

USDCAD Daily Update Wednesday 25th January 2023

USDCAD Fundamentals:

A big afternoon ahead for USDCAD with the Bank of Canada (BoC) interest rate meeting at 1500 GMT and then their press conference led by Governor Macklem at 1600 GMT. **USDCAD has traded** soft coming into this event, in line with the general trend of a weaker Dollar, and the January lows at 1.3321 aren't far away. **Could the BoC be the first major central bank to signal a pause in rate hikes, and if so, how will USDCAD react?**



Market expectations are for a final 25bp hike to 4.5%, before a pause to assess the impact the aggressive rate moves have had on the Canadian economy. However, there is some uncertainty around the BoC's outlook as while Canadian households have started to reduce spending as higher rates hit home, unemployment is still near a record low and inflation isn't fully under control. **So what is said in the press conference at 1600 GMT will be important.**

USDCAD Technicals:



4 Hour Technicals:

Throughout January, pressure has built on 1.3354 (mid-point Aug/Oct upside) a level that has consistently held recent declines on a closing basis.

This continues to be a focus over today's rate announcement, as confirmed breaks suggest extension of weakness towards 1.3206/25 (a combination of deeper 62% retrace and Nov 15th low).

To the upside, breaks above 1.3431 (half latest declines) are needed to see a more extended recovery towards 1.3519 (Jan 19th high).

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