

March 4, 2026

The January EUR/USD Effect

In past cooperation with 

Preface

For many years, Factor LLC has issued an annual update of "The January EUR/USD Effect" (previously titled The January FX Effect). This update has normally been issued the preceding December.

There has been a pronounced historical tendency for the Eurocurrency to establish its **annual high or low during January or early February**.

Over the past **54 years**, the Eurocurrency—using a European trade-weighted proxy prior to 2002—has recorded its **annual top or bottom in January or early February in 41 years**, representing a **76% occurrence rate**.

If the timing of annual highs and lows were purely random across the calendar year, the probability of either occurring in **January** would be approximately **17%**. The observed frequency is therefore **about 4.5 times greater than would be expected by chance alone**.

This suggests that the seasonal behavior in the **EUR/USD cross rate** likely reflects an underlying **global macroeconomic influence** rather than randomness.

Explaining the precise causes is beyond the scope of this document, but the pattern likely relates to **year-end and new-year foreign-exchange positioning by governments, institutions, and multinational corporations**.

The average subsequent price gain or loss from the January high/low during these years was 19.1%, not an insignificant amount, especially considering the size of the FX market.

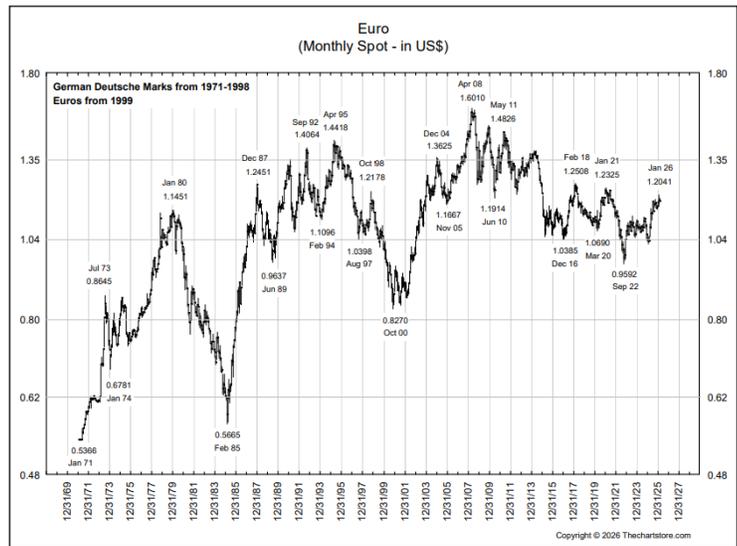
| FACTOR RESEARCH · TRADING SERVICES | | | | | |
|--|-------------|--|-------------------|--------|-------|
| January FX Effect | | | | | |
| Year | High/Low | Price | Ultimate high/low | | % ▲ |
| | | | Month | Price | |
| 1972 | Jan low | 0.5975 | Jun | 0.6219 | 4.1% |
| 1973 | Jan low | 0.6085 | Jul | 0.8644 | 42.1% |
| 1974 | Jan low | 0.6773 | May | 0.8165 | 20.6% |
| 1975 | Jan high | 0.8587 | Sep | 0.7321 | 17.3% |
| 1976 | Jan low | 0.7467 | Dec | 0.8306 | 11.2% |
| 1977 | Jan low | 0.8046 | Dec | 0.9329 | 15.9% |
| 1978 | Jan low | 0.9079 | Oct | 1.1348 | 25.0% |
| 1979 | Range bound | | | | |
| 1980 | Jan high | 1.1459 | Dec | 0.9675 | 18.4% |
| 1981 | Jan high | 1.0107 | Aug | 0.7601 | 33.0% |
| 1982 | Jan high | 0.8746 | Oct | 0.7534 | 16.1% |
| 1983 | Jan high | 0.8388 | Dec | 0.7043 | 19.1% |
| 1984 | Mar high | | | | |
| 1985 | Feb low | 0.5633 | Dec | 0.7792 | 38.3% |
| 1986 | Jan low | 0.7896 | Dec | 1.0194 | 29.1% |
| 1987 | Jan low | 1.0082 | Dec | 1.2468 | 23.7% |
| 1988 | Jan high | 1.2521 | Aug | 1.0159 | 23.3% |
| 1989 | Range bound | | | | |
| 1990 | Jan low | 1.1269 | Nov | 1.3343 | 18.4% |
| 1991 | Feb high | 1.3554 | Jul | 1.0603 | 27.8% |
| 1992 | Range bound | | | | |
| 1993 | Jan high | 1.2478 | Aug | 1.1187 | 11.5% |
| 1994 | Feb low | 1.1068 | Oct | 1.3159 | 18.9% |
| 1995 | Jan low | 1.2501 | Mar | 1.4529 | 16.2% |
| 1996 | Jan high | 1.3669 | Dec | 1.2423 | 10.0% |
| 1997 | Jan high | 1.2717 | Aug | 1.0341 | 23.0% |
| 1998 | Range bound | | | | |
| 1999 | Jan high | 1.1869 | Dec | 0.9993 | 18.8% |
| 2000 | Jan high | 1.0415 | Oct | 0.8231 | 26.5% |
| 2001 | Jan high | 0.9591 | Jul | 0.8351 | 14.8% |
| 2002 | Jan low | 0.8575 | Dec | 1.0503 | 22.5% |
| 2003 | Jan low | 1.0338 | Dec | 1.2647 | 22.3% |
| 2004 | Range bound | | | | |
| 2005 | Jan high | 1.3582 | Nov | 1.1637 | 16.7% |
| 2006 | Jan low | 1.1789 | Dec | 1.3369 | 13.4% |
| 2007 | Jan low | 1.2864 | Nov | 1.4967 | 16.3% |
| 2008 | Range bound | | | | |
| 2009 | Feb low | 1.2513 | Nov | 1.5145 | 21.0% |
| 2010 | Jan high | 1.4579 | Jun | 1.1876 | 22.8% |
| 2011 | Jan low | 1.2858 | May | 1.4939 | 16.2% |
| 2012 | Feb high | 1.3486 | Jul | 1.2041 | 12.0% |
| 2013 | Range bound | | | | |
| 2014 | Range bound | | | | |
| 2015 | Jan high | 1.2107 | Mar | 1.0462 | 15.7% |
| 2016 | Range bound | | | | |
| 2017 | Jan low | 1.0341 | Sep | 1.2092 | 16.9% |
| 2018 | Jan high | 1.2537 | Nov | 1.1257 | 11.4% |
| 2019 | Jan high | 1.1569 | Oct | 1.0879 | 5.6% |
| 2020 | Mar low | Mar low, then strong trend, Jan Effect delayed 2 mos | | | |
| 2021 | Jan High | 1.2349 | Nov | 1.1186 | 9.4% |
| 2022 | Jan High | 1.1484 | Sep | 0.9536 | 17.0% |
| 2023 | Range bound | | | | |
| 2024 | Range bound | | | | |
| 2025 | Jan low | 1.0177 | Sep | 1.1919 | 17.1% |
| Average % change 41 Jan Effect years of 54 total years | | | | | 19.0% |

Of course, the challenge for traders is to ascertain if the January of a newly entered year might mark a low point or high point for the Eurocurrency. Yet, even knowing the probability exists for a high or low during a certain time frame can be an enormous edge for sophisticated market speculators. Hopefully, using global macro considerations along with technical factors, a trader might make an educated guess early in a new year.

There are some factors to be considered as we anticipate 2026.

Factors That Could Strengthen the Euro vs. the U.S. Dollar in 2026

- **ECB policy turns relatively tighter** – If Eurozone inflation proves sticky while U.S. inflation moderates, the ECB could maintain higher policy rates relative to the Federal Reserve, narrowing or reversing the interest-rate differential in favor of the euro.
- **Improvement in Eurozone growth expectations** – A rebound in German industrial activity or broader European manufacturing could attract capital flows into European equities and fixed income.
- **Reduction in geopolitical risk in Europe** – Stabilization in the Russia-Ukraine conflict or improved energy security could reduce Europe’s risk premium and support the euro.
- **U.S. fiscal concerns** – Continued expansion of U.S. deficits or rising Treasury supply could undermine confidence in the dollar and encourage diversification into other reserve currencies, including the euro.



Factors That Could Strengthen the U.S. Dollar vs. the Euro in 2026

- **Persistent U.S. growth outperformance** – If the U.S. economy continues to grow faster than the Eurozone, global capital could continue flowing into U.S. assets.
- **Wider interest-rate differentials** – Should U.S. inflation remain elevated, the Fed might keep rates higher for longer while the ECB eases policy, reinforcing dollar yield advantage.
- **Renewed European economic weakness** – Structural issues in Germany, weak industrial production, or fiscal stresses in peripheral Eurozone economies could pressure the euro.
- **Global risk-off environment** – In periods of financial stress or geopolitical escalation, the U.S. dollar typically benefits from its role as the world’s primary reserve and safe-haven currency.

The war with Iran is a big unknown in the equation – and that is yet to play itself out.

| Summary of January Forex Effect (EUR/USD) | | | |
|--|---------------------------------|----------------------------------|--------------------------|
| 1972-2025 | | | |
| Percent of year with annual highs or lows in January = 76% | | | |
| Total # years | EUR up years w/ Jan/Feb bottoms | EUR down years with Jan/Feb tops | Non-Jan top/bottom years |
| 54 | 20 | 21 | 13 |
| 100% | 37% | 39% | 24% |
| Avg Gain/loss | 20.40% | -17.70% | NA |

Source: Factor Research and Trading, Inc.

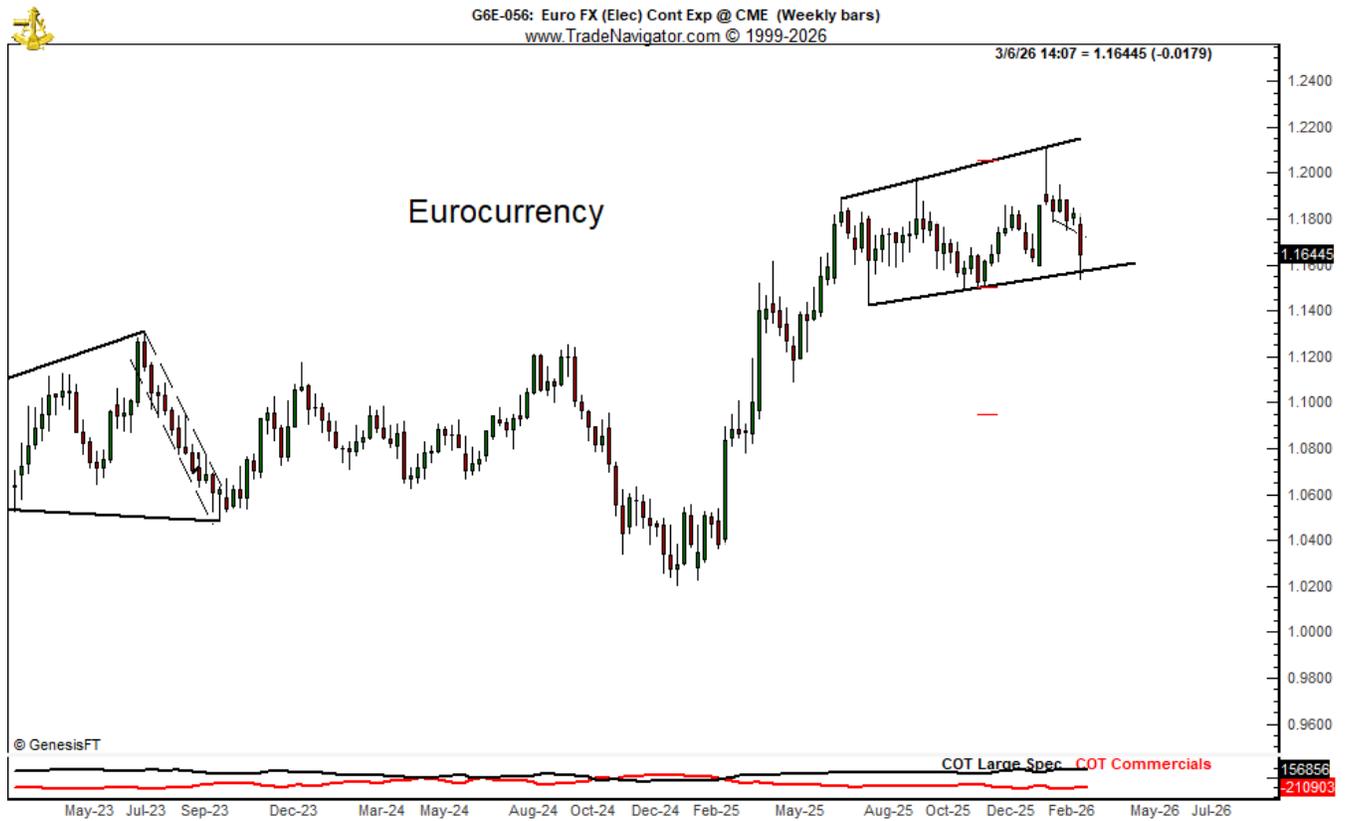
Chart factors

Bullish bias

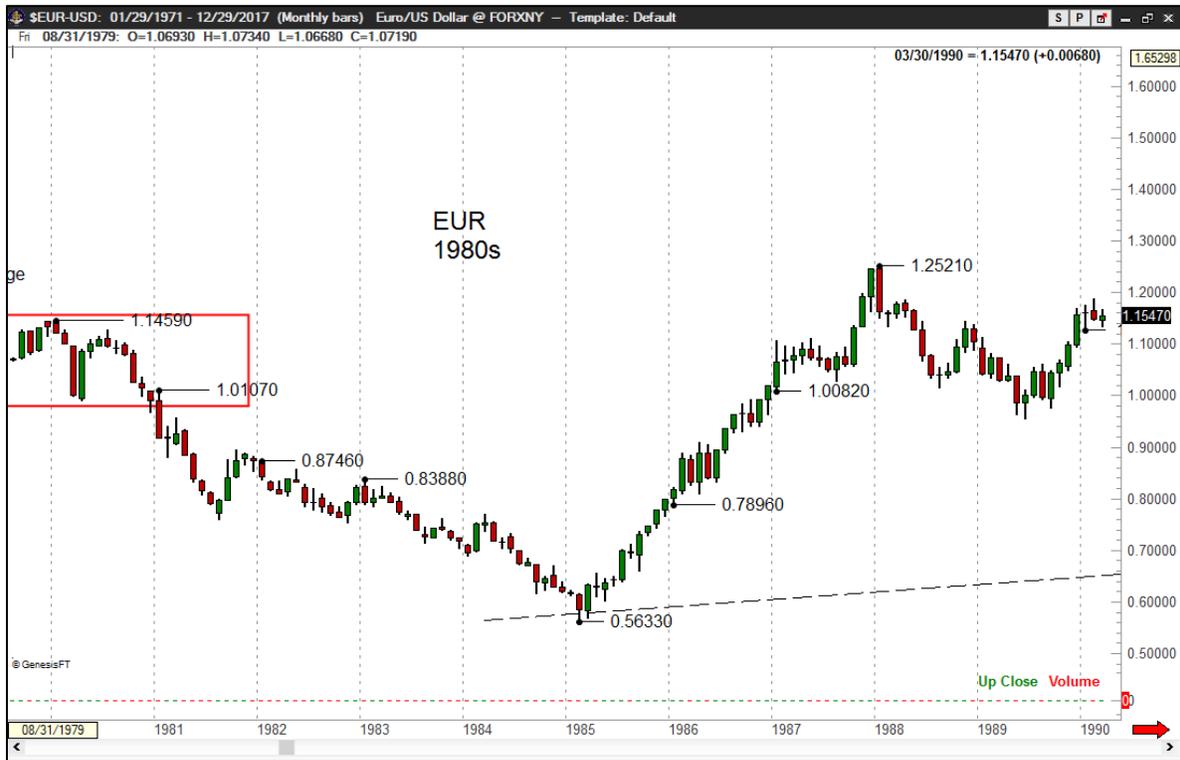
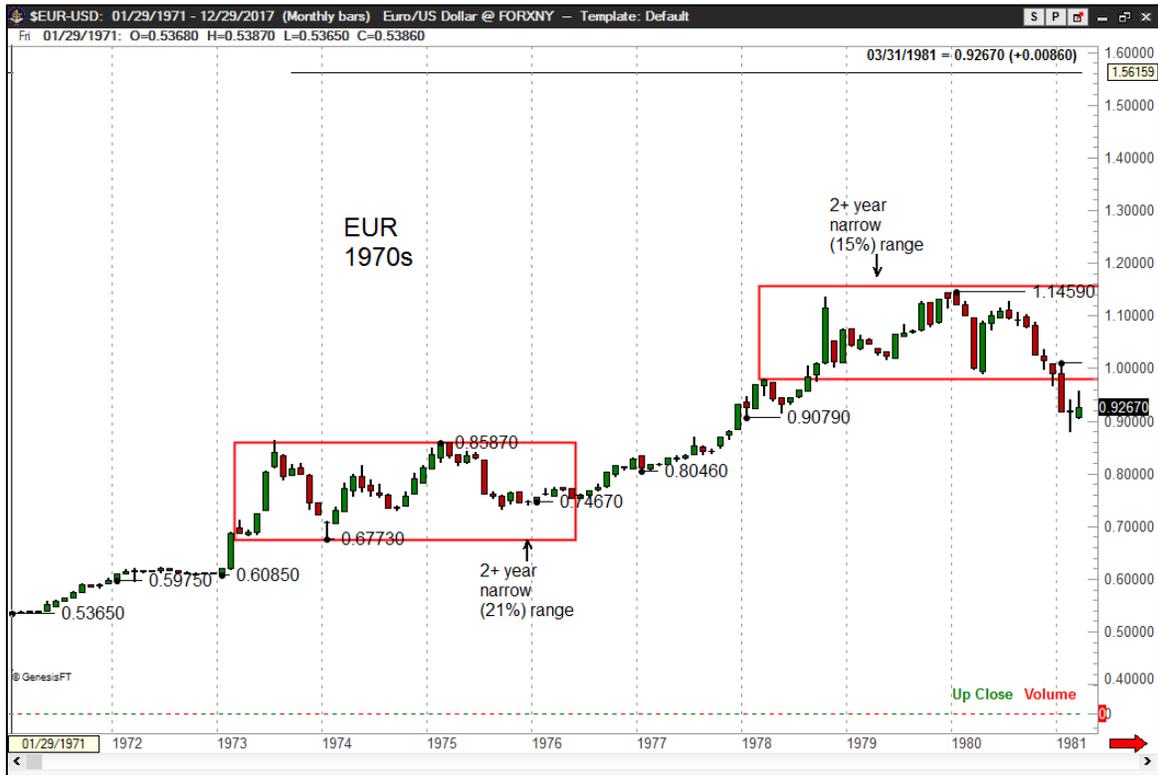
- The trend since the Jan 2025 low has been up. Periods of congestion tend to be continuation in nature, not reversal in nature.

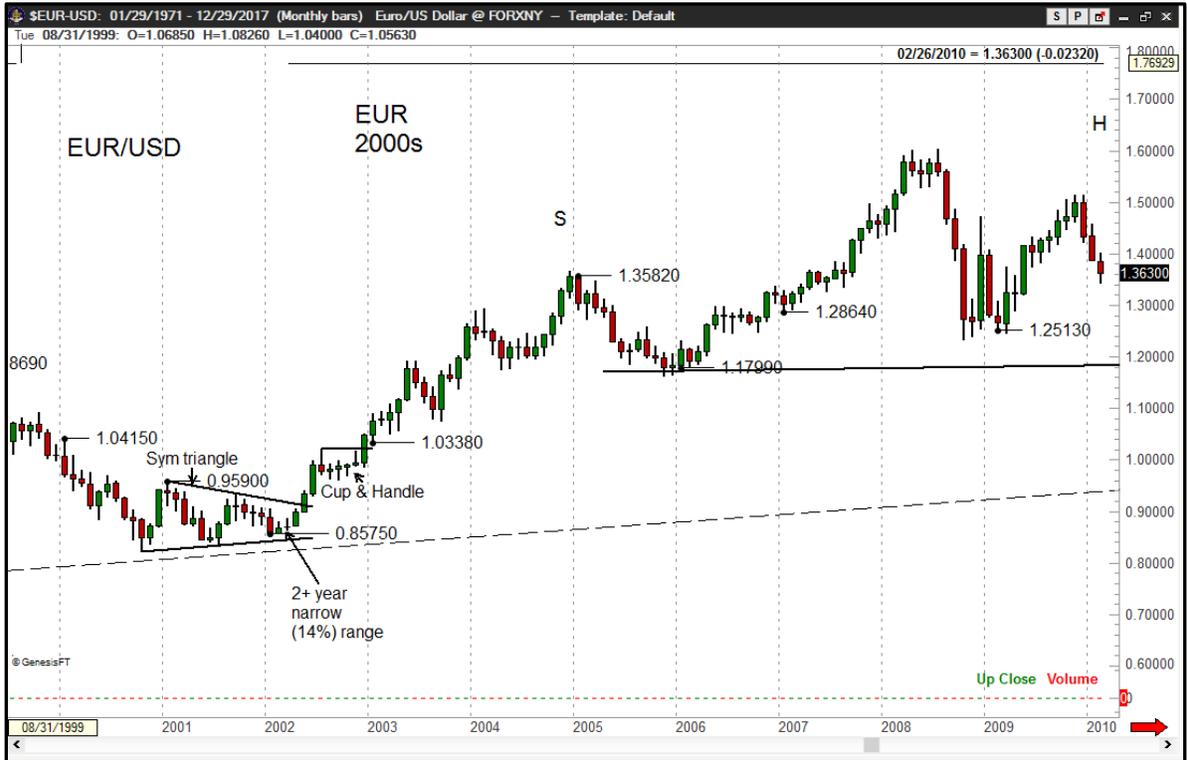
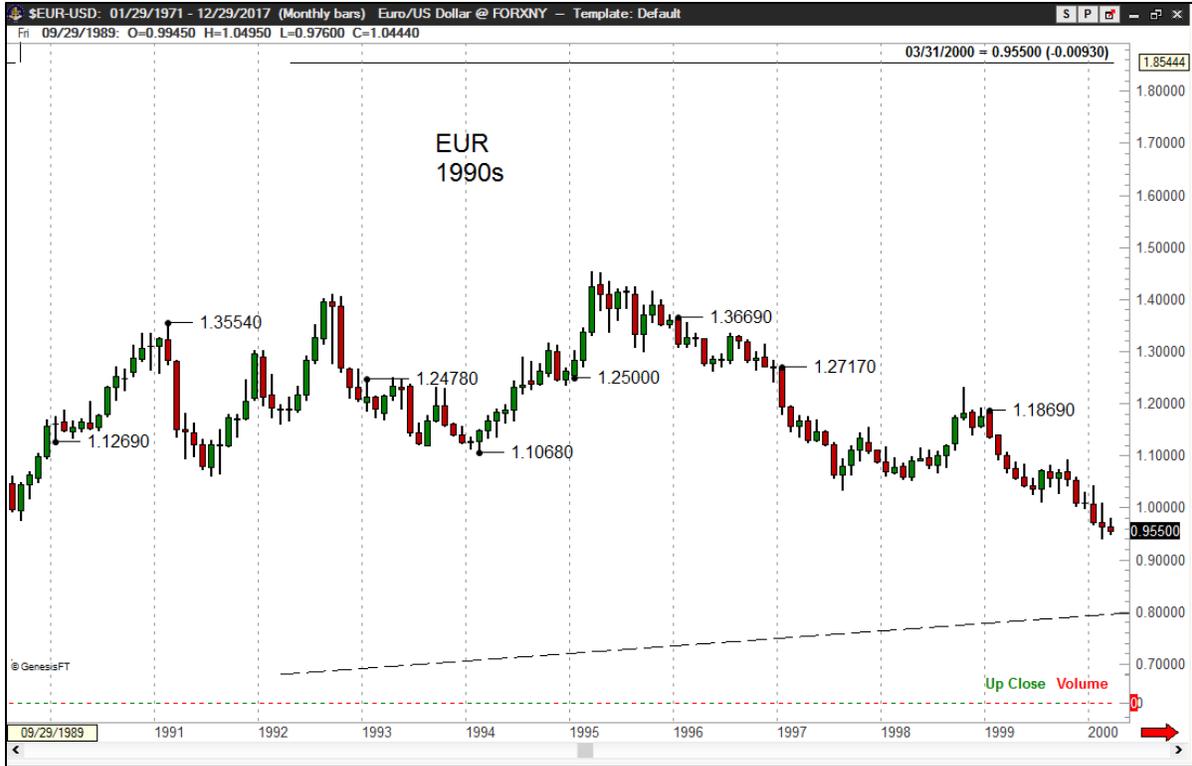
Bearish bias

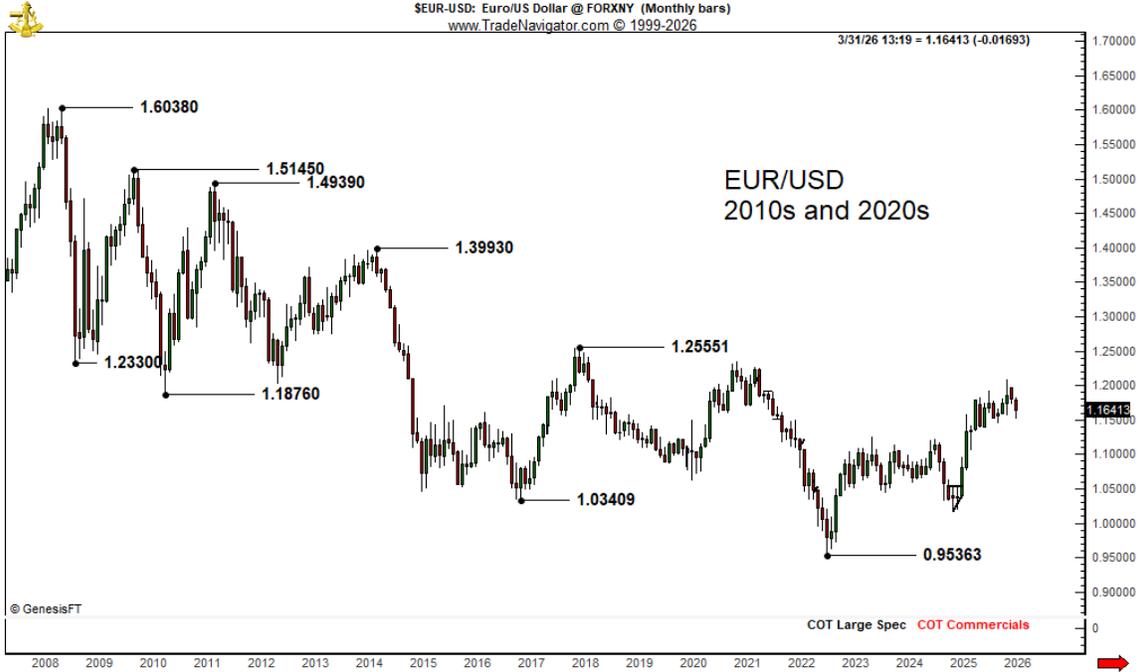
- The congestion since Jul 2025 is taking the form of an expanding triangle. In classical charting, expanding triangles normally break out through the most horizontal boundary.
- The candlestick chart candle the last week of January displayed a classic head shot doji. This pattern tends to precede bearish trends.
- The COT data indicate that Commercials hold historically large short positions. This is a bearish factor.
- On balance, the chart favors a downward trend.



Monthly EUR/USD price charts by decade







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