

WEEKLY MARKET RECAP: January 23 – January 27, 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.

On Monday, we had a speech from ECB President Lagarde, at the Deutsche Börse annual reception, in Eschborn. Main points of the speech were the below:

- Inflation in Europe Is Far Too High
- We Must Bring Inflation Down. and We Will Deliver on This Goal
- We Have Made It Clear That ECB Interest Rates Will Still Have to Rise Significantly at a Steady Pace

She also said, “as an economy that is very open to trade and deeply integrated into global supply chains, we are vulnerable to geopolitical headwinds”.

Mid-week, early on Wednesday, Australia released their inflation data, beating forecasts of 7.6% year on year to the end of December and against 7.3% previously. The Australian Dollar made a 5-month high in the aftermath of headline CPI. Higher interest likely coming for Australia, China’s reopening and higher base commodity prices, the Australian dollar could be a tough currency to bet against.

Later in the day, Bank of Canada raised again their interest rates to 4.5% from 4.25%. This marks the eighth straight rate hike from the BoC since March of last year, part of the central bank’s fight against soaring inflation. On the Bank Statement later on from Macklem, he mentioned that they are turning the corner on inflation, but they are still a long way from their target. USDCAD rose 80 pips at the time, and returned to near previous the announcement prices, to close the day at 1.3390.

On Thursday, the world's biggest economy, US, expanded by 2.9% on an annualized basis in the September to December timeframe, according to the Commerce Department’s preliminary gross domestic product report, down from 3.2% in the third quarter and above consensus estimates of 2.6%. EURUSD gained some pressure, remained below 1.09, and investors are now focusing on PCE Price index which is expected to be out today Friday at 13:30 GMT.

Thanks for reading! Have a great weekend.

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