

# Mizuho Daily Currency Watch

2 May, 2024

MIZUHO

Colin Asher

Senior Economist

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

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 – BoJ intervenes again

The Fed left policy unchanged as expected. Chair Powell's press conference was perceived as dovish, at least relative to pre-meeting expectations and UST yields dipped alongside the US dollar in the wake of the press conference. The Fed's March Dot Plot had 3 cuts (with the bias towards 2) and the Fed now seems to be somewhere between 1 and 2 cuts, which is in line with current market pricing. We continue to see the data making it hard for the Fed cut much regardless of how much it wants to. Just after the US close (9.00pm BST) USD/JPY plunged, dropping from ~157.50 to a low of ~153.0. It looks like another bout of intervention. Again there was no confirmation from MoF. As yet the size is unconfirmed but again the action was undertaken during a period low liquidity – this time at the end of the trading day. There is some speculation that the scale was similar to Monday. **USD/JPY bounced off the lows to settle around 155.70 as Europe comes in.** Recall that Japanese markets are closed on Friday and Monday, while the UK is out on Monday and China is off for the rest of the week. There will be plenty illiquid sessions in coming days. Traders will be on alert. Asian manufacturing PMI data were mixed. The ASEAN manufacturing PMI dipped to 51.0 from 51.5.

Japan's consumer confidence for April dipped. JGB yields rose, led by the long end. Japanese equities closed flat.

Yesterday, the ECB's De Cos noted that he was increasingly confident that that the ECB was on the right track to reach 2% inflation soon and that inflation risks were now balanced. A 25bp cut at the June meeting seems nailed on. **EUR/USD jumped in the wake of the Fed meeting and then traded in the high end of the range through the Asian session ending around 1.0725.** It has been a quiet start to trade in the UK. Today's local elections in the UK seem likely to heap yet more pressure on the PM. **GBP tracked EUR during the Asian session, pushing higher in the wake of the FOMC meeting yesterday and then range trading through the Asian session. Cable sits around 1.2535 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – Weekly jobless claims (k)	211/207

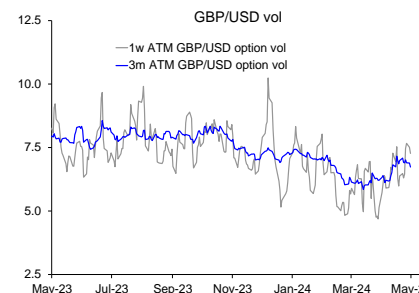
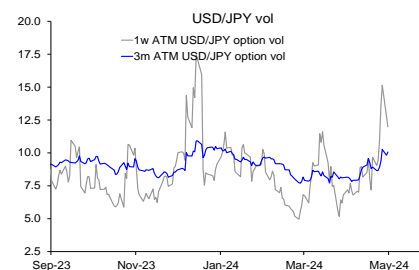
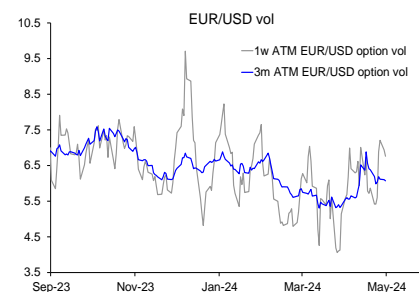
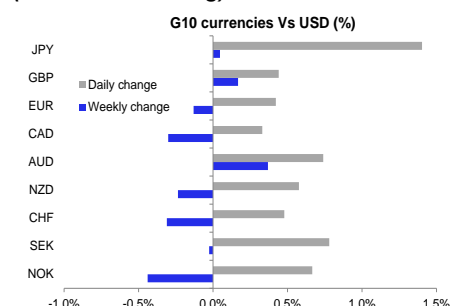
Source: Bloomberg

**Europe.** It is a quiet resumption in Europe after the May Day holiday. The final manufacturing PMI report is the lone release. As a second estimate it is unlikely to garner much market interest. The ECB's Lane speaks in the evening, while France issues ~€12bn of bonds today. Investors will be mainly preoccupied with analysing US monetary trends in the wake of the FOMC meeting. The OECD is set to publish its semi-annual Economic Outlook.

**US.** Thursday offers some respite for weary investors between Wednesday's FOMC meeting and payrolls on Friday. The standout release will be weekly jobless claims, which likely continue to suggest the labour market is rock solid. Final durable goods orders, the trade balance and non-farm productivity are also due. There are no scheduled Fed speakers but some commentary would not be a surprise.

## Market data

(Source: Bloomberg)



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