Rate Decision & FOMC Pre-planned Scenarios [26.7.2023]

‼️Scene 1 [5.5%] Main Bias‼️Low Impact

This is the forecasted 25bps rate hike which has already been seen priced in.

Reasons for expectations:

• Labour Market still strong
• Inflation remains elevated above Macro goal.
• No reasons for an aggressive 50bps rate hike as we've seen declining inflation figures & data figures consecutively.
• No reasons for rate cut/pause as that would cause a major impact & their mandate of inflation goal is not met yet.
• Harder for inflation to be maintained at 2% & remaining for a period of time.
• Rates need to be up until their goal is reached.
• Rate Hike slow-down approach.

Summary 🔔 Even though this is a rate hike we need to keep in mind it isn't an aggressive rate hike & economy has shown that the aggressive hikes in the past has shown effects on the economy with declining CPI's. This 25bps has also been well priced in & is as expected with nothing new in place.

Impact ‼️ This would still keep DXY softer/weaker, might get some little liquidity grabs to the upside but still continue the weakness sentiment coming back below 101's.

Trade Setups 📊

XAUUSD : Buys above 1972/1974.

Liquidity grab pullback buys at 1967/1965's.

GBPUSD : Buys above 1.29200.

Pullback buys around 1.28800/1.28400.

USDCAD : Buys holding above 1.32300.

Sells coming back into the same range.

‼️Scene 2 [5.75%]‼️Major Impact

This is a surprising rate hike which has very low probability as this would cause some damage to the stock market which the Feds would never prefer & always want a soft landing of the equity market.

Summary 🔔 This would be something very aggressive & unlikely as the Fed's have already seen the effects of their continuous aggressive rate hikes on the economy with declining CPI figures consecutively and there is no need for them to be aggressive.

Impact ‼️ This would shoot up DXY bringing back Dollar strength into play shifting sentiment. A very aggressive upside on DXY back into 102's.

Trade Setups 📊

XAUUSD : Sells below 1965/1959/1953.

Note ‼️ Can also cause an aggressive upside on Gold with safe haven impact coming into play with the fear of recession. Need to keep this in mind where there is change in the flows.

GBPUSD : Sells below 1.28800/1.28400.

USDCAD : Buys above 1.32300/1.33190

‼️Scene 3 [5.25%]‼️ Major Impact

This is a surprising no change which has very low 2.8% probability. It would have a huge impact overall as equity buyers now would be very aggressively using this to drive prices further up.

Summary 🔔 This would be something very unexpected as the Fed's still have their FOMC statements consecutively stating that inflation remains elevated & maintaining a restrictive stance until reaching their Macro goal.

Impact ‼️ This would hugely weaken DXY bringing back Dollar weakness into play with aggressive and impulsive downsides back below 100/99's

Trade Setups 📊

XAUUSD : Buys above 1974/1981/1985's.

GBPUSD : Buys above 1.29200/1.29800.

USDCAD : Sells below 1.31500/1.31300.
