

WEEKLY FOREIGN EXCHANGE OUTLOOK
20 Feb 2023 - 24 Feb 2023

Dollar Index
Dollar Index Graph


Source: Thomson Reuters

Dollar Outlook

- Several speakers from the Federal Reserve have maintained the hawkish mantra with some now pondering a return to 50 bp lifts at their March meeting rather than the 25 bp that the market has pencilled in.
- On data front, we'll also get the latest update to the Flash PMI data on Tuesday (21/2) and Fed's preferred inflation measure, Core PCE, on Friday (24/2). Lately, the CPI and PPI reports have eclipsed Core PCE in terms of market impact, but the inflation reading with the most direct impact on Fed policy is still worth watching closely.

Lower Bound	103.50	Upper Bound	104.50
Forecast	Appreciation		

Dollar Index News

- The dollar index gained against its peers. US headline CPI rose at an annualized 6.4% in January and 5.6% when it comes to the core CPI, higher than the expectations, which keep showing a loss of momentum in consumer prices.
- Federal Reserve Bank of New York President John Williams said that inflation remains too high and central bank action aimed at cooling price pressures will exact some unavoidable pain on the economy.
- The dollar rose again after another better-than-expected U.S. retail sales data and now setting a new six-week high above 103.80. Investors were expecting a gradual 1.9% increase but the surprise of 3.0% were contributed by food services and motor vehicle.
- The dollar rose against basket of currencies, after data showed producer prices for January came in higher than expected and jobless claims fell, suggesting the Federal Reserve will have to keep monetary policy tight for some time to bring down inflation.

Dollar Index Performance

Last Week Close	103.63	Monthly High	105.63
Week Open	103.58	Monthly Low	100.82
Week Close	#N/A	30 Days Average	102.78
Weekly High	0.00	90 Days Average	106.26
Weekly Low	103.58	YTD Change	#NAME?

Next Week's Dollar Index Economic Events

Events	Period	Date	Forecast	Previous
S&P Global Mfg PMI Flash	Feb	21-Feb	47.3	46.9
S&P Global Svcs PMI Flash	Feb	21-Feb	47.2	46.8
S&P Global Comp Flash PMI	Feb	21-Feb	47.5	46.8
Existing Home Sales	Jan	21-Feb	4.10M	4.02M
GDP 2nd Estimate	Q4	23-Feb	2.9%	2.9%
Initial Jobless Clm	18 Feb, w/	23-Feb	200k	194k
Core PCE Price Index YY	Jan	24-Feb	4.3%	4.4%
PCE Price Index YY	Jan	24-Feb		5.0%
U Mich Sentiment Final	Feb	24-Feb	66.4	66.4

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Thai Baht Graph



Source: Thomson Reuters

Thai Baht News

- The baht depreciated as most Asian currencies were set weekly losses against a firmer dollar after worries over the likelihood of further U.S. interest rate hikes dampened risk sentiment. Moreover, the capital outflow from the local capital market also pressured the local currency.
- Thailand's economic growth slowed more than expected in the fourth quarter of 2022, as exports and manufacturing declined, but a rebound in the vital tourism sector should continue to boost the recovery this year amid weaker global demand. Southeast Asia's second-largest economy expanded 1.4% in the October-December period from a year earlier, data from the National Economic and Social Development Council (NESDC) showed on Friday (17/2).

Thai Baht Performance

Last Week Close	33.65 THB/USD	Monthly High	#NAME?	THB/USD
Week Open	33.70 THB/USD	Monthly Low	#NAME?	THB/USD
Week Close	#N/A THB/USD	30 Days Average	33.26	THB/USD
Weekly High	33.85 THB/USD	90 Days Average	35.20	THB/USD
Weekly Low	33.70 THB/USD	YTD Change	#NAME?	

Thai Baht Outlook

- The baht still got a pressure from Fed's hawkish tone after many higher-than-expectaion of US economic datas but still high inflation.
- So, the comment from FED member and the last FOMC minutes will have a huge impact on volatility of the baht and regional currencies.

Next Week's Thai Baht Economic Events

Events	Period	Date	Forecast	Previous
Forex Reserves	13 Feb, w/	24-Feb		222.6B
Currency Swaps	13 Feb, w/	24-Feb		26.3B

Lower Bound	34.20	Upper Bound	34.50
Forecast	Depreciation		

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Euro
Euro Graph


Source: Thomson Reuters

Euro Outlook

- On data front, S&P's flash PMI surveys provide one of the most timely measures of current economic activity which will be released on Tuesday (21/2), and as such, traders will be keen to see if they suggest ongoing strength into the year's second month. Traders and economists are expecting the manufacturing and services surveys from Eurozone to come in around flat (near 50)
- In additional, updates on inflation will keep market players busy. The Euro Zone and Germany will release on Thursday (23/2), the final estimates of their January Consumer Price Index (CPI).

Lower Bound	1.0550	Upper Bound	1.0750
Forecast	Depreciation		

Euro News

- The euro fell against the dollar after many US economic datats was greater-than-expected.
- ECB Governing Council member Gabriel Makhlouf said on Tuesday that the ECB could raise rates above 3.5% and hold them there for the remainder of the year. Another support from ECB policymaker Mario Centeno which said that the full impact of rate hikes may not reach the European economy
- The euro continues to struggle below 1.07 level as US data fuel more hawkish Fed bets. The losses came after a corrective rebound of the euro and Lagarde's comment to reiterates another 50-bps rate hike in March which seem to have set a floor for euro.
- European Central Bank (ECB) policymaker Francois Villeroy de Galhau said on Friday (17/2) that the timing for rate cuts s not a question for this year, adding that after the March meeting, the central bank will probably go above 3%.

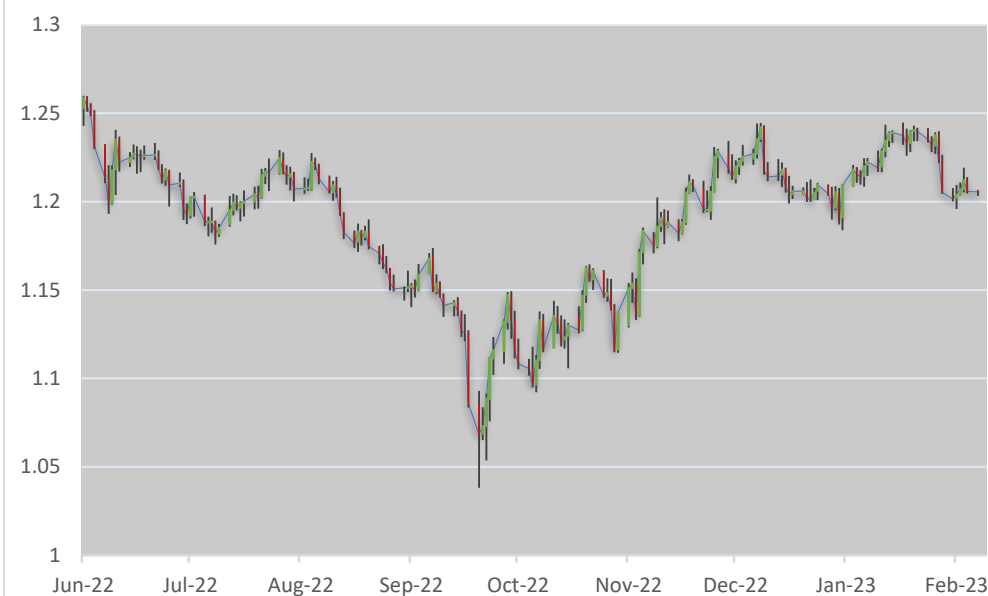
Euro Index Performance

Last Week Close	1.0675 USD/EUR	Monthly High	#NAME?	USD/EUR
Week Open	1.0678 USD/EUR	Monthly Low	#NAME?	USD/EUR
Week Close	#N/A USD/EUR	30 Days Average	1.0792	USD/EUR
Weekly High	1.0691 USD/EUR	90 Days Average	1.0434	USD/EUR
Weekly Low	1.0654 USD/EUR	YTD Change	#NAME?	

Next Week's Euro Economic Events

Events	Period	Date	Forecast	Previous
Consumer Confid. Flash	Feb	20-Feb	-19.0	-20.9
S&P Global Mfg Flash PMI	Feb	21-Feb	49.3	48.8
S&P Global Serv Flash PMI	Feb	21-Feb	51.0	50.8
S&P Global Comp Flash PMI	Feb	21-Feb	50.6	50.3
HICP Final MM	Jan	23-Feb	-0.2%	-0.4%
HICP Final YY	Jan	23-Feb	8.6%	8.5%
ZEW Current Conditions	Feb	21-Feb	-50.0	-58.6
Ifo Business Climate New	Feb	22-Feb	91.4	90.2

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Pound Sterling Graph


Source: Thomson Reuters

Pound Sterling Outlook

- UK specific data is rather light next week apart from S&P Global manufacturing and services PMI data and public sector net borrowing - which had a definite impact on the market last month when the deficit widened considerably.
- US related data remains relevant as far as it affects GBP/USD and other G7 FX. The FOMC minutes may reveal a greater preference among the committee in favor of 50 bps hikes than was initially thought and also the more hawkish comment from Fed members.

Pound Sterling News

- From a fundamental point of view, the outlook for the pound remains rather bleak and this supports the fundamental bearish outlook. Consumer data improved slightly but remains constrained overall, while inflation actually showed signs of moving in the right direction, coming in better than expected on both headline and core prints. Despite better than expected prints, the pound ended the week marginally lower.
- UK retail sales rose 0.5% from December but maintained the yearly trend of negative readings, coming in at -5.1% and marking a 10th consecutive year on year drop. The latest yearly reading marks the longest period of negative year on year declines since the Global Financial Crisis. To make matters worse, the December contraction was revised to -1.2% from -1%.

Pound Sterling Performance

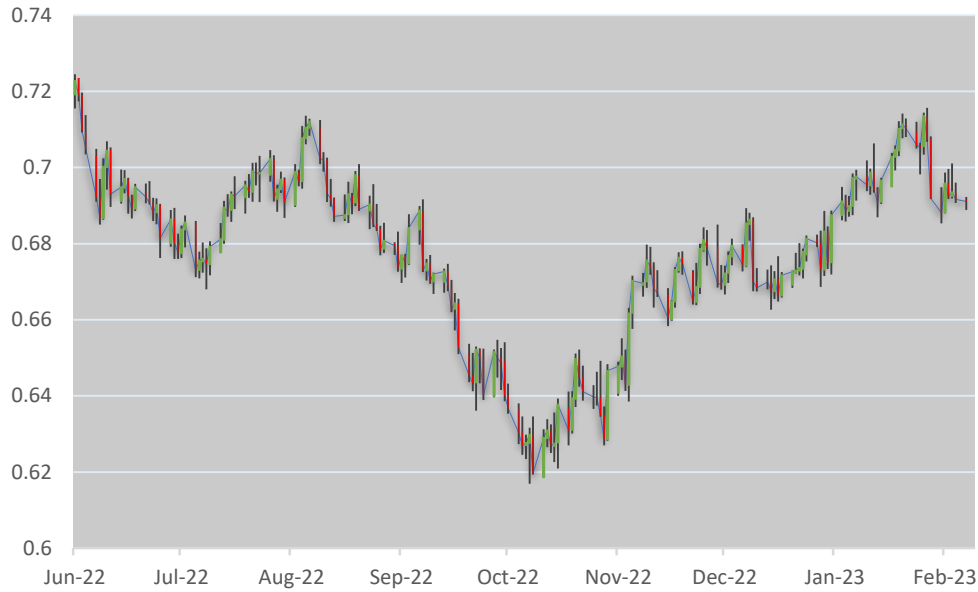
Last Week Close	1.2058 USD/GBP	Monthly High	#NAME?	USD/GBP
Week Open	1.2066 USD/GBP	Monthly Low	#NAME?	USD/GBP
Week Close	#N/A USD/GBP	30 Days Average	1.2200	USD/GBP
Weekly High	1.2066 USD/GBP	90 Days Average	1.1934	USD/GBP
Weekly Low	1.2032 USD/GBP	YTD Change	#NAME?	

Next Week's Pound Sterling Economic Events

Events	Period	Date	Forecast	Previous
House Price Rightmove MM	Feb	20-Feb		0.9%
House Price Rightmove YY	Feb	20-Feb		6.3%
Flash Composite PMI	Feb	21-Feb	48.7	48.5
Flash Manufacturing PMI	Feb	21-Feb	47.4	47.0
Flash Services PMI	Feb	21-Feb	49.2	48.7
CBI Distributive Trades	Feb	23-Feb		-23
GfK Consumer Confidence	Feb	24-Feb	-42	-45

Lower Bound	1.1900	Upper Bound	1.2150
Forecast	Depreciation		

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Australian Dollar
Australian Dollar Graph


Source: Thomson Reuters

Australian Dollar Outlook

- For the first time in more than 3-years, the trade ministers for Australia and China are expected to hold virtual trade talks this week. It has raised hopes of a potential visit to China by Australian Prime Minister Anthony Albanese later in the year. While an easing of tensions in the relationship would be welcomed by some Australian exporters, the trade surplus is already at a record level.
- On data front, the RBA meeting minutes will be released on Tuesday (21/2) and Wage Price Index on Wednesday (22/2).

Australian Dollar News

- The Australian Dollar finished lower at the end of last week with broad-based US Dollar strength sinking AUD/USD.
- The unemployment rate nudged higher to 3.7% in January against the 3.5% anticipated and prior. 11.5k Australian jobs were lost in the month, which was below forecasts of 20k being added.
- This might be helpful for the Reserve Bank of Australia which is battling to get inflation. RBA Governor Philip Lowe appeared before a Senate estimates committee and then he delivered his semi-annual testimony to the House of Representatives Economics committee.

Last Week Close	0.6916 USD/AUD	Monthly High	#NAME? USD/AUD
Week Open	0.6916 USD/AUD	Monthly Low	#NAME? USD/AUD
Week Close	#N/A USD/AUD	30 Days Average	0.67188 USD/AUD
Weekly High	0.6923 USD/AUD	90 Days Average	0.66228 USD/AUD
Weekly Low	0.6888 USD/AUD	YTD Change	#NAME?

Next Week's Australian Dollar Economic Events

Events	Period	Date	Forecast	Previous
Judo Bank Mfg PMI Flash	Feb	21-Feb		50.0
Judo Bank Svs PMI Flash	Feb	21-Feb		48.6
Judo Bank Comp PMI Flash	Feb	21-Feb		48.5
Composite Leading Idx MM	Jan	22-Feb		-0.14%
Wage Price Index QQ	Q4	22-Feb	1.0%	1.0%
Wage Price Index YY	Q4	22-Feb	3.5%	3.1%
Capital Expenditure	Q4	23-Feb	1.1%	-0.6%

Lower Bound	0.6750	Upper Bound	0.7000
Forecast	Depreciation		


Japanese Yen Graph


Source: Thomson Reuters

Japanese Yen Outlook

- As officials of the Federal Reserve continued to reiterate their commitment to tame price pressures through restrictive monetary policy, a compelling case for another 50 basis-point rate hike at the March FOMC has supported Dollar/Yen strength.
- On data front, the Japan's Flash PMI will be released on Tuesday (21/2), Consumer price index and BOJ Governor Ueda Speech on Friday (24/2).

Lower Bound	132.50	Upper Bound	135.50
Forecast	Depreciation		

Japanese Yen News

- The yen has risen to its highest level in two months after more hawkish chatter from Fed official boosted demand for the higher-yielding Dollar.
- Although Tuesday's nomination of Kazuo Ueda as a potential successor to the current BoJ (Bank of Japan) Governor Haruhiko Kuroda provided a slight reprieve for the Japanese Yen, losses were limited after the pair fell to another zone of technical support at 131.500.
- The yen justifies softer-than-expected Japan growth numbers as it flirts with the intraday low near 132.30 during early Tuesday (14/2).
- Japan's preliminary readings of the Q4 GDP data, the Asian economy reversed the previous 0.2% contraction with the same quarterly growth figures. However, the GDP Deflator rose to 1.1% versus -0.3% expected and prior during the stated period.

Last Week Close	131.41 JPY/USD	Monthly High	#NAME?	JPY/USD
Week Open	131.40 JPY/USD	Monthly Low	#NAME?	JPY/USD
Week Close	#N/A JPY/USD	30 Days Average	145.87	JPY/USD
Weekly High	132.30 JPY/USD	90 Days Average	140.07	JPY/USD
Weekly Low	131.29 JPY/USD	YTD Change	#NAME?	

Next Week's Japanese Yen Economic Events

Events	Period	Date	Forecast	Previous
JibunBK Mfg PMI Flash SA	Feb	21-Feb		48.9
JibunBK Comp Op Flash SA	Feb	21-Feb		50.7
JibunBK SVC PMI Flash SA	Feb	21-Feb		52.3
Reuters Tankan N-Man Idx	Feb	22-Feb		20
Service PPI	Jan	22-Feb		1.50%
Chain Store Sales YY	Jan	22-Feb		2.7%
CPI, Core Nationwide YY	Jan	24-Feb	4.2%	4.0%
CPI, Overall Nationwide	Jan	24-Feb		4.0%

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