

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 – Subdued

The S&P briefly topped the 5,000 level for the first time before settling at 4998, up 0.1%. Some Asian markets were closed for the lunar New Year break, with the rest little changed in lacklustre trade. UST yields reversed an early dip to end the Asian session little changed. NZD outperformed amid expectations that RBNZ may not be done with rate hikes. Yesterday, the Fed's Barkin added his weight to those willing to allow the balance sheet to continue to shrink at the current pace, noting he didn't see signs that the period of ample reserves was ending. He also noted a willingness to be patient on easier policy as well as saying that he both hoped and expected the financial system had enough capital to weather the risks in the commercial real estate sector.

Japan's money supply measures edged higher in January, with M2 up 2.4%YoY. Governor Ueda spoke noting that financial conditions would remain easy even if NIRP ended. The IMF's Gopinath acknowledged that the BoJ was closer to achieving its target but that any tightening should be gradual. JGB yields pushed higher. Another major lifer discussed expectations of higher yields after the BoJ hikes. The spokesperson noted that the company had been buying long bonds at a slower-than-normal pace this fiscal year and that 30yr yields might hit 2% after the BoJ hikes. **USD/JPY was flat during Asian trade, sitting near a 10-week high just below 149.40.**

Yesterday, the ECB's Wunsch and Lane spoke. Both suggested more data were required to allow a decision on lower policy rates. Lane noted there was still meaningful upside risks in wages and Wunsch said wage rises were holding up cuts. This morning the ECB's Kazaks noted that expectations of cuts in March and April were likely too optimistic. **EUR/USD was little changed around 1.0780.** The BoE's leading hawk Mann also spoke yesterday, noting that her decision for a further hike at the February BoE meeting was finely balanced. She noted "In my assessment of the outlook, real household incomes continue to rise as inflation falls, consumer confidence has improved, indicators of services activity have come in strong, and forward-looking measures of output and employment paint a positive picture". GBP/USD was little changed for most of the overnight session, but nudged a little higher at the European open to sit around 1.2630.

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
No major data due	

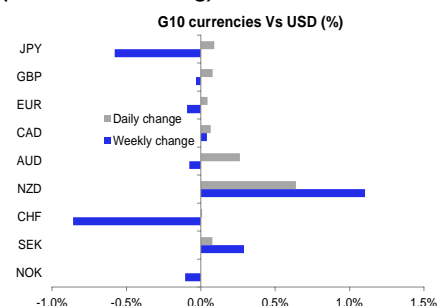
Source: Bloomberg

Europe. It will be a quiet end to the week. No major data are scheduled for release in either the eurozone or the UK. For the ECB Nagel and Cipollone speak

US. US CPI revisions are not usually much of a focus but the last few years have been highly volatile, which can make the seasonal factors larger. In addition, the Fed's Waller has noted it is something he is watching in the wake of last year's revisions which altered the inflation picture somewhat. The Fed's Logan speaks.

Market summary

(Source: Bloomberg)



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