mini-budget from the government of newly-installed Conservative Prime Minister Liz Truss. Money markets are fully pricing in a 75-basis point increase by the BoE, with a 50-basis point rise a more distant possibility, in the face of red-hot consumer inflation and slowing growth.

Pound Sterling Performance

Last Week Close	1.1412 USD/GBP	Monthly High	1.1738 USD/GBP
Week Open	1.1413 USD/GBP	Monthly Low	1.0386 USD/GBP
Week Close	1.0856 USD/GBP	30 Days Average	1.1584 USD/GBP
Weekly High	1.1460 USD/GBP	90 Days Average	1.1995 USD/GBP
Weekly Low	1.0836 USD/GBP	YTD Change	-20.72%

Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
GDP QQ	Q2	29-Sep	-0.10%	
GDP YY	Q2	29-Sep	2.90%	
Nationwide house price mm	Sep	30-Sep		
Nationwide house price yy	Sep	30-Sep		

Lower Bound	1.0400	Upper Bound	1.0800
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- AUD/USD continues losing ground. Holding above support at 0.6540/0.6465 is critical to avoid a deeper fall, the pair has now breached July lows and is close to the lower limit of a multi-month channel at 0.6540/0.6465 which is also a projection for the down move. Defending this can lead to an initial bounce.”

- The Reserve Bank of Australia (RBA) hiked rates by 50bp in its September meeting, and will likely follow with another similar hike next month. However, in the current environment, the tighter monetary policy also means higher risk of a recession for Australian economy, and thus AUD will continue to gain only modest support from the rate hikes.”

Lower Bound	0.6300	Upper Bound	0.6600
Forecast	Depreciation		

Australian Dollar News

- The Aussie stuck to near-daily lows of 0.6717 after Reserve Bank of Australia’s (RBA) September monetary policy meeting’s minutes showed that “all else equal, members saw the case for a slower pace of increase in interest rates as becoming stronger as the level of the cash rate rises.” Inflation in Australia was at its highest level in several decades and was expected to increase further over the months ahead. Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time.

- The Australian S&P Manufacturing PMI has landed in mid of expectations of 54.0 and the prior release of 53.8 at 53.9. While the Services PMI has remained upbeat, released at 50.4, significantly higher than the forecasts of 47.7 and the former release of 50.2.

Australian Dollar Performance

Last Week Close	0.6720 USD/AUD	Monthly High	0.6916 USD/AUD
Week Open	0.6700 USD/AUD	Monthly Low	0.6484 USD/AUD
Week Close	0.6527 USD/AUD	30 Days Average	0.6875 USD/AUD
Weekly High	0.6747 USD/AUD	90 Days Average	0.7076 USD/AUD
Weekly Low	0.6510 USD/AUD	YTD Change	-10.59%

Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Retail Sales MM Final	Aug	28-Sep	0.00%	
Broad Money	Aug	30-Sep		
Private Sector Credit	Aug	30-Sep		
Housing Credit	Aug	30-Sep		

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Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- Japan has the world's second largest foreign exchange reserve, so there is some weight behind an intervention like this. But the fact remains that the BoJ pursues a monetary policy that sends more yen into the market. It is hardly a sustainable situation for the BoJ to pursue its inflation target while simultaneously propping up the yen. Moreover, as long as the paths for monetary policy between the Fed and BoJ continue to diverge and interest rate differentials widen, the bias remains for the yen to continue to weaken and retest lows in the near future

Lower Bound	140.00	Upper Bound	146.00
Forecast	Depreciation		

Japanese Yen News

- The National CPI climbed to 3% in August from 2.6% in July and market expectation of 2.6%. The Japanese yen was also undermined by the fact that the Bank of Japan (BoJ) remains committed to maintaining ultra-low interest rates and its dovish policy guidance. However, even if no policy changes occur.
- The yen was on track for its gain in more than a month on intervention after it depreciated near 146 against the dollar as the Bank of Japan (BOJ) board members decided to make no changes to its monetary policy settings, holding rates at -10bps while maintaining 10yr JGB yield target at 0.00%. Yesterday, top Japanese diplomat Kanda announced that they took decisive action in the FX markets which had bought yen to defend its battered currency for the first time since 1988.

Japanese Yen Performance

Last Week Close	142.91 JPY/USD	Monthly High	145.89 JPY/USD
Week Open	142.95 JPY/USD	Monthly Low	139.07 JPY/USD
Week Close	143.32 JPY/USD	30 Days Average	129.57 JPY/USD
Weekly High	145.89 JPY/USD	90 Days Average	123.44 JPY/USD
Weekly Low	140.34 JPY/USD	YTD Change	+25.36%

Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
Service PPI	Aug	27-Sep		
Leading Indicator Revised	Jul	28-Sep		
Jobs/Applicants Ratio	Aug	30-Sep	1.3	
Unemployment Rate	Aug	30-Sep	0.025	
Industrial O/P Prelim MM SA	Aug	30-Sep	0.002	
Large Scale Retail Sales YY	Aug	30-Sep		

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