

Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	ECB pushing back on early rate cuts,
USD	DXY index to enjoy post payrolls glow
JPY	Wages to look less downbeat
GBP	Labour market the driver

Overnight comment – No landing?

Friday's jobs report added fuel to the "No landing" narrative. Yields surged, although equities were buoyed by results in the tech sector. Over the weekend the Fed's Bowman (hawk) and Goolsebee (dove) spoke along "party" lines. That said, even Goolsebee didn't seem to be pushing for a March move. Former Treasury Secretary Summers noted that interest rates may be above 3.0% through 2030 which would be a sharp change from the previous decade. Chair Powell's TV interview was recorded on Thursday. His comments that he hadn't seen much to change the December forecasts (which included 3 cuts this year) now look a little dated in the wake of the payrolls report.

Late Friday, the US retaliated for an attack on US personnel in Jordan by striking Houthi targets. There were further attacks over the weekend and tensions in the region remain elevated. That said, oil prices remain little changed, with Brent crude sitting around \$77.60/barrel. Over the weekend former President Trump suggested that he would impose heavy tariffs on China and indicated that he would like Powell gone from the Fed. In the Asian session equities were mixed, while UST yields edged a little higher. The DXY index was little changed.

In Japan, JGB yields nudged higher tracking overseas bond market moves from Friday. Demand at the 10yr JGBi auction was on the soft side. A jump in repo rates saw the BoJ respond with two fund supply operations. **The gyrations in the JGB market had little impact on fx markets and USD/JPY was almost unchanged around 148.40.**

The ECB's Centeno and Vujcic both spoke over the weekend, with Vujcic making the case for patience on rates. German trade data showed a bigger surplus than expected, with both imports and exports down sharply. **EUR/USD was little changed and sits around 1.0775.** UK labour market data, on the basis of the Labour Force Survey, showed the labour market a little firmer than the experimental data. **GBP/USD nudged higher and sits around 1.2615.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Composite PMI, final (DI, Jan)	52.5/52.5
EZ – Composite PMI, final (DI, Jan)	-47.9/47.9
EZ – PPI (% YoY, Dec)	-10.5/-8.8
US – Composite PMI, final (DI, Jan)	52.4/52.3 (p)
US – ISM non-manufacturing index (DI, Jan)	52.0/50.4

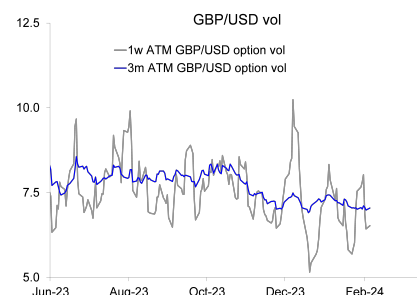
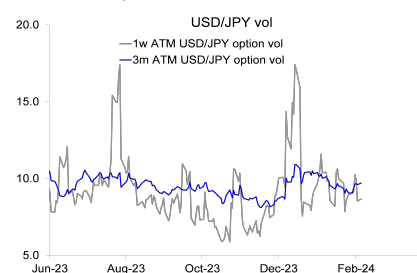
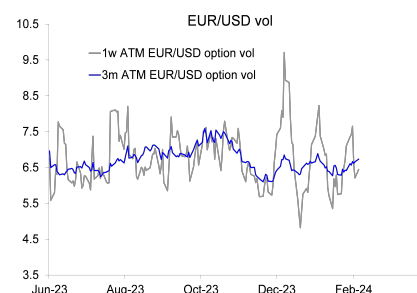
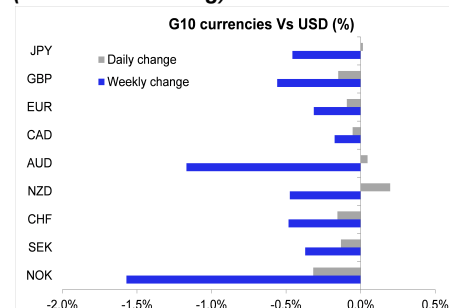
Source: Bloomberg

Europe. In the UK, the ONS will publish some of the missing labour market data. Recall that the ONS stopped publishing part of the Labour Force Survey back in October. Today's data, which cover September, October and November, should give a better read on the state of play. UK new car registrations are also due. The BoE's Pill speaks in the evening. It would be a surprise if he veered away from the BoE's message from last week.

US. The bulk of US data this week are due today with the non-manufacturing ISM, the final composite PMI and the Fed's Senior Loan Office Opinion Survey due. This survey details both banks willingness to extend credit and company demand for it. We suspect that in the wake of the huge easing of financial conditions since the last survey, both side of the equation will be keener to do business than they were at the time of the previous survey.

Market summary

(Source: Bloomberg)



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