

## WEEKLY MARKET RECAP: January 24 – January 28, 2022

Happy Friday, traders. Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

The rising risk of a new Russian/Ukrainian military conflict and equity investor worries about Fed tightening were the drivers of the broadly downbeat tone on Monday. Wall Street's main indexes suffered significant losses on Friday and the benchmark 10-year US Treasury bond yield fell sharply ahead of the weekend, making it difficult for the USD to outperform its rivals. German Manufacturing and Services PMI came in above expectations in January at 60.5. The shared currency failed to capitalize on the upbeat PMI readings and kept trading around 1.1320 throughout the day. The release of the UK's PMI followed which came slightly weaker than expectations and as a result GBP showed small losses of 0.17%.

Australia's fourth-quarter CPI was published early on Tuesday which came in stronger than expected at 1.0% driving AUD/USD to pop 25 pips at 0.7175 before reversing back to 0.7150 range. EUR/USD showed little reaction to the release of the German IFO Business Climate Index which came in unexpectedly at 95.7. Gold rallied on Tuesday, adding around 0.5% to the scale after climbing from a low of \$1.834 to a high of \$1.853. Geopolitical issues between Ukraine and Russia triggered a jump in OIL prices with WTI rising above \$85.83 per barrel.

On Wednesday, Bank of Canada left the policy rate unchanged at 0.25% as expected, signalling a hike more likely in March. USD/CAD traded around 60 pips above its pre-BoC announcement levels. The big news that traders were anticipating came from the US Federal Reserve. FOMC announced that the policy rate will remain unchanged, as expected, at 0.0-0.25%. Chief Jerome Powell's press conference was a mixture, as he expressed concerns about the current wave of coronavirus and its potential to damage the economy but also said that he expects inflation to decline over the course of the year. Gold was among the worst performers, shredding roughly \$30.00 per ounce. Dollar ended Wednesday firmly higher across the FX board following the US Federal Reserve monetary policy decision. OIL pulled back from a daily high of \$87.90 to end the day at around \$86.50 a barrel.

US Real GDP grew at an annualised pace of 6.9% in Q4 2021, well above the forecast for a pace of growth of 5.5%, according to the first estimate released by the US Bureau of economic Analysis on Thursday. US Core Durable Goods Orders was also released which came out, as expected, at 0.4%. US Dollar kicked higher after seeing the GDP growth while Dollar Index reached fresh daily/multi-month highs in the 97.20s range.

Finally on Friday, Germany released the preliminary GDP data which arrived at -0.7% QoQ versus the -0.3% that was expected. EUR/USD remained little affected by the below-forecasts German growth number and was traded in the 1.1130 area. US Bureau of Economic Analysis announced that the Core PCE Price Index came at 0.5% as expected. Dollar Index saw a slight pullback dipping back into the 97.10s from close to 97.40 prior to the data. XAU/USD holds just above annual lows near \$1.790 while EUR/USD remains well under pressure and drops to new lows near 1.1120.

**Thanks for reading! Have a great weekend.**

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