

Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

colin.asher@mhcb.co.uk | +44 20 7012 5262/+44 7387 139164

MIZUHO

Currency	Main focus of the week (S-T view)
EUR	Data concerns to keep EUR on the back foot
USD	Solid data to keep Fed hike later rather than sooner. USD supported
JPY	BoJ concerns to keep JPY on the back foot
GBP	Solid data to keep GBP momentum in place

Overnight comment – Soft JPY helps lift Topix

Asian equities were mixed as investors mulled the results of the Taiwan election where the incumbent party broadly retained its grip on power. Chinese shares were little changed as the PBoC left its MLF rate unchanged despite widespread expectations of a small cut. Elsewhere in Asia, shares were mainly higher, led by Japan, where stocks have charged out the gate in 2024, boosted by an increase in NISA limits. The Topix added another 1.2% today and is up 5.5% in the year to date, sitting at a fresh 34-year high. Australian data were poor with inflation data firm and household spending soft. AUD and NZD underperformed. The DXY index was a little soft, as US equity futures pushed higher.

Japan's money supply data were in line with expectations. A Chamber of Commerce Survey noted most companies do not expect the outlook in China to improve. 40% of companies said they cut investment to China last year and the survey suggests the outlook for 2024 investment is downbeat. JGB yields dropped with 2yrs falling below 0.0% for the first time since July, as the BoJ left the scale of Rinban ops unchanged today. The long end underperformed. **The decline in JGB yields weighed on the yen with USD/JPY nudging up towards 145.50.**

In the Bloomberg monthly economic survey, GDP forecasts were unchanged but analysts were more optimistic on inflation in 2024, seeing annual GCPI at 2.3% vs 2.6% last month. **EUR/USD was little changed in the Asian session to sit around 1.0955 as Europe opens.** UK house prices continue to surprise with Rightmove house prices up a solid 1.3%MoM, trimming the YoY rate to just -0.7. Firmer than expected house prices are one factor driving our more optimistic view of the UK outlook. **GBP/USD eased over the Asian session to sit around 1.2750.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Industrial production (%MoM, Nov)	-0.3/-0.7
EZ – Trade balance, sa (€bn, Nov)	--/10.9

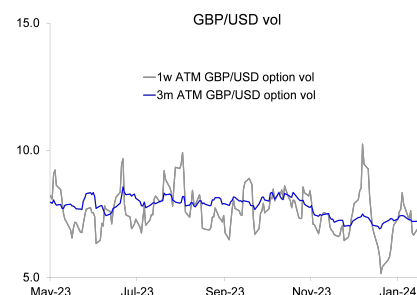
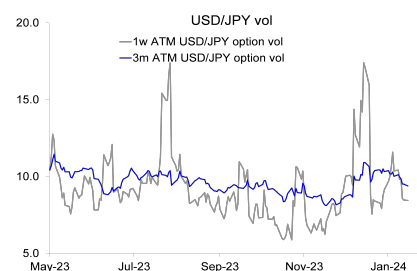
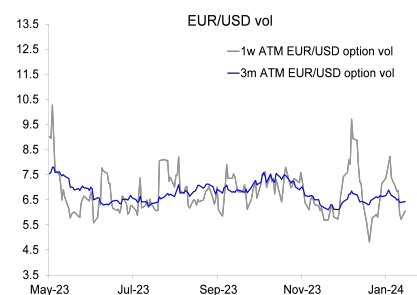
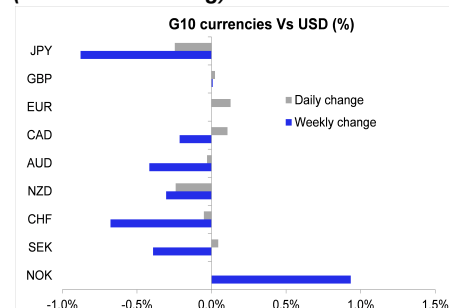
Source: Bloomberg

Europe. Eurozone industrial production is due. National releases imply a small dip continuing the run of weak production in the region. Germany releases an estimate of German 2023 GDP estimate, which by definition will contain an estimate of Q4 GDP. The ECB's Holzmann speaks at Davos, which gets underway today. Eurozone finance ministers meet in Brussels.

US. US markets are closed for Martin Luther King Day. The Republican Iowa caucuses take place today. Negotiations on funding the government will continue to take place in the background. Congressional leaders have announced proposals to extend the 19 January deadline to 1 March and the 2 February deadline to 8 March. The Senate will take up the issue on Tuesday, while House Speaker Johnson may have a harder time in the House, where a number of Republicans have already voiced discontent.

Market summary

(Source: Bloomberg)



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