

# Mizuho Daily Currency Watch

12 February, 2024

Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

MIZUHO

Currency	Main focus of the week (S-T view)
EUR	ECB pushing back on early rate cuts. EUR to firm
USD	DXY to be driven by inflation
JPY	GDP jump to help JPY
GBP	CPI blip to cast doubt on cuts. GBP supported

## Overnight comment – Quiet

US equities continued to make new highs on Friday. Many Asian markets were closed for the Lunar New Year celebrations, with Japan's markets closed for National Foundation Day. Liquidity was thin. Those markets that were open were mainly a little lower. There were no data releases of any significance. US equity futures are fractionally lower, while European ones are a little higher. Commodity prices were little changed too. On Friday the Fed's Logan note that there was no rush to ease policy. She felt that the Fed could take its time and assess the incoming data. Bostic also spoke on Friday noting that headwinds to achieving the 2% inflation target remain and that the Fed must be resolute. One might say that recent Fed speak has been consistent with the Dot Plot that implies only limited easing this year. That message seems to be slowly getting through to investors, with only 4~5 x 25bp cuts now priced into the Fed funds futures strip this year but we expect it has further to go in coming months. FX markets were quiet too with the DXY index broadly unchanged. **USD/JPY drifted gently lower in the Asian session to sit around 1.49.13 as European trade gets underway.**

The ECB's Panetta spoke over the weekend noting the time for a policy reversal was fast approaching. He is at the dovish extreme of the ECB and his comments are rarely a good guide for policy. De Cos released a press interview noting that confidence in the staff forecasts had increased and growing confidence that the next move will be a cut. Centeno noted that he would prefer gradual cuts and that the neutral rate was around 2%. **EUR/USD was little changed in Asian trade and sits around 1.0795 as Europe opens.** It was a quiet open in the UK. An interview with the Office of Statistics Regulation noted with would be some ways to go before the UK can be sure its producing reliable labour market statistics. **GBP/USD was also little changed in the Asian session and sits around 1.2635 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – Budget (\$bn, Jan)	--/-129.4

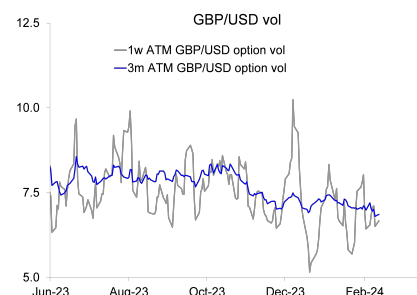
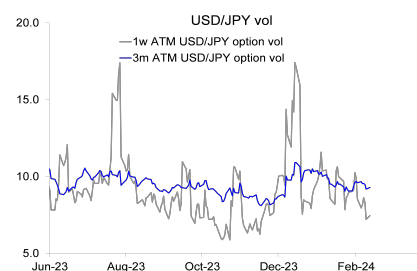
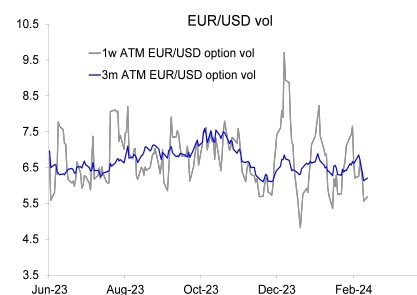
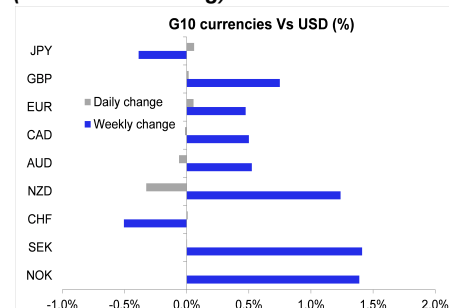
Source: Bloomberg

**Europe.** The ECB's Lane, De Cos and Cipollone all speak. Lane and De Cos speak at a Bank of Spain/ECB/BIS conference on economic statistics. BoE Governor Bailey speaks in the early evening.

**US.** The lone data release is the monthly budget statement. US fiscal policy is extremely loose. The 7 February CBO estimate of the fiscal outlook suggests a deficit of 6.2% in fiscal 2023 and sees limited prospects for any improvement over the coming decade. The upcoming election doesn't seem likely to be fought over the size of the deficit with the fiscal hawks well and truly in hibernation. If anything, the bias for fiscal policy after the election is for looser policy, despite the fact that it is already very loose. The Fed's Bowman, Barkin and Kashkari speak all speak. The NY Fed also publishes its monthly inflation expectations survey.

## Market summary

(Source: Bloomberg)



This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author(s). It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605 promulgated pursuant to the U.S. Commodity Exchange Act and is not intended to provide information upon which to base a decision to enter into a derivatives transaction regulated by the CFTC. Any discussion in this publication of derivatives is limited to commentary on economic, political, or market conditions and statistical summaries of multiple companies' financial data, which may include lists of current ratings.

This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Brazilian, Japanese, Singapore or any other applicable securities laws. This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. These materials and the content of any related presentation are confidential and proprietary and may not be passed on to any third party and are provided for informational purposes only. As a general rule you will not have a right to terminate early any transaction entered into – if you wish to do so, losses may be incurred by you. Mizuho shall have no liability for any losses you may incur as a result of relying on the information herein or in any related presentation.

The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This Publication has not been nor will be submitted to, or reviewed by, any regulatory authority. Without limiting the generality of the foregoing, nothing contained herein is in any way intended by Mizuho to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. A recipient must complete its own independent analysis of the financial instrument, product or service and receive all information it requires to make its own decision, investment or otherwise, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such item. The information contained in this Publication has been obtained from public sources and such information is believed to be correct and reliable but has not been independently verified.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

**Brazil:** Banco Mizuho do Brasil S.A. is authorized to operate and regulated by the Brazilian Central Bank.

This publication is available free of charge to clients. However, if you no longer wish to receive it then please specifically request to unsubscribe from the distribution list.

© 2018 Mizuho Bank Ltd