

Currency outlook for the Week 20 Jan – 24 Jan 25-Venkat's Blog

#syfx.org #Dollar Index #EUR #GBP #JPY

Dollar index (DXY)



(Chart image source: TradingView.com)

The Dollar index broke out of the consolidation range of 100-106 after 2 years. The Index is moving in an ascending channel with top at 111.10 and the lower support at 108.60. These are two key levels to watch. The point to note is that during the second week of Nov 22 the Index had a sharp fall from 111.27 to 106.28 and thereafter it had a gradual fall towards 100 and was on consolidation phase for long.

What to expect now?

While the underlying sentiments are still positive for higher levels, we may see resistance around the Fib Projection of 110.50. A daily close above this will open the way for attempt of 111.27 the key drop level. We need to see a daily close below 108.40 for further downside which appears to be a difficult possibility for now.

What are the probabilities of much higher levels?

- Similar gradient ascending channel up move from 95 to a high of 114.78 happened between Jan 22 and Sep 22
- Beyond 110.50 the next projected level would be 113.40. This could happen in a shorter time frame through a sharp move
- Long term charts indicate that the Dollar Index is in an ascending channel since 2008 and the current band is 98-118 with a pivot around 107-108 range
- Oscillators are stretched but still suggest bullish momentum

EUR



(Chart image source: TradingView.com)

The currency has been in trouble from Sep 24 and is hovering around a critical support zone of 1.0100-1.0200. There exist higher chances of further downside if the currency is unable to penetrate the upper end of the descending channel around 1.0350 and close well above for gaining the required momentum. Else it has to stay afloat for longer time around the current trading range of 1.0100-1.0300 to ensure the oscillators turn positive. Expected range for the week 1.0030-1.0350. A definite breach will lead to stops getting triggered and we may see a sharp 100 pips in the direction of breach.

GBP



(Chart image source: TradingView.com)

The story remains similar to that of EUR. We have witnessed a similar move during the period from July 23 till Oct 23. The current decline started in Sept 24 and is continuing till now. The Currency is moving in a descending channel. Further it has breached a crucial support at 1.2345. The channel support is at 1.2030. As everyone knows the GBP currency is known for its volatility. First it needs to break 1.2350 to then 1.2470 on a closing basis to see a meaningful recovery. Till then the range of 1.2030-1.2470 is expected to hold. Break below 1.2030 would lead to further decline by 200 pips.

JPY



(Chart image source: TradingView.com)

The JPY currency shows signs of exhaustion and apparently the 158 level is a major barrier for the near future. The currency is expected to undergo a consolidation phase between 153 & 158 with a negative bias. A close below 153 would set the correction phase in action and on the contrary if for any reason it breaches 158 then we can look for 161-162 range sooner. The JPY decline could help softening the upward momentum of DXY.

The market is waiting to greet the US president.
 Who is holding the card? Is it Trump or the Markets?
 Strong Dollar, higher fuel prices, strong crypto assets, elevated inflation, higher Bond yields....
 Different dimensions of the market dynamics- a new learning opportunity.

#Stay safe