











## Pulse of the Market

- The rally in stocks and decline in the US dollar are signs that investors are looking for steady policy
- For the second day in a row, the New Zealand dollar was the best performing currency
- The Australian and Canadian dollars also moved higher with AUD/USD likely to extend its gains
- Thanks to the U.K's furlough scheme, there were fewer job losses and strong wage growth

### 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	+0.02	0.42%
10-yr Yield	+0.02	1.04%

The Federal Reserve holds their first 2021 FOMC meeting today and based on the performance of US assets, investors don't expect any surprises from the central bank. The rally in stocks and broad based decline in the US dollar are signs that investors are looking for steady policy. That means continued commitment to accommodation accompanied by an upbeat outlook for the second half recovery. It's no secret that December was tough – the US reported its first month of job losses since April, consumer spending dropped for the third month in a row and jobless claims spiked higher. New virus cases surged across the nation, forcing many states to bring back restrictions but none of that sapped investor optimism because ongoing vaccine rollout has made everyone more confident about a second half recovery. Going into the January policy meeting, the question of whether the dollar is a buy or a sell hinges on two things – Fed Chair Powell's recovery outlook and comments on tapering. Over the past month, a number of Fed Presidents suggested that tapering could begin as early as late 2021 if the recovery is strong enough. If Powell admits to sharing this sentiment, USD/JPY should soar past 104.00 and EUR/USD could break through 1.21. In December, Powell provided some important clues on where he stands. At the time, they dialed up their expectations for growth and refrained from extending the maturity of asset purchases, which was seen as slightly less dovish. Fed Chair Powell also said the economy should perform strongly in the second half of 2021 thanks to the vaccine but they would still need to continue buying bonds until there is substantial progress made on their goals. On tapering, he noted that they will give "ample warning" before tapering bond purchases. While more Americans are getting vaccinated every single day, stocks are near their record highs and Biden promises more stimulus, premature taper talk could derail the recovery.

Time(GMT)		Economic Release	IMP	Actual	Forecast	Prior
00:00		Switzerland World Economic Forum Annual Meeting	Medium			
00:30		Australia Inflation Rate YoY (Q4)	High		0.7%	0.7%
00:30		Australia Westpac Leading Index MoM (DEC)	Medium			0.7%
05:00		Japan Coincident Index Final (NOV)	Medium		89.1	89.4
07:00		Germany GfK Consumer Confidence (FEB)	High		-7.9	-7.5
12:00		U.S MBA Mortgage Applications (22/JAN)	Medium			-1.9%
13:30		U.S Durable Goods Orders MoM (DEC)	High		0.9%	0.9%
15:30		EIA Cushing Crude Oil Stocks Change (22/JAN)	Medium			-4.727M
19:00		Fed Interest Rate Decision	High		0.25%	0.25%
19:30		Fed Press Conference	High			

## Euro

The single currency was further weighed down by early signals that the economy may not rebound as strongly this year as predicted. Germany's Ifo business climate indicator undershot expectations and an economic surprise index in Europe is hovering near six-week lows. The dollar's bounce overnight has also been aided by some unwinding of large short bets. Overall, the EUR/USD traded with a low of 1.2106 and a high of 1.2174 before closing the day around 1.2158 in the New York session.



## Yen

The Japanese yen continues to range-trade this week. There were no surprises from the Bank of Japan minutes, which provide a glimpse of the views of central bank policymakers. The minutes were from the December meeting, where the bank made no changes to monetary policy. Bank members trotted out concern about the usual suspects, namely, Covid-19 and inflation, situated well below the inflation target. Overall, the USD/JPY traded with a low of 103.53 and a high of 103.81 before closing the day around 103.59 in the U.S session.



## British Pound

The British Pound pulled away from a one-week low against the dollar yesterday and also gained ground against the euro as rebounding risk appetite in broader asset markets weakened the US currency. Sentiment turned around as European stock markets bounced and U.S stocks hit record highs on strong corporate earnings, pushing the dollar back down and boosting riskier currencies. Overall, the GBP/USD traded with a low of 1.3608 and a high of 1.3742 before closing the day at 1.3734 in the New York session.



## Canadian Dollar

The Canadian Dollar strengthened against its U.S counterpart yesterday, recovering from an earlier eight-day low, as corporate earnings bolstered Wall Street and the greenback broadly declined. Canada will seek exemptions to a U.S effort to ensure federal agencies buy American-produced goods, Prime Minister Justin Trudeau said, as business groups expressed concern about the potential impact. Overall, USD/CAD traded with a low of 1.2686 and a high of 1.2780 before closing the day at 1.2691 in the New York session.



## Appendix

FOREX Closing Prices for January 26, 2021					
Currency	Open	High	Low	Close	Net Chg
EUR/USD	1.2139	1.21745	1.21065	1.21585	0.0021
USD/JPY	103.741	103.81	103.536	103.595	-0.1430
GBP/USD	1.36638	1.37427	1.3608	1.37342	0.0061
USD/CHF	0.88818	0.88947	0.88587	0.88663	-0.0017
USD/CAD	1.27391	1.27801	1.26868	1.2691	-0.0046
EUR/JPY	125.931	126.139	125.666	125.97	0.0390
GBP/JPY	141.763	142.429	141.255	142.3	0.4390
CHF/JPY	116.757	116.923	116.622	116.813	0.0490
AUD/JPY	79.986	80.313	79.573	80.222	0.2270
EUR/GBP	0.88787	0.8903	0.88451	0.88507	-0.0025
EUR/CHF	1.07807	1.07976	1.07682	1.07817	0.0000
GBP/CHF	1.2136	1.21952	1.21014	1.21789	0.0033

Daily Pivot Points							
Trading Range							
Contract	S3	S2	S1	Pivot	R1	R2	R3
EURUSD	1.2100	1.2079	1.2119	1.2147	1.2187	1.2215	1.2255
USDJPY	103.21	103.37	103.48	103.65	103.76	103.92	104.03
GBPUSD	1.3513	1.3560	1.3647	1.3695	1.3782	1.3830	1.3917
USDCHF	0.8816	0.8837	0.8852	0.8873	0.8888	0.8909	0.8924
USDCAD	1.2565	1.2626	1.2659	1.2719	1.2752	1.2813	1.2845
EURJPY	125.24	125.45	125.71	125.93	126.18	126.40	126.66
GBPJPY	140.39	140.82	141.56	141.99	142.73	143.17	143.91
CHFJPY	116.35	116.49	116.65	116.79	116.95	117.09	117.25
AUDJPY	79.02	79.30	79.76	80.04	80.50	80.78	81.24
EURGBP	0.8772	0.8808	0.8830	0.8866	0.8887	0.8924	0.8945
EURCHF	1.0738	1.0753	1.0767	1.0783	1.0797	1.0812	1.0826
GBPCHF	1.2028	1.2065	1.2122	1.2159	1.2216	1.2252	1.2309

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

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