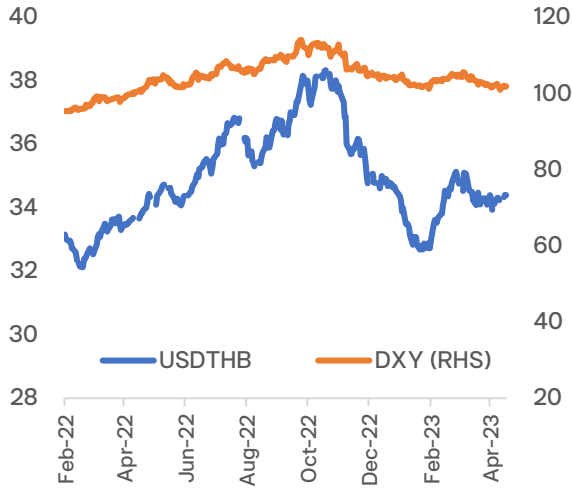
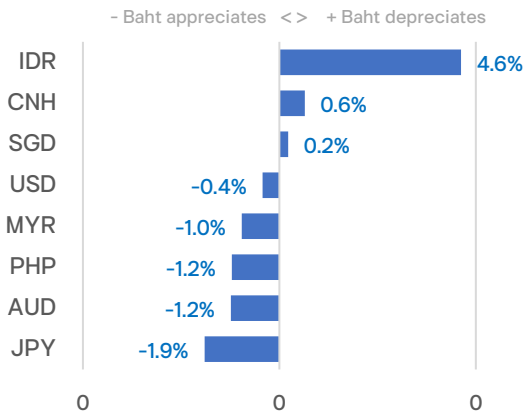


**21 April 2023**
**FX Strategy**
**USDTHB and USD Index**

**Regional Currency Movements against THB (% Year to Date 2022)**


Note: Positive figure means that Thai baht depreciates against that currency, and vice versa

**ttb analytics**

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# Executive Summary

## Expectations towards Fed’s interest rate path weigh on the dollar.

- **USDTHB** currently trades at range 34.00 – 34.50 level. Our Q2/2023 target is 33.50 with the support level of 33.00 and resistance of 34.00. Going forward, Thai baht appreciates with improving economic fundamentals.
- **EURTHB** currently trades at range 37.00 – 37.80 level. Our Q2/2023 target is 36.50 with the support level of 36.00. We expect the Euro to further appreciate with the ECB’s interest rate hiking path.
- **CNHTHB** currently trades at range 4.97 – 5.02 level. Our Q2/2023 target is 4.87 with the support level of 4.80. Chinese yuan was expected to range around 7 level against the US dollar.
- **JPYTHB** currently trades at range 0.250 – 0.260 level. Our Q2/2023 target is 0.250 with the support level of 0.245. Focus is now anticipation of monetary policy path under the next BOJ’s governor.

Forecast	USDTHB	EURTHB	CNHTHB	JPYTHB
<b>Q2/2023</b>	<b>33.50</b>	<b>36.50</b>	<b>4.87</b>	<b>0.250</b>
<b>Q3/2023</b>	<b>33.00</b>	<b>36.00</b>	<b>4.85</b>	<b>0.248</b>
<b>Q4/2023</b>	<b>32.30</b>	<b>35.20</b>	<b>4.79</b>	<b>0.245</b>

### Highlight

- **United States:** The dollar edged lower as softer-than-expected inflation data and fears of a recession saw markets pricing in a greater chance that the Federal Reserve will pause its rate hike cycle.
- **Euro Area:** The Euro hits one-year high as the ECB’s authorities reiterate the needs to keep raising rates given stubbornly high underlying inflation and its next move could be either a 25 or a 50-basis point increase.
- **China:** Signs of an uneven economic recovery in China weighed on the yuan, even as data showed the country’s GDP grew more than expected in the first quarter. However, China’s manufacturing sector - a bellwether for economic growth, continued to struggle with slow demand.
- **Japan:** Yen was under pressure albeit index inflation remained steady in March from the prior month, it showed that inflation remained stubbornly above the BOJ’s 2% annual target. This spurred some bets that the central bank will eventually tighten its ultra-loose policy this year, although new Governor Kazuo Ueda said that he will keep policy unchanged in the near-term.

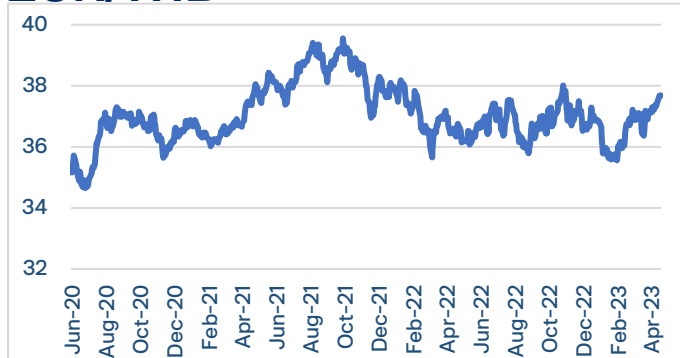
## USD/THB



- USDTHB ended at 34.01 in March before hovering around 34.00 – 34.50 in April as US economic data points to more gradual path of interest rates hike.
- The US annual consumer price index for March dipped to 5.0% from 6.0% in February, below the economists' estimate of 5.2%. However, the core number edged up slightly to 5.6% in March from 5.5% in the previous month, on an annual basis.
- US retail sales fell more than expected in March – dropping 1.0% compared to the revised-up data for the previous month of 0.2%. The figure is lower than economists' forecast at a dip of 0.4%.
- The futures pricing shows an 85.7% that the Fed will hike 25 bps on 2-3 May meeting, according to the CME's FedWatch Tool.

ttb forecast : Q2/2023 33.50 Q3/2023 33.00 Q4/2023 32.30

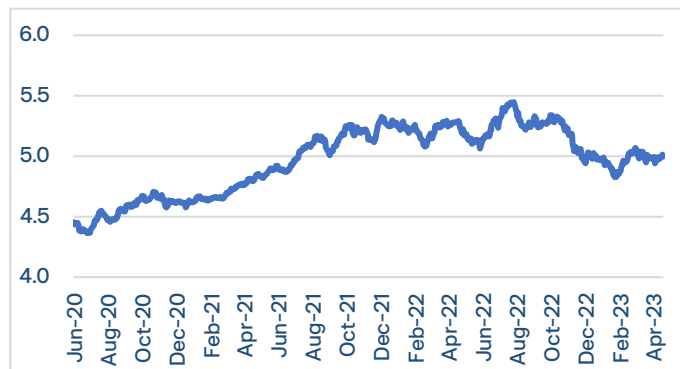
## EUR/THB



- The Euro currency edged higher against the US dollar, along by a conveyor belt of interest rate hikes in Europe while US rates are near a peak and signs of resilience in Europe's economies draw investors back.
- Driving the momentum, and likely future strength, is the view that U.S. interest rates are close to peaking, while borrowing costs in Europe - where inflation is stickier - have further to climb.
- The European consumer price index is expected to rise 0.9% on the month in March, representing an annual increase of 6.9%, dropping from 8.5% in the previous month. This suggests the ECB will continue to hike interest rates in May.

ttb forecast : Q2/2023 36.50 Q3/2023 36.00 Q4/2023 35.20

## CNH/THB



- The offshore yuan rose slightly after the economic data showed that GDP in the first quarter of 2023 grew a greater-than-expected at 4.5%, after the country relaxed most anti-COVID restrictions earlier this year.
- Nevertheless, other softer-than-expected economic readings further indicate that a rebound has so far been largely uneven. In particular, China Industrial Production highlighted continued weakness in the manufacturing sector with 3.9% growth in March, below a 4.0% estimated figure.
- The PBOC held its key lending rates at record lows for an eighth straight month. While the move boosts local liquidity and economy, it also makes the yuan appear less attractive.

ttb forecast : Q2/2023 4.87 Q3/2023 4.85 Q4/2023 4.79

## JPY/THB



- Japanese yen dropped although losses were somewhat limited by an unexpected contraction in the country's massive trade deficit. The deficit was lower than expected with -754.5 billion yen in March, compared with estimation of -1,294.8 billion yen. Exports also improved more than forecasted with 4.5% growth in March, much higher than expectation of 2.6%.
- Nevertheless, the Japanese yen was under renewed pressure as new Bank of Japan Governor Kazuo Ueda reiterated that the central bank would maintain its ultra-loose monetary policy.
- Japan producer price index inflation eased for a second consecutive month in March, standing at 7.3%, compared to 8.3% in the previous month.

ttb forecast : Q2/2023 0.250 Q3/2023 0.248 Q4/2023 0.245

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