

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.

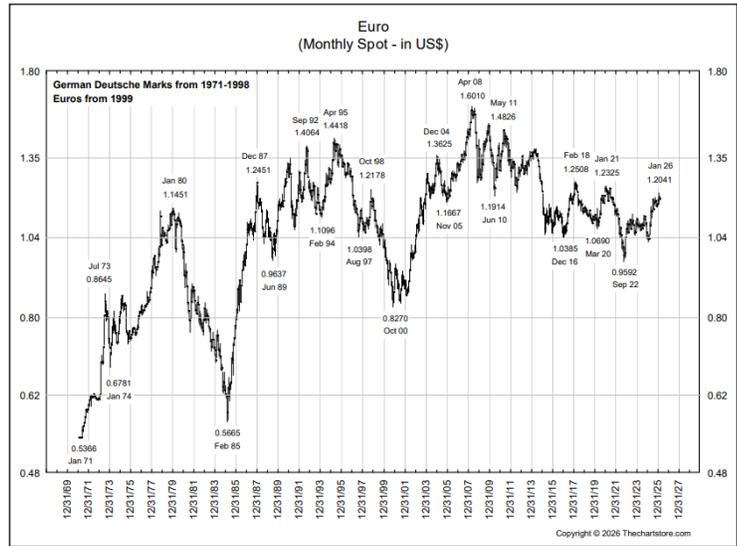
FACTOR RESEARCH • TRADING SERVICES					
January FX Effect					
Year	High/Low	Price	Ultimate high/low		% ▲
			Month	Price	
1972	Jan low	0.5975	Jun	0.6219	4.1%
1973	Jan low	0.6085	Jul	0.8644	42.1%
1974	Jan low	0.6773	May	0.8165	20.6%
1975	Jan high	0.8587	Sep	0.7321	17.3%
1976	Jan low	0.7467	Dec	0.8306	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.

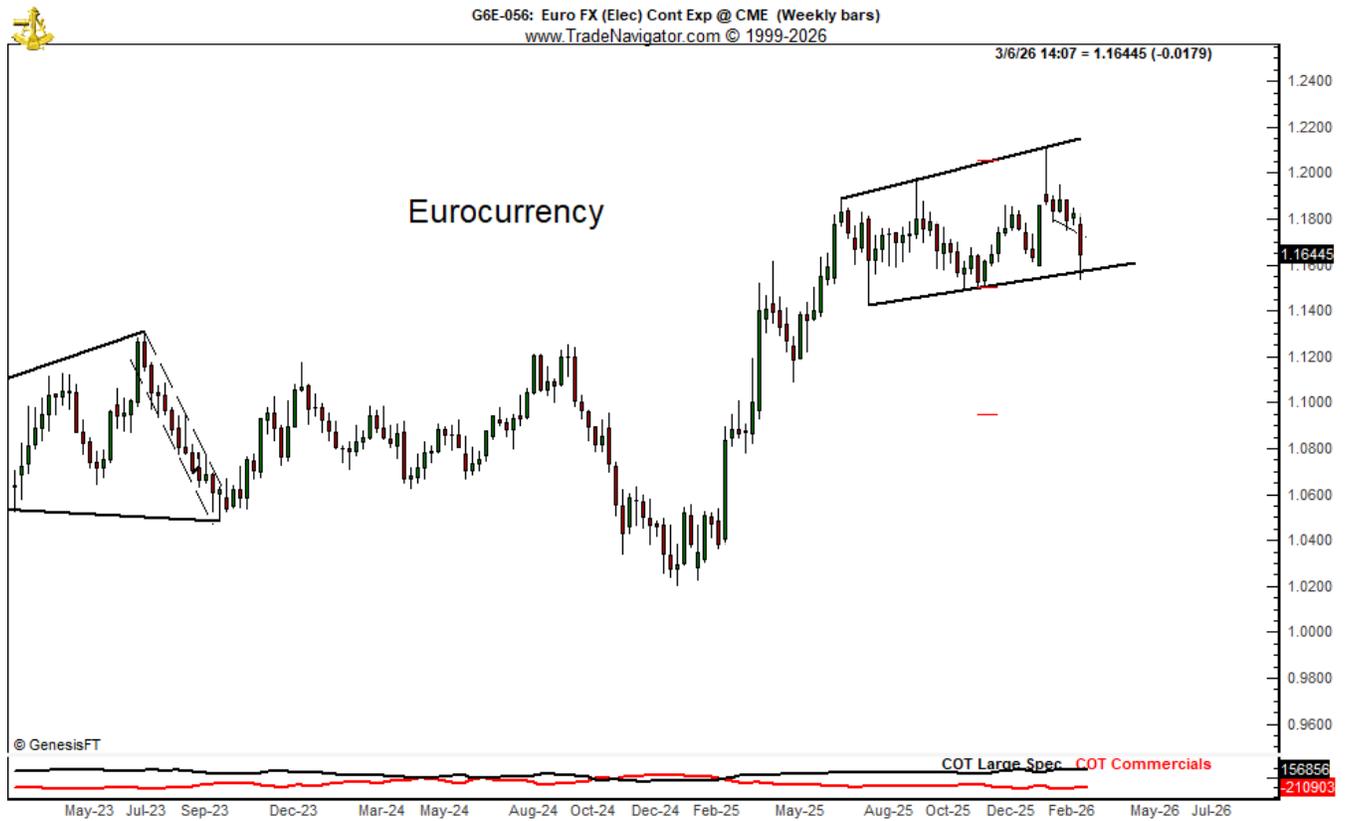
## Chart factors

### Bullish bias

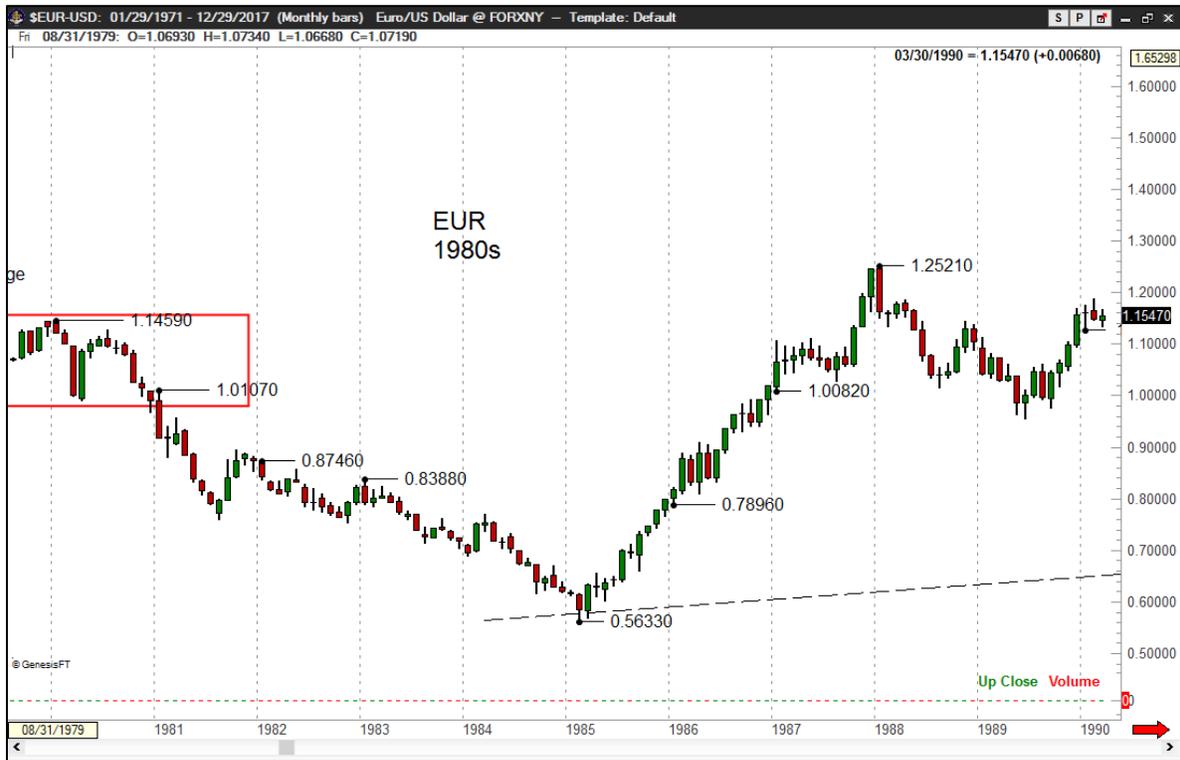
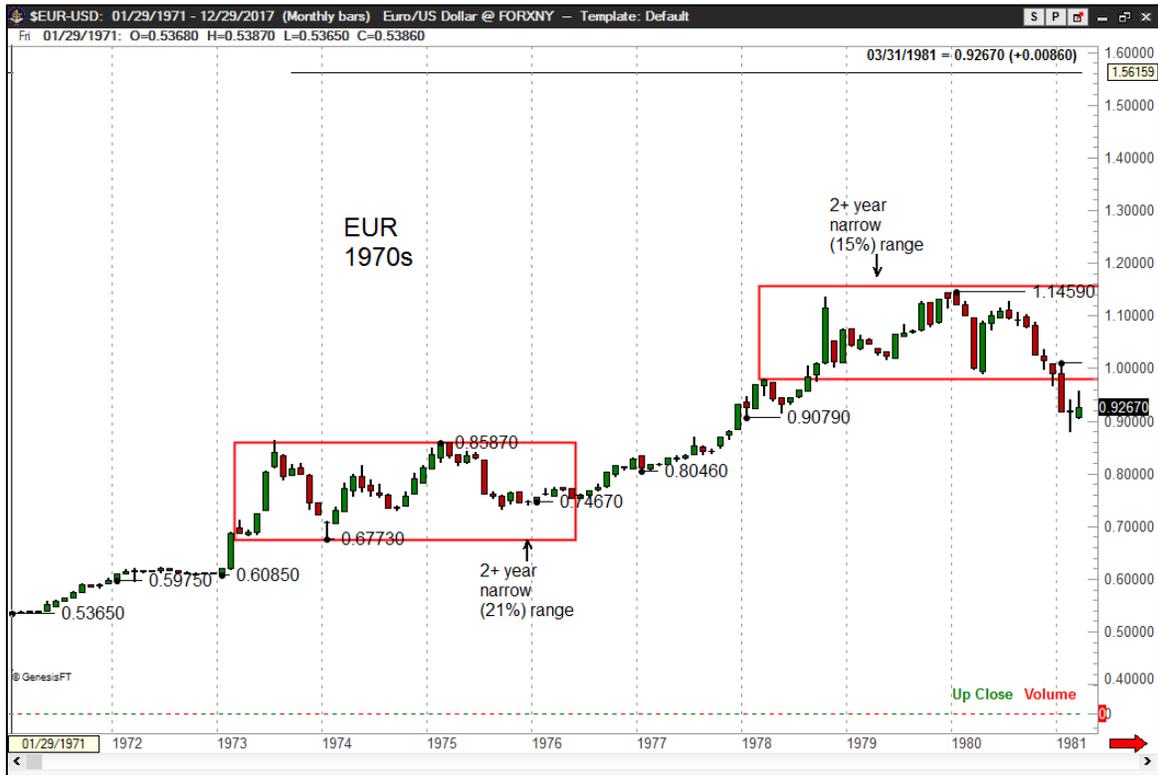
- The trend since the Jan 2025 low has been up. Periods of congestion tend to be continuation in nature, not reversal in nature.

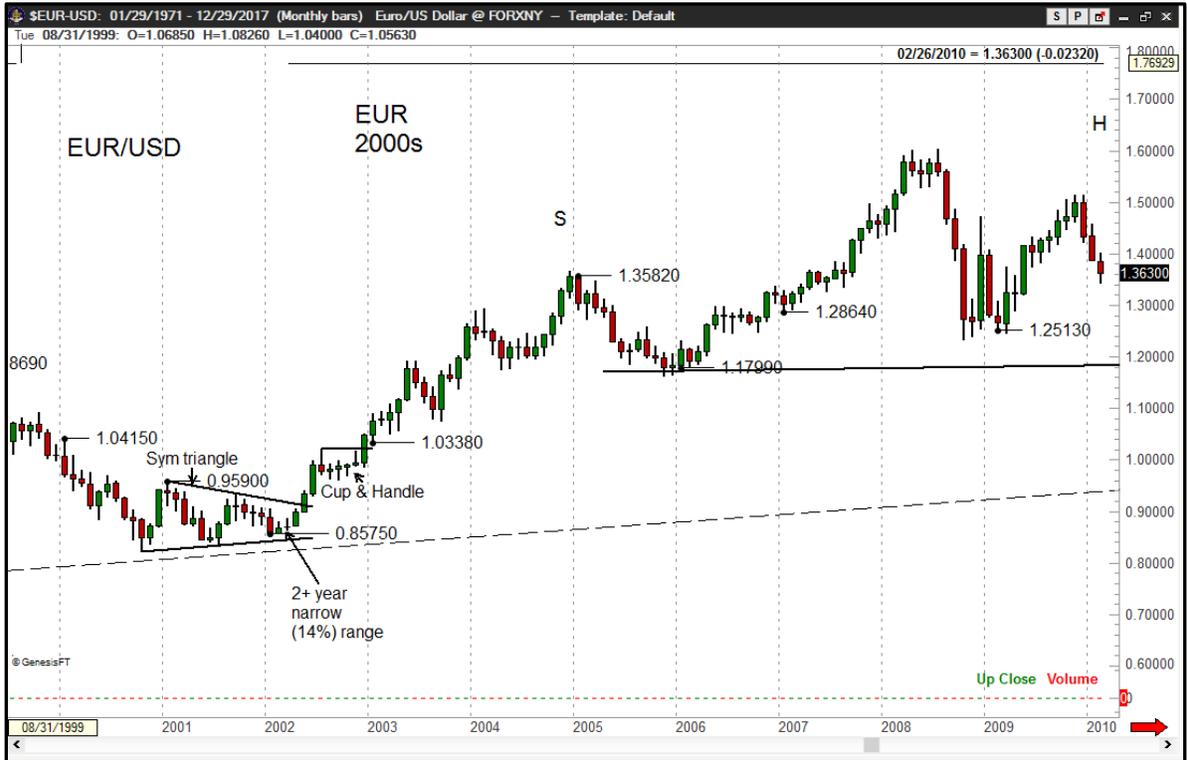
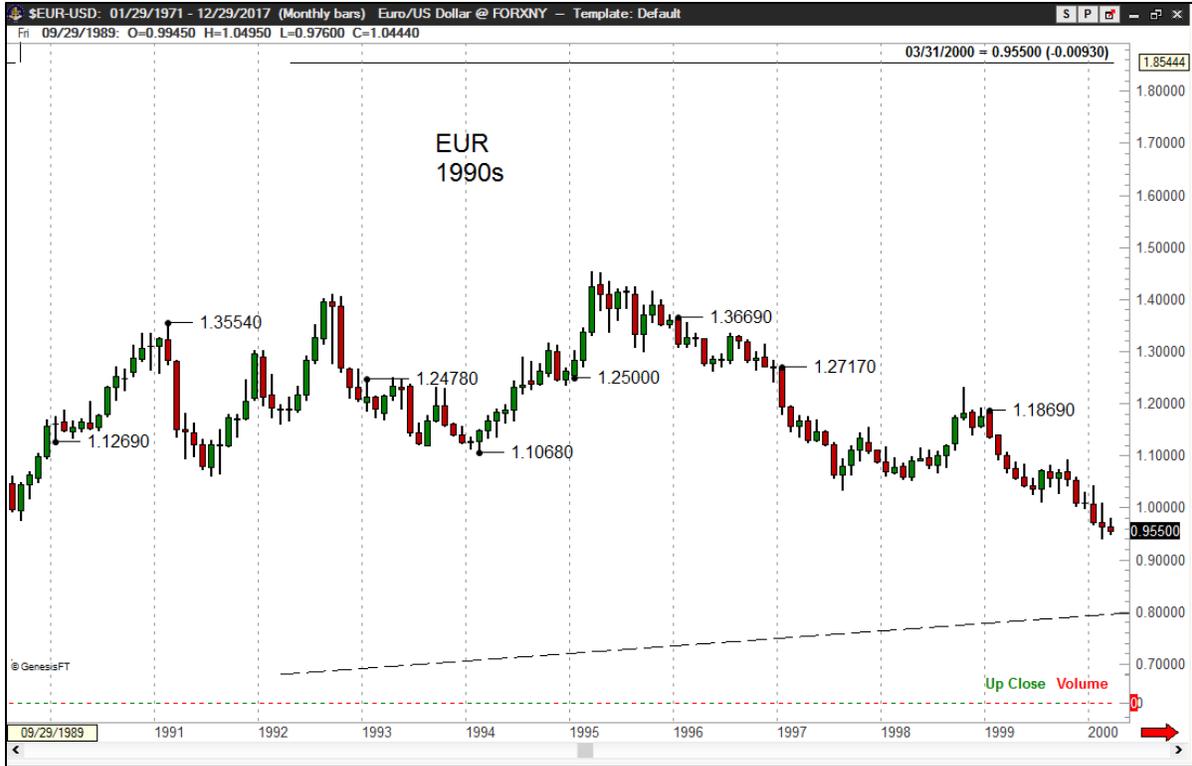
### Bearish bias

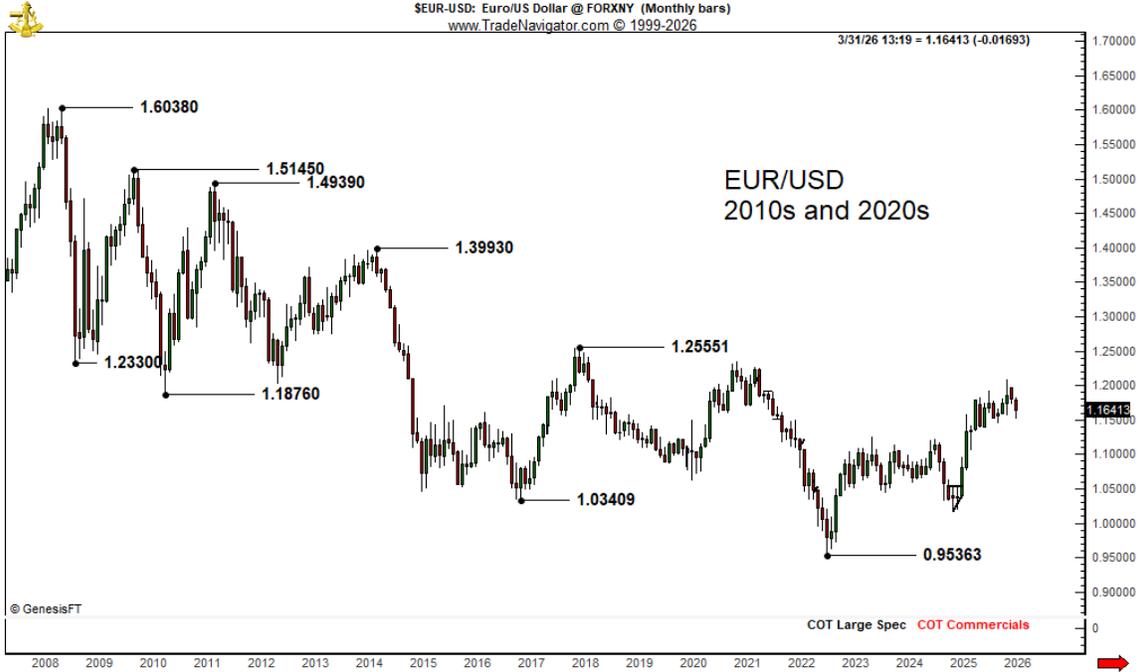
- The congestion since Jul 2025 is taking the form of an expanding triangle. In classical charting, expanding triangles normally break out through the most horizontal boundary.
- The candlestick chart candle the last week of January displayed a classic head shot doji. This pattern tends to precede bearish 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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