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FOREX Newsletter

January 21, 2021

Pulse of the Market

- The Greenback sold off against all of the major currencies with the exception of euro and Swiss Franc
- No one expects the ECB to boost asset purchases, having just done so in December
- Like the ECB, the Bank of Japan is also expected to keep monetary policy unchanged
- The Bank of Canada looked past the economic impact of COVID-19 restrictions to the recovery

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	0.13%
5-yr Yield	-0.01	0.44%
10-yr Yield	-0.03	1.08%

The inauguration of the 46th President of the United States went off without a hitch. Equity and currency traders welcomed the new Administration with fresh records for the S&P 500 and NASDAQ. The peaceful transition allowed investors to turn their focus to President Biden's 100 day agenda which includes aggressive promises for more stimulus and broader vaccine distribution – the two most important ingredients for a 2021 recovery. The greenback sold off against all of the major currencies with the exception of euro and Swiss Franc because more spending and a larger fiscal deficit is bearish for the dollar. Worries that the European Central Bank could jawbone the currency or talk of the need for more stimulus prevented euro and the Swiss Franc from participating in the risk rally. No one expects the ECB to boost asset purchases, having just done so in December. When they last met, the central bank increased asset purchases by \$500 billion and extended bond buying to March 2022. They also lowered 2021 growth forecasts. Since then, new coronavirus strains and rising cases forced countries across their Eurozone to extend their lockdown. However data hasn't been terrible with industrial production, ZEW and PMIs holding steady. Inflation on the other hand remains very low with HICP dropping to -0.3% on a year over year basis in December, far below their 2% forecast. The ECB will take all of this into consideration when they meet today. Like the ECB, the Bank of Japan is also expected to keep monetary policy unchanged but the difference here is that the BoJ could downgrade its economic assessment and economic projections. Meanwhile the Canadian dollar was the day's best performing currency. Although consumer price growth slowed in the month of December, the Bank of Canada looked past the economic impact of COVID-19 restrictions to the recovery.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
00:30		Australia Employment Change (DEC)	High		50K	90K
00:30		Australia Unemployment Rate (DEC)	High		6.7%	6.8%
03:00		BoJ Interest Rate Decision	High		-0.1%	-0.1%
03:00		BoJ Quarterly Outlook Report	High			
08:00		European Council Meeting	Medium			
09:30		BoE Credit Conditions Survey	High			
12:45		ECB Interest Rate Decision	High		0%	0%
13:30		Canada New Housing Price Index YoY (DEC)	Medium			4.6%
13:30		ECB Press Conference	High			
13:30		U.S Continuing Jobless Claims (09/JAN)	Medium		5400K	5271K
13:30		U.S Initial Jobless Claims (16/JAN)	Medium		910K	965K
13:30		U.S Philadelphia Fed Manufacturing Index (JAN)	Medium		12	11.1

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 1.2072 and a high of 1.2143 before closing the day around 1.2126 in the New York session.



Yen

The Japanese yen fell as the Dollar declined versus major peers as optimism that new U.S administration's massive stimulus package will bolster growth sapped demand for safe-haven currencies. Riskier commodity currencies were supported as Asian stocks followed U.S equities in rising to new records after Joe Biden was sworn in as president. Risk sentiment is quite positive right now and we expect it to remain so this year. Overall, the USD/JPY traded with a low of 103.63 and a high of 104.06 before closing the day around 103.88 in the U.S session.



British Pound

The British Pound rose yesterday as Consumer prices rose 0.6% year-on-year in December, after a 0.3% increase the month before, helped by a temporary easing of COVID-19 travel restrictions and a rise in global oil prices. Sentiment was supported by a declaration from Janet Yellen, U.S President-elect Joe Biden's nominee for Treasury Secretary that the government had to "act big" on stimulus. Overall, the GBP/USD traded with a low of 1.3572 and a high of 1.3634 before closing the day at 1.3627 in the New York session.



Canadian Dollar

The Canadian Dollar strengthened to a near three-year high against its U.S counterpart yesterday as the Bank of Canada opted against cutting interest rates and Wall Street scaled record highs. The arrival of a COVID-19 vaccine and stronger foreign demand is brightening the outlook for the Canadian economy in the medium term, the Bank of Canada said, as it held its key overnight interest rate at 0.25%. Overall, USD/CAD traded with a low of 1.2711 and a high of 1.2762 before closing the day at 1.2731 in the New York session.



Appendix

FOREX Closing Prices for January 20, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.20758	1.21435	1.20724	1.21269	0.0051
USD/JPY	103.671	104.065	103.634	103.881	0.2130
GBP/USD	1.35843	1.36348	1.35727	1.36275	0.0042
USD/CHF	0.89066	0.89154	0.88622	0.88833	-0.0023
USD/CAD	1.2752	1.27621	1.27119	1.27319	-0.0023
EUR/JPY	125.222	126.189	125.175	125.994	0.7880
GBP/JPY	140.844	141.708	140.745	141.589	0.7400
CHF/JPY	116.365	117.243	116.328	116.913	0.5340
AUD/JPY	79.607	80.282	79.531	79.926	0.3110
EUR/GBP	0.88873	0.8917	0.88817	0.88959	0.0009
EUR/CHF	1.07561	1.0779	1.07542	1.07753	0.0018
GBP/CHF	1.21008	1.21225	1.20658	1.2109	0.0009

Daily Pivot Points							
Trading Range							
Contract	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.20	1.2043	1.2085	1.2114	1.2156	1.2185	1.2227
USDJPY	103.22	103.43	103.66	103.86	104.09	104.29	104.52
GBPUSD	1.3526	1.3550	1.3589	1.3612	1.3651	1.3674	1.3713
USDCHF	0.8805	0.8834	0.8859	0.8887	0.8912	0.8940	0.8965
USDCAD	1.2658	1.2685	1.2709	1.2735	1.2759	1.2786	1.2809
EURJPY	124.37	124.77	125.38	125.79	126.40	126.80	127.41
GBPJPY	140.02	140.38	140.99	141.35	141.95	142.31	142.91
CHFJPY	115.50	115.91	116.41	116.83	117.33	117.74	118.24
AUDJPY	78.79	79.16	79.54	79.91	80.30	80.66	81.05
EURGBP	0.8844	0.8863	0.8879	0.8898	0.8915	0.8934	0.8950
EURCHF	1.0735	1.0745	1.0760	1.0770	1.0785	1.0794	1.0810
GBPCHE	1.2019	1.2042	1.2076	1.2099	1.2132	1.2156	1.2189

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

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