

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 – USD/JPY drifting higher again

US equities closed mixed on Tuesday. Asian stocks were weak today, led by Japan where the electrical appliance sector was weak. UST yields were a fraction higher in Asian trade, while the DXY index pushed higher building on gains from late on Tuesday. US equity futures were also soft

There were no data in Japan. JGB yields initially pushed lower but reversed course in the wake of a soft 10yr auction, ending the session a little higher. **USD/JPY drifted higher, ending the session around the 155.27 level.** MoF jawboning had limited impact. Finance Minister Suzuki said that Japan stood ready to take all possible measures but yesterday's Yellen comments on interventions being a rare event seemed to continue to weigh, allowing markets to ignore BoJ Governor Ueda's slightly more hawkish comments on the currency. Ueda said "Foreign exchange rates make a significant impact on the economy and inflation. Depending on those moves, a monetary policy response might be needed". He also noted a greater potential impact as companies seem to be more willing to pass on rising costs.

Dutch, Finish and German industrial production were all negative in March. German production was only down 0.4%MoM vs expectations of a 0.7%MoM drop. Yesterday, the ECB's Nagel laid out the case for higher post-pandemic inflation saying "A range of potential factors could lead to higher inflationary pressure in the future". He cited geopolitics and decarbonisation. He also said demographic trends may lead to "persistently higher wage growth". He argued against allowing the CPI to run hot saying "Even a temporary accommodation of higher inflation rates bears a risk of inflation expectations becoming de-anchored. We should not allow this risk to materialize". **EUR/USD pushed lower through Asian trade and sits around 1.0745 as Europe opens. Sterling was on the back foot ahead of the BoE meeting tomorrow with GBP/USD trading around 1.2490.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
No major data	--

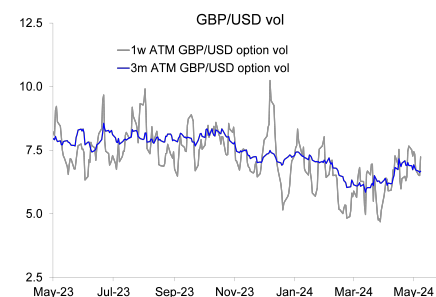
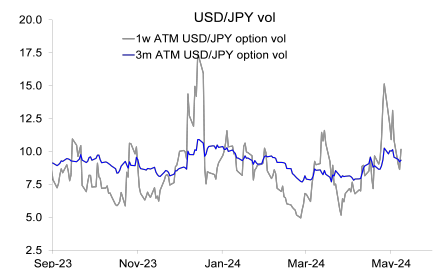
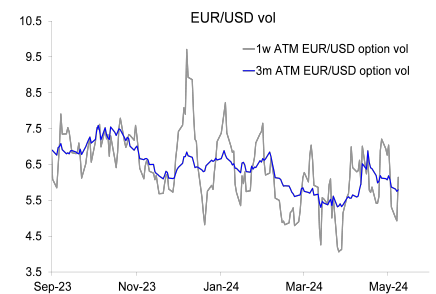
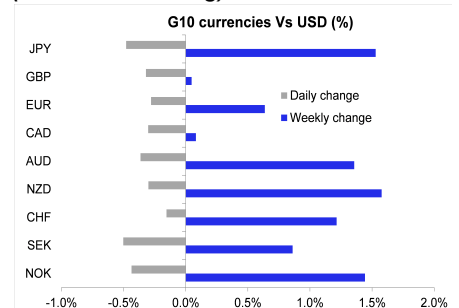
Source: Bloomberg

Europe. It is second tier data only in the eurozone with just some national industrial production releases due. For the ECB De Cos and Wunsch speak. The Riksbank meets today and there is a decent chance that it is the second G10 central bank to start easing. The market is pricing a ~60% chance of a cut. Activity is weak but also inflation is still elevated. The Riksbank is also somewhat wary of its weak currency and will not want to be overly dovish even if they do lower the policy rate.

US. Today Jefferson, Collins and Cook all speak. Yesterday, the Fed's Kashkari (non-voter) made an interesting point noting "With inflation in the most recent quarter moving sideways, it raises questions about how restrictive policy really is.....Given that housing is a key channel through which monetary policy affects the economy, its resilience raises questions about whether policymakers and the market are misperceiving neutral, at least in the near term". The lone data release is wholesale trade – rarely a market mover.

Market data

(Source: Bloomberg)



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