

Mizuho Daily Currency Watch

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MIZUHO

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 – Intervention tailwinds keep JPY supported

Those Asian equity markets that were open were mainly higher led by the Hang Seng, which continued its recent run. Tech stocks were in the vanguard, helped by upbeat earnings after the US close, that saw US equity futures move higher. DXY remained under pressure through the Asian session. Japanese markets are closed both today and Monday. To date MoF has intervened during periods of low liquidity. There will be more periods of low liquidity over the next few days. Traders will be on edge. BoJ data from Thursday imply Wednesday's intervention was in the region of ¥3.5trn, which pushes intervention for the week as a whole close to ¥9trn, which is already roughly the same scale as intervention in autumn 2022. Despite the drop in USD/JPY from the highs on Monday, we assume MoF is not done. **USD/JPY pushed lower through Asian trade and sits at 152.90.** Both EUR and GBP pushed higher against the US dollar in Asian trade. **EUR/GBP sits around 1.0730 and GBP/USD around 1.2550 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Unemployment (% , Mar)	6.5/6.5
US – Non-farm payrolls (k, Apr)	241/303
US – Unemployment (% , Apr)	3.8/3.8
US – AHE (% YoY, Apr)	4.0/4.1
US – Non-m'fact ISM	52.0/51.4

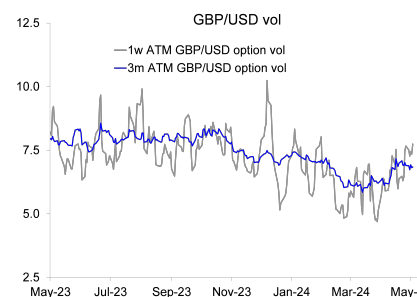
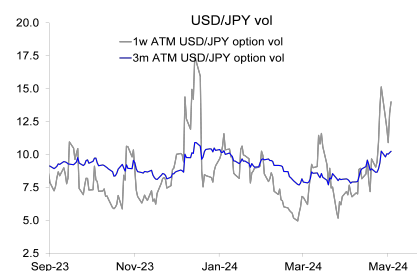
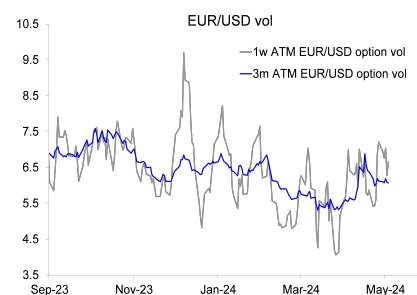
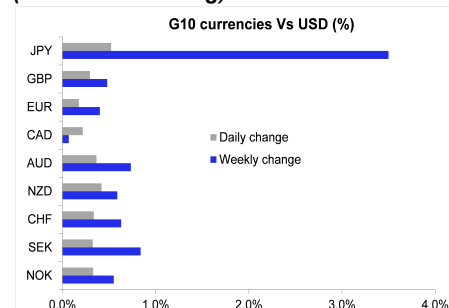
Source: Bloomberg

Europe. Eurozone unemployment rate for March is due. The EU Commission index of labour hoarding, released as part of its monthly sentiment indices report, is still positive, even if a lot less so than during the height of the pandemic. The eurozone labour market remains drum tight at the cycle low, although we note that lower average hours worked since Covid implies it is not quite a tight as the unemployment rate suggests. With activity in the eurozone looking as if its picking up, the bias for the labour market, which was for weakness against the backdrop of very weak activity in 2023, is starting to shift in more positive direction. Note the ECB's Stournaras now suggesting 3 cuts rather than 4 this year. French industrial production and the final UK composite PMI are also due. Norges Bank is set to leave policy unchanged today. Rate cuts in Norway are unlikely until H2.

US. Powell made it clear that the Fed is much more likely to drop the policy rate fast if the labour market weakens sharply than hike rapidly if inflation picks up. The labour market still matters for the Fed. That said, even as it swings into better balance, it still looks like its operating at tight levels that are providing consumers with the wherewithal to spend. The tightness of the labour market remains an upside inflation risk. Whilst Powell's words clearly suggest the Fed remains dovish, the data are not likely to be much help in allowing lower policy rates in the near term. The non-manufacturing ISM index is also due. Prices paid the manufacturing sector were elevated. A repeat in the service sector would be bad news.

Market data

(Source: Bloomberg)



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