

Mizuho Daily Currency Watch

13 May, 2024

MIZUHO

Colin Asher

Senior Economist

colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

Currency	Main focus of the week (S-T view)
EUR	Drift
USD	Elevated CPI to keep USD stable
JPY	Shrinking Rinban ops to keep JPY supported near term
GBP	Wages in focus, esp with June BoE move in the balance

Overnight comment – Investors take profits on USD

Chinese data over the weekend were on the soft side with the CPI at -2.5% vs expectations of -2.3%. Money supply measures were also weak, with M2 sliding to a record low. China is set to start selling longer dated bonds this week, while the US is expected to place additional sanctions on China this week. Asian equities were mixed with the HK and Taiwan leading the gains. South Korean tech led the declines. US equity futures were a little higher. UST yields dropped at the open but nudged a little higher through the Asian session. The DXY index was little changed in Asian time.

As expected in the wake of the developments last week, most notably Governor Ueda's more hawkish tone following a meeting with the PM, today's 5~10yr Rinban operation was trimmed by ¥50bn. Volumes in the 1~3yr and 10~25yr buckets were unchanged. **USD/JPY immediately dipped towards the 155.0 level but failed to hold the move and traded broadly flat thought the session to end around 155.83.** JGB yields came under pressure in the wake of the announcement, with the curve steepening out to the 20yr sector. 30yr yields pushed above the 2.0% level to high their highest level since 2011. Recall that a number of Japan's major lifers indicated that 30yr yields at these levels would be of interest.

The minutes of the ECB meeting late last week strongly supported a June cut as expected. They also noted that the natural rate of interest was seen as having limited use for day-to-day policy. **EUR/USD sits around 1.0775 as Europe opens.** The pair has been becalmed somewhat of late. EUR speculative positioning nudged a little higher last week. Indeed, it looks like there has been quite a lot of profit taking in USD longs over the past week both by asset managers and speculative accounts. **GBP/USD sits around 1.2530 as Europe opens.**

Today's Major Events and Data Releases

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

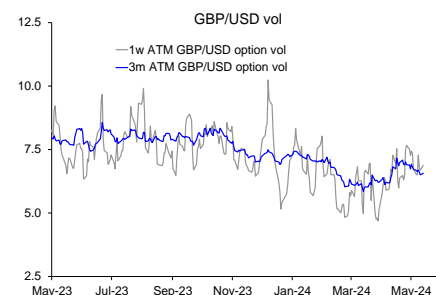
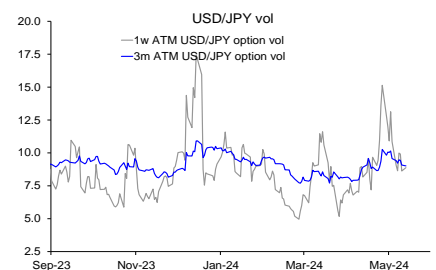
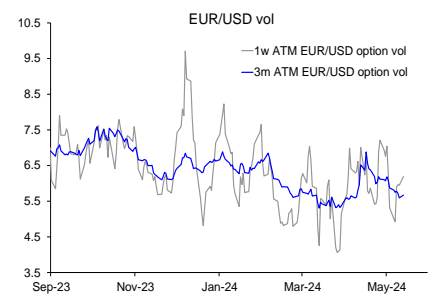
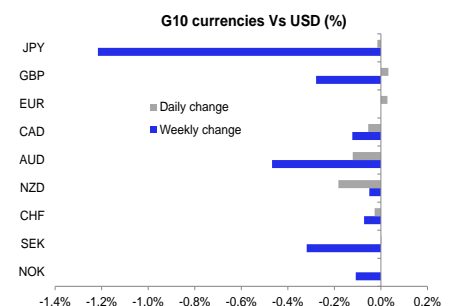
Source: Bloomberg

Europe. It has been a quiet start to the week in the eurozone. There are no major data releases and no central bank speakers scheduled either. Earnings season is winding down in Europe too.

US. It is also a quiet start to the week in the US. Late Friday, the Fed's Bowman said she expected no cuts this year amid sticky disinflation. She said she wanted to see a "number of months" of better inflation data. Logan noted that it is too early to think about rate cuts. "We're starting to accumulate evidence that might suggest that that level (of the neutral rate) is higher than it was before." On Friday NEC director Brainard also said the Democrats will allow much of the Trump tax cuts for corporations, due to expire at the back end of 2025, to expire. Mester and Jefferson are set to discuss central bank communications.

Market data

(Source: Bloomberg)



This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author(s). It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605 promulgated pursuant to the U.S. Commodity Exchange Act and is not intended to provide information upon which to base a decision to enter into a derivatives transaction regulated by the CFTC. Any discussion in this publication of derivatives is limited to commentary on economic, political, or market conditions and statistical summaries of multiple companies' financial data, which may include lists of current ratings.

This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Brazilian, Japanese, Singapore or any other applicable securities laws. This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. These materials and the content of any related presentation are confidential and proprietary and may not be passed on to any third party and are provided for informational purposes only. As a general rule you will not have a right to terminate early any transaction entered into – if you wish to do so, losses may be incurred by you Mizuho shall have no liability for any losses you may incur as a result of relying on the information herein or in any related presentation.

The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This Publication has not been nor will be submitted to, or reviewed by, any regulatory authority. Without limiting the generality of the foregoing, nothing contained herein is in any way intended by Mizuho to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. A recipient must complete its own independent analysis of the financial instrument, product or service and receive all information it requires to make its own decision, investment or otherwise, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such item. The information contained in this Publication has been obtained from public sources and such information is believed to be correct and reliable but has not been independently verified.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

Brazil: Banco Mizuho do Brasil S.A. is authorized to operate and regulated by the Brazilian Central Bank.

This publication is available free of charge to clients. However, if you no longer wish to receive it then please specifically request to unsubscribe from the distribution list.

© 2018 Mizuho Bank Ltd