

## WEEKLY MARKET RECAP: January 08 – January 12, 2024

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.

After moving sideways during the first half of 2023, the dollar continued its decline to end 2% down in 2023 (now -11% from its October 2022 peak). In fact, it depreciated against almost every major DM currency except the Japanese yen. After over 10 years of dollar strength, could this be the start of a new cycle? History suggests the dollar tends to move in multi-year cycles, with long periods of weakness following extended periods of strength. Dollar movements are driven by interest rate and growth differentials and sentiment in the short term, but by current account balances over the long term.

There are many factors that could put downward pressure on the dollar in 2024 and beyond. The Fed is likely to cut first out of the DM central banks, whereas others are expected to stay on pause for longer or even raise rates. In addition, with the end of negative interest rates in Europe and most likely Japan, interest rate differentials between the U.S. and other DMs will likely not be as wide as they were in the post-GFC period. Regarding growth, consumer spending, the bedrock of the U.S. economy, is set to slow after hitting what was likely a high-water mark in 3Q. Over the long term, the increasing current account deficit and federal debt also suggest further USD depreciation. At the same time, elevated geopolitical risks and any upward surprises in inflation could interrupt its path downward.

For investors, a weaker dollar increases the opportunity for international equities and internationally exposed U.S. companies to perform well. Even after a year of strong U.S. outperformance, investors should avoid recency bias by ensuring their equity portfolios are properly diversified across different regions.

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

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement.

