

Euro lurched higher as U.S dollar entered a sell-off spiral at the start of 2022!

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" The secret to being successful from a trading perspective is to have an indefatigable and an undying and unquenchable thirst for information and knowledge." - Paul Tudor Jones

The Single currency bolstered from two months of sideways trading to a high of \$1.1478 on Thursday after U.S inflation figures matched forecasts in December, as data was not deemed worrying enough to offer any new impetus for the Federal Reserve's policy normalisation.

On Wednesday, the U.S. Consumer Prices Index (CPI) jumped to its highest level in nearly 40 years while matching 7.0% year-on-year economists' expectations. The latest U.S. inflation data has now almost set the seal on the Federal Reserve's early rate hike. Markets have currently priced in an over 80% chance of rate hike in March 2022, according to CME's FedWatch tool.

However, in a testimony on Tuesday, U.S Federal Reserve Chair Jerome Powell sounded less hawkish on the series of U.S rate hikes in 2022 than expected, curbing market fears of a sudden withdrawal of U.S monetary support-dubbed quantitative tightening- to combat the sky-high U.S. inflation. In addition, Powell gave no clear indication that the central bank was in a rush to speed plans to turn off the liquidity spigots and kick start balance sheet normalisation (\$8.7 trillion assets holdings), pressuring the greenback across the board.

Technical outlook- EUR/USD surged from a complex 8-weeks sideways correction, as expected.

Despite an abrupt hawkish shift in the U.S Federal Reserve policy outlook last month, the resilience of the Single currency over the past eight weeks has been a source of frustration for the EUR/USD bears/bulls. Since the start of December 2021, the EUR/USD has continued to trade sideways, spending most of the last two months bouncing between \$1.1236 and \$1.1387 before finally jumping out of the blocks last night to as high as \$1.1475 this morning.

In our last Market update on Dec. 20 2021- [Euro bequiled the bull post-FED and BOE hawkish tilts and cautious ECB](#), while EUR/USD traded near \$1.1238, the pair appeared to unfold in a final stage of an Elliott Wave' Double Zig-Zag correction', arguing that the larger uptrend that started on Nov. 24, 2021, from a low of \$1.1183 could resume soon with an upside price objective near \$1.1405 followed by \$1.1529, past completion of the corrective movement.

EUR/USD- Hourly Chart



Two months down the line, the EUR/USD outlook on the hourly chart below seems to confirm that bullish alignment, seen in December 2021, indicating that the start of a short-term trend higher on the EUR/USD is well on track for a move towards \$1.1500 followed by \$1.1592 and \$1.1700!

On the downside, a break below the support at \$1.1183, reached on Nov. 24 2021, would invalidate the whole bullish structure on the EUR/USD.

Catch our previous Trading Forecasts!

Dec. 20 2021- [Euro beguiled the bull post FED and BOE hawkish tilts and cautious ECB last week.](#)

Nov. 26 2021- [EUR/USD, a falling knife!](#)

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