

# Mizuho Daily Currency Watch

17 January, 2024

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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 – No rush

The market rushed to price in rate cuts in the final months of 2023 yet few central bankers see the urgency to ease policy and there are no signs of a sudden slump in global activity that would drive them to early easing. Yesterday, the Fed's Waller said he was more confident that inflation was coming down but there was no need for policy to be "*rushed*". He also suggested careful and methodical rate cuts when the time came, implying the 50bp increments look unlikely. Markets continue to see a 25bp cut at the March FOMC as more likely than not (~65% chance). Overnight, the US dollar continued to build on yesterday's gains, while UST yields were little changed. The main focus overnight was the soft China data. GDP in Q4 was a fraction softer than forecast, although the monthly data for December on the consumer side were soft. Retail sales, unemployment and property sales were weaker than expected and house prices continued to decline. The production data were less downbeat. In Japan the Reuters Tankan showed large business more cautious with the sentiment index down 6 points. However, the non-manufacturing index pushed another 3 points higher suggesting domestic demand remains in good shape. **JGB yields pushed higher, while the yen remained under pressure, with USD/JPY pushing up to 147.90.**

The ECB continue to present a broadly united front with regard to early interest rate cuts, although the odd dove such as Centeno seems happy to countenance early cuts. Villeroy noted he was a bit more patient than markets and Nagel reiterated that the discussion on cuts had come too soon. Valimaki said it was best to wait a little longer. The ECB does not seem to be in a hurry to cut. This morning President Lagarde noted that "Too optimistic markets" did not help the ECB fight inflation and that having to revert to hiking if cutting too early would hurt central bank credibility. **EUR/USD sits around 1.0870 as Europe opens.** UK CPI came in on the firm side and halted GBP overnight slide. After broadly benign CPI data in November, the December data have been less welcome and support central bankers view that the last mile in the inflation fight may indeed be tough. **GBP/USD jumped to 1.2645 after the data.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
GB – CPI (%YoY, Dec)	3.8/3.9
EZ – CPI, final (%YoY, Dec)	2.9/2.9 (p)
US – Retail sales (%MoM, Dec)	0.4/0.3
US – Industrial production (%MoM, Dec)	-0.1/0.2
US – NAHB housing index (DI, Jan)	39/37
US – Fed's Beige Book	--

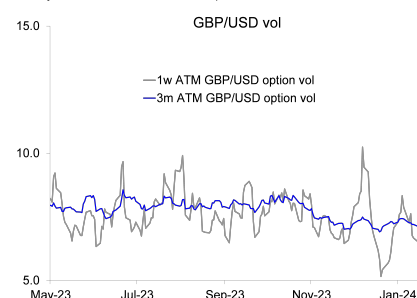
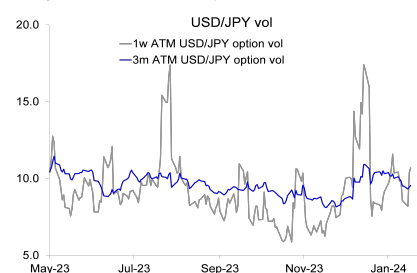
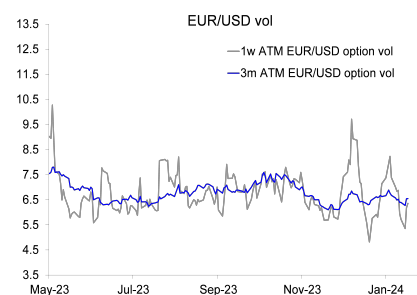
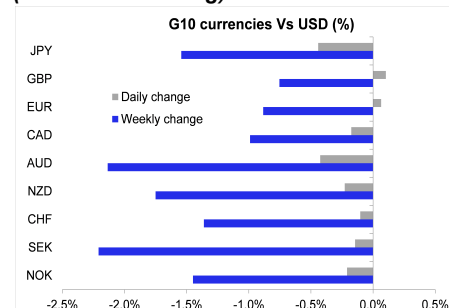
Source: Bloomberg

**Europe.** The final eurozone CPI, which contains much more detail, is due today. In addition, there is a heavy slate of ECB speakers. We suspect they will echo the "*No rush*" message on rate cuts colleagues have discussed in recent sessions. In the UK, the initial release of the December CPI is on tap. Mild declines are expected at the core and headline levels.

**US.** A data heavy day starts with retail sales. Mild weather may have lifted activity. Leading inputs appear mixed. Industrial production should remain soft, as warm weather hits utility output. Housing sentiment should improve modestly against the backdrop of falling mortgage rates. 30yr mortgages peaked a little over 8% in late October and are now ~6.90%. The Beige book is due and Williams speaks. The Beige Book will feed into the 31 January FOMC meeting.

## Market summary

(Source: Bloomberg)



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