

If one felt like a genius trader between 2020 and 2025, when every bet was paying out., the last few days has given a reality check as the markets feel their version of a “deep freeze”.

Narrative of Debasement of dollar is inherently supported by explosive price action in Gold and Silver .J.P. Morgan once famously remarked that “gold is money, everything else is credit.”

That dictum might not be so relevant in the modern era - Consider gold’s returns were positive in 59% of rolling 12-month periods since 1974, vs world stocks at 78% , Few can time entry and exit points in stocks well- harder to time as the performance hinges solely on sentiment.On inflation and bear markets, 2022 shattered any idea that gold hedges either.

Politics overshadows fundamental signals and a blizzard of shocks -including actual snowstorm- makes the dollar succumb to broad-based selling pressure and threat of a shutdown adds to the tailwind that has been depressing dollar.

Whether this is the turning moment in this century or one more head fake ? Shift in focus from asset returns ,driven lower by diminished institutional and policy credibility- towards those shaped by growth differentials -would improve the outlook for any currency .

The weak dollar narrative now flies in the face of otherwise strong fundamentals. No doubt , U.S. economy remains exceptional and dollar should be eventually reflecting that.In that case ,USD could follow similar path to that of first Trump presidency.

On data front , Jan consumer confidence 84.5 vs 90.9 expected- breaks through pandemic lows and falls to worst levels since 2014.This weak number provides backdrop for today’s FOMC decision.Hold on rates but the key risk lies in political reaction rather than the decision.A falling dollar, on top of Trump’s tariffs, would cause import prices to rise even more.

Chasing the EURUSD or GBPUSD higher from here may not be prudent now and there is a higher probability these levels could turn out to be the best levels of the quarter and perhaps of the year as well.

UK politics may well impact GBPUSD over the coming months. The next big date here is UK by-election on 26 Feb.

Reported involvement of the US Treasury in checking rates in USDJPY is intriguing element. Would still expect 151.97 at 38.2% of 139.99-159.45 to support.

Consolidation between 91.25 -91.75 likely to hold

