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FOREX Newsletter

January 05, 2021

Pulse of the Market

- Uncertainty about U.S runoff elections in Georgia fueled demand for safer assets
- The pound weakened against the dollar on Britain's first day of trading outside the European Union
- The Euro jumped by over half a percent against the Dollar at the start of 2021
- The Australian dollar rose against the greenback clawing back the previous day's losses

Recent Interest Rates & US Treasury Yields

USD		0.25%
EUR		0.00%
GBP		0.25%
JPY		-0.10%
CAD		0.75%
AUD		0.10%
NZD		0.25%
	Change	Yield
2-yr Yield	-0.01	0.12%
5-yr Yield	-0.01	0.36%
10-yr Yield	-0.02	0.92%

The U.S dollar held near mid-2018 lows yesterday as bullish sentiment across global markets prompted investors to buy riskier currencies such as the Chinese yuan, despite a resurgent pandemic. Low U.S. interest rates, massive U.S. budget and trade deficits and a belief that rebounding world trade will drive non-dollar currencies higher have set the dollar on a downward course. The U.S dollar slipped further through the threshold of the New Year as global risk sentiment stayed buoyant. The dollar index posted its first annual loss since 2017 last year. It has fallen roughly 13% from a three-year peak at the height of the pandemic panic in March. It was last 0.14% weaker at 89.640 and not far above last week's more than two-and-a-half-year low of 89.515. Manufacturing activity expanded in Japan, South Korea and Taiwan, according to PMI surveys, the latest indication that manufacturers in the region continue to recover from the damage caused by the COVID-19 pandemic last year. Chinese factory activity continued to accelerate in December, though the PMI missed forecasts at 53.0. The safe-haven yen rose 0.4% to 102.90 per dollar, and looked to test resistance at 102.55, after Japanese Prime Minister said his government was mulling a state of emergency in Tokyo as coronavirus cases rise. The softening dollar boosted commodity prices and pushed bitcoin as well as several Asian currencies to milestone highs. The Australian and New Zealand dollars each gained close to 0.4% to hold just below multi-year peaks. The euro, which had dipped on New Year's Eve profit-taking, rose 0.4% to \$1.2270 while traders waited for a fresh batch of economic indicators throughout the region. Sterling, still boosted by Britain's trade deal with the European Union, gained to \$1.3678, levels last seen in early 2018. Investors are now focused on a runoff election in the U.S. state of Georgia on Tuesday that will determine control of the Senate. A Democrat win is likely to see a sharp correction higher by the US Dollar, exacerbated by the world being universally short the greenback. Investors should probably wait for the election dust to settle before committing heavily to new dollar short positions. Minutes of the Federal Reserve's December meeting due on Wednesday should offer more detail on discussions about making the Fed's forward policy guidance more explicit and the chance of a further increase in asset buying this year. The data calendar includes manufacturing surveys across the globe, which will show how industry is coping with the spread of the coronavirus.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
08:55		Germany Unemployment Change (DEC)	High		10K	-39K
08:55		Germany Unemployment Rate (DEC)	High		6.1%	6.1%
15:00		U.S ISM Manufacturing PMI (DEC)	High		56.6	57.5
15:00		U.S ISM Manufacturing Prices (DEC)	Medium		65.7	65.4
21:30		U.S API Crude Oil Stock Change (01/JAN)	Medium			-4.785M

Euro

The single currency jumped by over half a percent against the Dollar at the start of 2021, with gains coming amidst a rise in global stock markets and commodity prices which hinted at a confident mood amongst investors just hours ahead of a critical vote for two senate seats in the U.S. state of Georgia. A constructive investor environment helped the Euro-to-Dollar exchange rate rise 0.60% higher. Overall, the EUR/USD traded with a low of 1.2128 and a high of 1.2251 before closing the day around 1.2242 in the New York session.



Yen

The Japanese yen found support as concerns about surging COVID-19 cases and uncertainty about U.S runoff elections in Georgia fueled demand for safer assets. It advanced to 102.715 on Monday, the strongest level since March, as Japan's prime minister said the government is considering a state of emergency for Tokyo amid a surge in coronavirus cases. Overall, the USD/JPY traded with a low of 103.23 and a high of 103.86 before closing the day around 103.30 in the U.S session.



British Pound

The British Pound weakened on Britain's first day of trading outside the EU as warnings of tighter UK lockdown measures outweighed the relief over the last-minute Brexit trade deal. Sterling initially strengthened against the dollar, even briefly breaking above \$1.37 for the first time since 2018 in early London trading, but the move was more driven by dollar weakness than idiosyncratic sterling strength. Overall, the GBP/USD traded with a low of 1.3187 and a high of 1.3494 before closing the day at 1.3462 in the New York session.



Canadian Dollar

The Canadian Dollar strengthened as stock markets climbed globally and domestic data showed factory activity expanding in December at its fastest pace on record, with the currency adding to its 2020 gains. The IHS Markit Manufacturing PMI rose to a seasonally adjusted 57.9 in December as new orders and production climbed, while manufacturers grew more optimistic. Overall, USD/CAD traded with a low of 1.2787 and a high of 1.2954 before closing the day at 1.2854 in the New York session.



Appendix

FOREX Closing Prices for January 04, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.2229	1.22513	1.21281	1.22425	-0.0010
USD/JPY	103.346	103.869	103.234	103.30	0.0130
GBP/USD	1.34342	1.34944	1.3187	1.34625	-0.0030
USD/CHF	0.88485	0.89176	0.88401	0.88549	0.0024
USD/CAD	1.27908	1.29541	1.27878	1.28545	0.0080
EUR/JPY	126.398	126.591	125.888	126.479	-0.0890
GBP/JPY	138.85	139.473	136.943	139.079	-0.2940
CHF/JPY	116.752	117.042	116.403	116.612	-0.3260
AUD/JPY	78.51	78.607	77.46	78.322	-0.3900
EUR/GBP	0.91005	0.92157	0.9069	0.90927	0.0014
EUR/CHF	1.08271	1.08449	1.0796	1.08414	0.0021
GBP/CHF	1.18888	1.19416	1.17312	1.19237	0.0009

Daily Pivot Points							
Trading Range							
Contract	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.2040	1.2084	1.2163	1.2207	1.2287	1.2331	1.2410
USDJPY	102.43	102.83	103.07	103.47	103.70	104.10	104.34
GBPUSD	1.2961	1.3074	1.3268	1.3381	1.3576	1.3689	1.3883
USDCHF	0.8747	0.8793	0.8824	0.8871	0.8902	0.8948	0.8979
USDCAD	1.2611	1.2699	1.2777	1.2865	1.2943	1.3032	1.3109
EURJPY	125.34	125.62	126.05	126.32	126.75	127.02	127.45
GBPJPY	134.99	135.97	137.52	138.50	140.05	141.03	142.58
CHFJPY	115.69	116.05	116.33	116.69	116.97	117.32	117.61
AUDJPY	76.51	76.98	77.65	78.13	78.80	79.28	79.95
EURGBP	0.8889	0.8979	0.9036	0.9126	0.9183	0.9273	0.9329
EURCHF	1.0761	1.0779	1.0810	1.0827	1.0859	1.0876	1.0908
GBPCHE	1.1579	1.1655	1.1789	1.1866	1.2000	1.2076	1.2210

Sources: News, Charts & Quotes (Courtesy: Reuters, US Department Of Treasury)

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