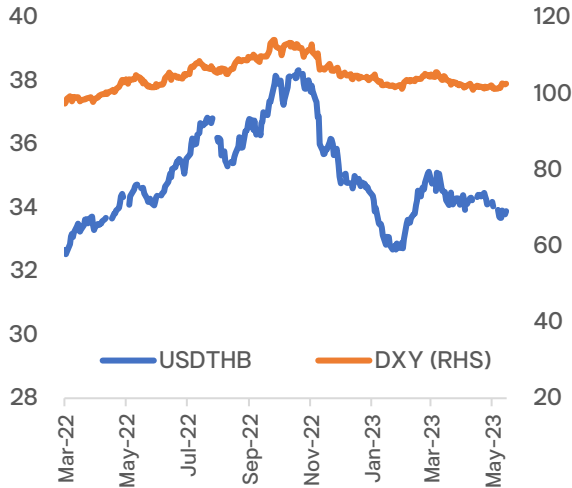


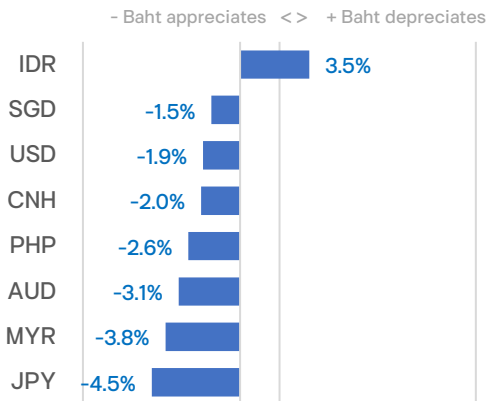
22 May 2023

**FX Strategy**
**USDTHB and USD Index**


## Executive Summary

**US dollar was pressured with uncertainty pertaining to debt ceiling deal and pause of Fed's interest rate hike.**

- **USDTHB** currently trades at range 33.50 – 34.00 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 36.70 – 37.20 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 4.85 – 5.00 level. Our Q2/2023 target is 4.82 with the support level of 4.78. Chinese yuan was expected to range around 7 level against the US dollar.
- **JPYTHB** currently trades at range 0.247 – 0.252 level. Our Q2/2023 target is 0.248 with the support level of 0.245. Focus is now anticipation of monetary policy path under the next BOJ's governor.

**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**

**Tarathip Tangkanjanapas**  
Tarathip.tan@ttbbank.com

**Naris Sathapholdeja**  
Naris.sat@ttbbank.com

Forecast	USDTHB	EURTHB	CNHTHB	JPYTHB
Q2/2023	33.50	36.50	4.82	0.248
Q3/2023	33.00	35.90	4.75	0.250
Q4/2023	32.50	35.80	4.65	0.254

### Highlight

- **United States:** The dollar was set to its safe-haven status from the uncertainty surrounding the potential for US default if deal to lift the country's borrowing limit is not done. Nevertheless, investors recently trimmed the bets on imminent US interest rate cuts following solid gains in consumer spending.
- **Euro Area:** The Euro rose against the dollar though the European Central Bank's 25-basis-point hike was the smallest since it started its monetary policy tightening cycle, but the bank also signaled that more lifts would be needed to tame inflation.
- **China:** Offshore yuan breached key 7 level as string of weak economic readings cast doubts over Chinese recovery this year. Key economic data such as industrial production and retail sales showed a slowing trend of economic recovery after an initial bounce in the first quarter.
- **Japan:** Yen declined as inflation data read softer-than-expected for April, pointing to lessened pressure of the Bank of Japan (BOJ) to immediately change its monetary policy stance.

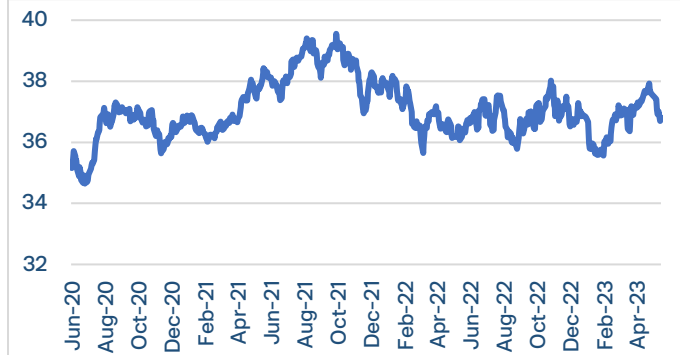
## USD/THB



- USDTHB ended at 34.13 in April before hovering around 33.50 – 34.00 in May as investors kept an eye on US debt ceiling talks to avert a possible default.
- The Fed raised interest rates on 2-3 May meeting for a 10<sup>th</sup> straight time but hinted that it may be about to pause its aggressive policy tightening. Meanwhile, US consumer prices rose 4.9% in April, dropped from 5% in the previous month yet still far higher than the Fed's 2% target, suggesting inflation remained sticky.
- Nevertheless, US consumer spending appears to have increased solidly in April with core retail sales rebounded 0.7%. Overall retail sales rose 0.4, below economists' expectations for a 0.8% increase after dropping 0.7% in March.

ttb forecast : **Q2/2023 33.50**                      **Q3/2023 33.00**                      **Q4/2023 32.50**

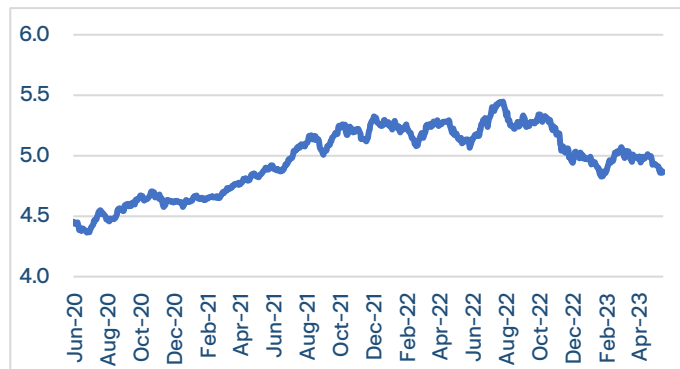
## EUR/THB



- The Euro currency rose higher against the US dollar with the release of first quarter growth data for the Euro zone expanding 0.1% on the quarter and 1.3% on an annual basis.
- The ECB raised its benchmark interest rates by 25 basis points on 4 May, while President Christine Lagarde signaled more hikes to come.
- Nevertheless, German industrial production fell to a bigger-than-expected drop in March, stood at -3.4%, compared to 2.1% and -1.3% in the previous month and the expected figure, respectively.
- Meanwhile, German consumer prices were up by 0.4% in April, expanded 7.2% on an annual basis.

ttb forecast : **Q2/2023 36.50**                      **Q3/2023 35.90**                      **Q4/2023 35.80**

## CNH/THB



- The offshore yuan fell below the key 7 level against the US dollar in the middle of May, reflecting more weakness for the Chinese currency.
- The recent drop in the yuan was induced by weak economic readings from China. Industrial production rose to 5.9% in April, compared with 3.9% in the previous month albeit being significantly lower than expectation of 10.9%. Meanwhile, China retail sales increased to 18.4% in April from 10.6% in the previous month, yet still worsened than expectation of 21.0%.
- This, coupled with rampant disinflation in the country where consumer price index (CPI) decelerated to 0.1% in April, lower than 0.7% in the previous month and the projection of 0.4%.

ttb forecast : **Q2/2023 4.82**                      **Q3/2023 4.75**                      **Q4/2023 4.65**

## JPY/THB



- Japanese yen dipped, taking little support from better-than-forecasted GDP growth in the first quarter of 2023 with the 1.6% expansion, improving from -0.1% and 0.7% in the previous quarter and the expectation, respectively.
- On the outset of May, yen was set for mild gains as fears of US banking crisis and uncertainty over debt ceiling made for some safe-haven demand.
- Japanese producer price index inflation was softer-than-expected at 5.8% in April, compared to 7.1% forecast. This points to less pressure on the BOJ to immediately tighten its monetary policy. BOJ's Governor Kazuo Ueda reiterated that monetary policy is likely to remain dovish in the near-term, heralding little support for the yen.

ttb forecast : **Q2/2023 0.248**                      **Q3/2023 0.250**                      **Q4/2023 0.254**

## Disclaimer

This document is issued by ttb analytics, a division of ttb Bank PCL. All analyses are based on information available to the public. Although the information contained herein is believed to be gathered from reliable sources, ttb makes no guarantee to its accuracy and completeness. ttb may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Opinions or predictions expressed herein reflect the authors' views, not that of ttb, as of date of the analysis and are subject to change without notice. ttb shall not be responsible for the use of contents and its implication.

For more information about ttb analytics, please visit <https://www.ttbank.com/en/analytics>.