Mizuho Daily Currency Watch

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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 landing = no cuts!

Upbeat US data, especially retail sales and housing sentiment saw the front end of the UST curve finally come under pressure, reversing some of the recent steepening. Steeper or flatter, the DXY index doesn't seem to care as long as yields are rising. The DXY index pushed up above 103.60 at one stage to a one-month high. The firmer data will see Q4 GDP estimates revised higher and expectations for a 25bp hike at the March FOMC meeting slipped closer to 50%. The Beige Book detailed firm activity. Fed Chair Powell may regret being so dovish in the December press conference. He may make more of an effort to be more balanced in the January press conference. Overnight, UST yields are a fraction lower, Asian shares were mixed, with China paring some of its recent underperformance, while the US dollar ran into profit taking and gave back some of Wednesday's gain. In Japan, a soft 20yr auction saw the JGB curve bear steepen. The weekly MoF flows data showed heavy overseas buying of Japanese equites at the start of the year. Much of the focus of NISA inflows in FX markets has been on investment trust outflows from Japan but these should be partially offset by higher overseas buying of Japanese equites. **USD/JPY recovered a little overnight to sit at 147.75 as Europe opens**. Yesterday's ECB speakers highlighted the labour market, with Vasle saying there was a need to see Q1 inflation and wage data, while Knot noted the need to see a turnaround in wages. Knot echoed Lagarde saying the more easing the market does, the less likely it is the ECB will cut. He also said he expected the market to price out some of the currently priced cuts. Nagel noted that core inflation was rather sticky. There is clearly no rush to ease policy, with most looking at a first move in summer. Eurozone new car registrations dropped for the first time in 17 months. **EUR/USD reversed much of yesterday's drop in Asian trade to sit around 1.0905 as Europe opens**. UK RICS house price data showed a sharp gain, rising from -41 to -30. Housing developments in the UK have been much less downbeat than we forecast and are one reason behind our recent upward revision for 2024 GDP. **GBP/USD rose in Asian trade to sit around 1.2700**.

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – RICS (DI, Dec)	-36/-43
UK – BoE credit conditions survey (Q4)	--
EZ – Current account, sa (€bn, Nov)	--/33.8
EZ – New car registrations (%YoY, Dec)	--/6.7
US – Housing starts (%MoM, Dec)	-8.7/14.8
US – Philly Fed m'fact index (DI, Jan)	-6.5/-12.8
US – Jobless claims (k)	205/202

Source: Bloomberg

Europe. The eurozone current account has recovered significantly of late and offers support for the single currency. New car registrations are also due. The ECB is set to publish its account of the December policy meeting. President Lagarde speaks on a panel at Davos and is likely to repeat the sentiments from earlier in the week, noting that aggressive market pricing of rates cuts is making the ECB's job harder. The BoE's quarterly credit conditions survey is due.

US. The US data deluge continues with weekly jobless claims, the Philly Fed manufacturing index and housing starts. We were impressed by the jump in sentiment in the NAHB index, which implies the housing recovery is well underway. The Fed's Bostic speaks

Market summary

(Source: Bloomberg)