WEEKLY MARKET RECAP: January 16 – January 20, 2023

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.

Week started with the US bank holiday for the observance of Martin Luther King Jr. day. The protagonist of the day was Bank of England Governor, Bailey, who testified on the December Financial Stability Report before the Treasury Select Committee, in London. Most important mentions he said, was that the UK labor shortage is a major risk to the central case for inflation falling, and that the risk is that inflation will not fall as quickly as expected.

On Tuesday, Canada released the annual CPI, which fall to 6.3% from 6.8% previously, matching consensus estimates. The USD/CAD pair moved little in reaction to the key macro data and remained confined in a narrow trading band, around the 1.3400 round-figure mark.

Early on Wednesday, Bank of Japan had their monetary policy announcement, and left policy settings unchanged, pushing the Yen to crush against the US dollar. The Japanese Yen weakened over 2 percent at the time of the release, making the biggest daily fall, since March 2020. Later in the day, US released the retail sales and producer price index data, which showed a big decline, more than expected in December. The S&P 500 and the Dow lost almost 2%, their biggest daily drops in more than a month, fuelling recession worries while hawkish comments from Federal Reserve officials soured investor moods further.

The US Dollar is licking its wound, what looks like another down week, as dovish US Federal Reserve expectations continue to play out. Reuters poll reported that a majority of the economists expect 25 basis points (bps) rate hike in the first quarter of this year, followed by a pause in its tightening cycle. Risk sentiment is in a better spot so far this Friday, with the Asian stocks recovering ground while the US S&P 500 futures add 0.20% on the day. Markets are shrugging off the negative close on Wall Street overnight, with investors adjusting their positions ahead of the Lunar New Year holidays in China. Further, a jump in subscribers of the US streaming giant Netflix added to the market optimism. Netflix ended last year with over 230 million global subscribers, beating market expectations.

Since autumn 2022, oil and natural gas markets in Europe have been characterised by a sharp fall in prices. These declines in oil and gas prices are of course good news, but we should not be overly enthusiastic about them, in the opinion of analysts at Natixis.

The situation during the winter of 2023-2024 is likely to be more difficult.

These low prices are linked to the exceptionally mild start to the winter in Europe and weak energy demand in China; the major natural gas and electricity suppliers are charging well above the short-term market price.

Thanks for reading! Have a great weekend.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol