

Mizuho Daily Currency Watch

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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 rallies ahead of packed US session

US equities ended April on a sour note rounding out their worst month since September, which also coincided with higher UST yields. 2yr USTs yields pushed above the 5.0% level in the wake of yesterday's ECI data but are struggling to push much higher. The few Asian equity markets that were open were lower but declines were more muted than the US. US equity futures are also a little lower. UST yields initially dipped in the Asian session but reversed course to end little changed. However, the US dollar pushed sharply higher with the DXY index revisiting the mid-April highs. BoJ balance sheet data suggest that intervention was in the region of ~¥5.5trn – roughly the size of the largest of the 3 daily amounts from autumn 2022 (22-Sep ~¥2.8trn, 21-Oct ~¥5.6trn, 24-Oct ~¥0.7trn). JGB yields pushed a little higher, especially at the long end, with 30yr yields hitting an 11-yr high. **USD/JPY was very stable ahead of this evening's Fed meeting sitting around 157.90.**

UK house prices dipped in April, falling for a second consecutive month, dragging the YoY rate down from 1.6% to 0.6%. The firmness of the housing market was a surprise in the autumn/winter. The back to back declines in spring are a surprise too. For now we assume that the market will return to positive price growth in coming months but developments need watching. **EUR/USD pushed steadily lower through the Asian session to sit around 1.0660 as European trade gets underway. GBP/USD tracked EUR/USD and sits around 1.2480.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – ISM (DI, Apr)	50.0/50.3
US – ADP (k, Apr)	180/184
US – JOLTS job openings (k, Mar)	8690/8756
US – FOMC (% , mid)	5.375/5.375
US – Vehicle sales (mn saar, Apr)	15.70/15.50

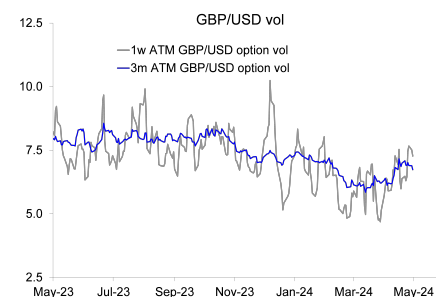
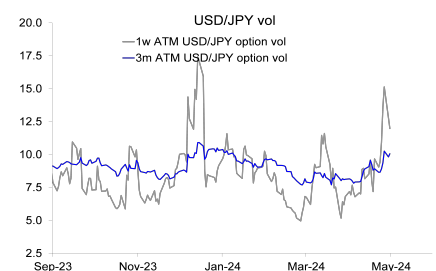
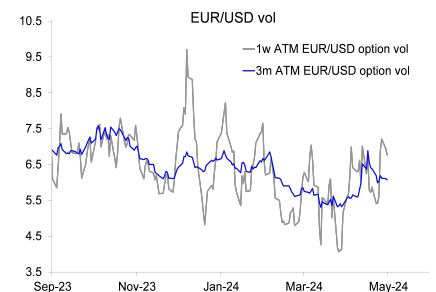
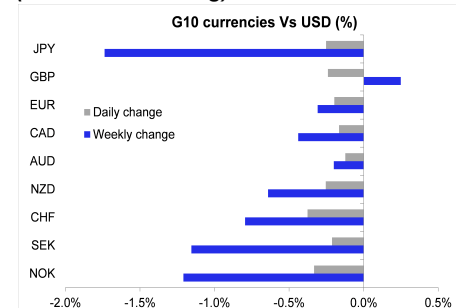
Source: Bloomberg

Europe. Today is a holiday across much of the eurozone (Labour Day) but not in the UK. UK markets are open. House prices and the final manufacturing PMI are due. House prices had been on a steady run of MoM gains before a surprise dip last month.

US. It is a packed schedule in the US. The highlight will be the FOMC meeting (policy decision, statement, press conference and likely something on the balance sheet) but the refunding details, earnings and the heavy data schedule are also vying for investor attention. The Fed will leave policy unchanged but the statement must surely make a nod to the recent elevated inflation prints – the question is to what degree. We expect the base case – current policy settings maintained for long enough will be sufficient to bring inflation down. Powell will re-iterate that there is no rush to lower rates as confidence in the main scenario has diminished since the previous meeting. We suspect that Powell will reaffirm that if they have to, they will raise rates but underscore that this is not the baseline. We see the US Treasury leaving coupon issuance unchanged and boosting T-bill issuance to raise the required funds. This is essentially the US Treasury putting on lower rates in futures – a but that hasn't worked out well so far. JOLTS have been declining in importance due to concerns about the response rate and ADP hasn't been the same since its rejig a few years back. Payrolls remains the key monthly labour market focus. Last month the market was sensitive to the ISM print but surely the response will be more muted this time round ahead of the FOMC policy decision. Vehicle sales are one of the first hard data prints on consumer activity on the month and are seen edging a little higher.

Market data

(Source: Bloomberg)



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