

Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Quiet week leaves EUR at mercy of events elsewhere
USD	USD to drift higher
JPY	Drifting back up in the absence of MoF
GBP	BoE expectations imply mild downside for GBP

Overnight comment – DXY drifts higher

Most Asian equities tracked US stocks higher, although the gains were more modest. The RBA left policy unchanged and maintained its neutral bias leaving the possibility of a rate hike at a future meeting intact. That said, the statement was a little less hawkish than expected and AUD slipped as investors pared expectations of rate hikes. It was among the worst performing G10 currencies in the Asian session. UST yields were a little lower in the Asian session while the DXY index drifted higher.

Japan re-open after 4-day weekend. The final composite PMI for April eased a little to 52.3. The BoJ maintained its Rinban amounts and JGB yields moved a little lower on the day. US Treasury Secretary Yellen said that the US expects interventions to be rare and for consultation to take place. MoF currency chief Kanda declined to comment on Yellen's statement but instead noted that there was no need to intervene when markets are functioning properly, implying that they have not been functioning properly of late. **USD/JPY drifted higher through the session to sit around 154.50.**

German factory orders were weak leaving orders down 1.9%YoY, while German trade data were a little better than expected with a recovery in imports keeping the surplus close to forecast. **EUR/USD sits around 1.0755 as Europe opens.** In the UK, the BRC retail sales were very weak, dropping 4.4%YoY. This is the weakest figure since late 2019. The drop reflects the timing of Easter but even combining March and April sales were still quite weak, around flat in YoY terms. Wet weather may have hampered seasonal good sales as well. **The weak retail data weighed a little on GBP as cable slid through Asian trade to sit around 1.2540 as European trade gets underway.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Retail sales (%MoM, Mar)	--/-0.5
US – Consumer credit (\$bn, Mar)	16.50/14.13

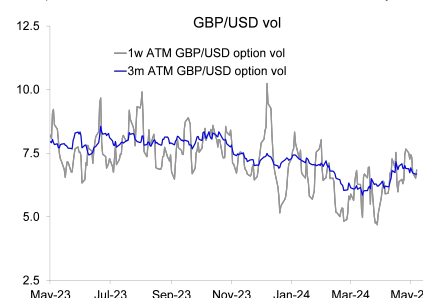
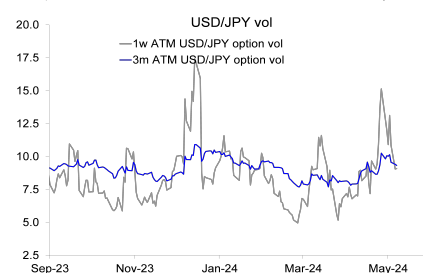
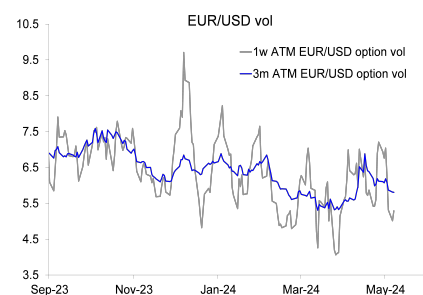
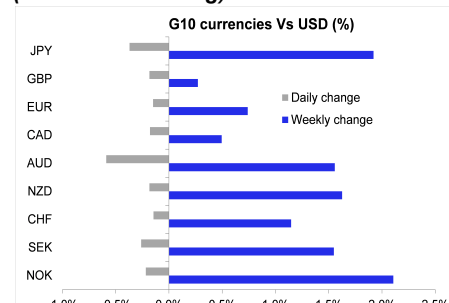
Source: Bloomberg

Europe. It is a quiet week for data in the eurozone. Earnings and geopolitics will likely hog the headlines as Chinese President visits France, Serbia and Hungary. Today sees second tier releases - German factory orders and eurozone retail sales. In the UK it is a quiet start with just new car registrations out today but Thursday sees the BoE meeting and Friday Q1 GDP. For the ECB De Cos and Nagel speak while the BoE is in the quiet period ahead of its policy meeting.

US. Consumer credit is today's lone data release. US consumer balance sheets remain in solid shape, even as the San Francisco Fed estimates that the Covid savings have now all been spent noting "The latest estimates of overall pandemic excess savings remaining in the US economy have turned negative, suggesting that American households fully spent their pandemic-era savings as of March 2024". That said, during Covid house prices have risen as have incomes and consumers have the wherewithal to take on more credit. The Fed's Kashkari speaks later today.

Market data

(Source: Bloomberg)



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