

# Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

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Currency	Main focus of the week (S-T view)
EUR	Mixed data to leave EUR becalmed
USD	Fed not likely to give USD much support
JPY	MoF/Fear of MoF to support JPY
GBP	Positioning looks too negative. GBP to bounce

## Overnight comment – USD on the up

Asian stocks were mixed with Japan jumping on re-opening after the long weekend while Chinese stocks took a breather. US equity futures were marginally lower. Chinese PMI data were mixed, with the official PMIs a little softer but the Caixin manufacturing PMI up from 51.1 to 51.4. China looks to be recovering but only very modestly. UST yields were little changed during Asian trade, while the DXY index recovered much of yesterday's decline. Weak data hit AUD.

Japan's month-end data were mainly softer than expected, with industrial production the main exception. It rose 3.8%MoM vs 3.3%MoM expected. It was still down sharply in Q1, falling 5.4%QoQ. Output in Q2 is, however, forecast to rebound quite sharply. The uptick in the job offers/applicants ratio, the first since Nov-22, is a potential sign of a tightening labour market and may encourage the BoJ. JGB yields were a little lower, as investors await the month-end Rinban announcement. **It was a calmer day in FX markets today with USD/JPY little changed around the 156.80 level.**

French Q1 GDP was a little firmer than expected at 0.2%QoQ vs 0.1%QoQ expected, while the YoY decline in German import prices continued to decelerate. Goods price disinflation is easing. The solid French GDP data did little for EUR as EGB yields dipped at the open. **Indeed, the drop in EUR accelerated around the open, leaving EUR/USD around 1.0695 as trade in Europe gets underway.** In the UK the BRC retail shop price index showed prices continuing to ease from 1.3%YoY in March to just 0.8%YoY in April. Recall that the shop price index does not include energy, travel or services. Service prices especially are a concern to the BoE at present, even as a plunge in energy prices looks set to push the CPI down towards 2% in the upcoming release for April (due 22 May). **GBP/USD pushed lower through Asian trade to sit around 1.2530 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – GDP (%QoQ, Q1)	0.1/-0.1
EZ – CPI (%YoY, Apr)	2.4/2.4
EZ – Core CPI (%YoY, Apr)	2.6/2.9
UK – M4 ex OIFCs (3m% saar, Mar)	--/3.9
US – House prices (%YoY, Feb)	6.7/6.6
US – Consumer confidence (DI, Apr)	104.0/104.7
US – Employment cost index (%QoQ, Q1)	1.0/0.9

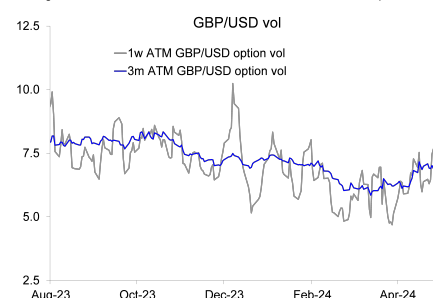
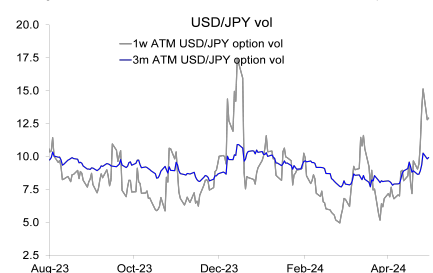
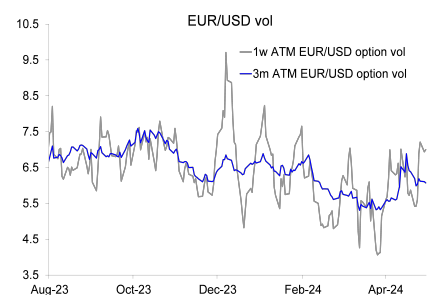
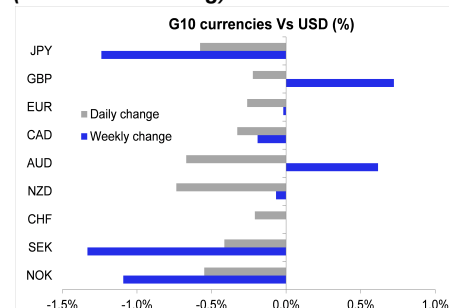
Source: Bloomberg

**Europe.** It is very busy on the data front in the eurozone with both eurozone Q1 GDP and CPI at 10.00 BST. Ahead of these releases will be national data which will allow fine tuning of estimates for the eurozone figures. Yesterday's German and Spanish CPIs imply very mild downside risks to the consensus eurozone CPI forecast. As for GDP, the data are likely to show the region exiting a very mild recession in H2-23, albeit without much momentum. Southern Europe is likely to continue to outperform on the growth front.

**US.** The quarterly employment cost index is one of the Fed's favoured labour cost metrics. It is seen picking up a little in Q2. US house prices have held up a lot better than expected in the face of high interest rates. One factor is the length of US mortgages. 30yr mortgages are the norm in the US, meaning many people will still be paying the same as they did when the policy rate was low.

## Market data

(Source: Bloomberg)



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