

Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

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

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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 – Uchida's comments weigh on JPY

Asian shares were mainly higher, after a record close for the US on Wednesday, helped by positive earnings after the US close. Despite weak Chinese CPI data, Chinese mainland shares were higher. UST yields were muted in Asian trade in the wake of yesterday's record 10yr auction which met with solid demand. Yesterday's heavy schedule of Fed speak provided few notable headlines but in general underscored the message of "patience". The DXY index was also little changed during the Asian session. Brent crude futures pushed higher overnight and are again threatening the \$80/barrel level. Tensions in the Middle East remain elevated, with the Israeli's rejecting a proposed ceasefire and Houthi militants continuing to attack shipping.

Japan's current account was in line with expectations. For the calendar year it surged to ¥20.6trn, up 95% vs 2022. The weekly MoF flow data showed on-going buying of overseas bonds. The monthly MoF flow data showed Japanese investors as net buyers of equities in January (¥734bn) and bonds on the month (¥2712bn). Investment trusts led the equity buying, which likely reflects NISA flows. Banks led the buying on the bond side. Trust banks were rebalancing, buying bonds and selling equities. Recall that the NISA rules have been revamped at the start of the year. Other data saw bank lending edge a fraction higher, while the outlook index for the eco watchers survey rose to 52.5 in January. BoJ Deputy Governor Uchida spoke today noting "Even if the Bank were to terminate the negative interest rate policy, it is hard to imagine a path in which it would then keep raising the interest rate rapidly". He expected any tightening to occur at a gradual pace and that financial conditions would remain easy. USD/JPY pushed a little higher in the wake of Uchida's speech, moving back up towards recent highs. **The pair sits around 148.70 as Europe opens.**

It was a quiet start to trade in the eurozone, with no ECB commentary overnight and no data this morning. **EUR/USD drifted a fraction higher in the overnight session to sit around 1.0780 as European trade gets underway.** In the UK, the RICS house price index came in a little better than expected, in line with other house price data of late. The DI rose to -18 in January, from -29. This is the highest reading since late 2022. The REC Report on Jobs for January showed starting salaries rising at the slowest pace for almost 3 years. There were fewer vacancies and more candidates seeking work. This will give some comfort to the MPC that the labour market is softening but other indicators, such as the Decision Makers Panel, are less downbeat on pay. **GBP/USD flatlined in the Asian session to sit at 1.2630.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – RICS house prices (DI, Jan)	
US – Report on Jobs	

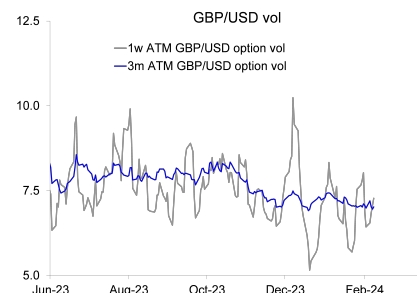
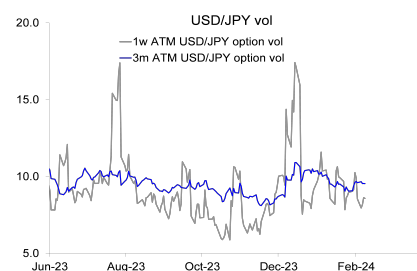
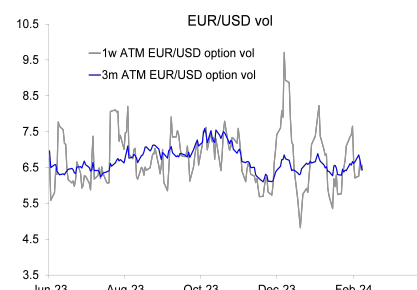
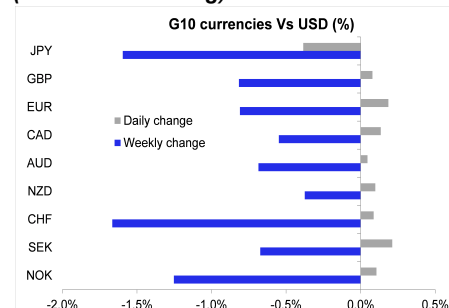
Source: Bloomberg

Europe. The ECB publishes its Economic Bulletin, which sometimes contains articles on topics of interest to the Board. Chief Economist Lane speaks, as do Wunsch and Vujcic. In the UK, the RICS house price survey and the REC Report on Jobs are due. Earlier in the week the ONS noted that its Transformed Labour Force Survey (TLFS) will be further delayed. This puts greater focus on surveys such as the Report on Jobs and the BoE's DMP. The Report and Jobs and the DMP are throwing off somewhat different signals at present, with the former the weaker of the two. The BoE's leading hawk, Catherine Mann, is due to speak in the afternoon on inflation dynamics and drivers.

US. The data calendar remains light with just jobless claims due. It is also light on the Fed speaker front with just Harker scheduled to speak. Recent activity in Congress has seen bills to fund both Israel and Ukraine fail to pass.

Market summary

(Source: Bloomberg)



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