

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. 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 – Solid labour market data lift GBP

US equities drifted yesterday and closed marginally lower. A number of Asian markets remain closed for the Lunar New Year celebrations. Those that were open were mainly higher. UST yields were little changed in Asian trade while the DXY index initially nudged higher but gave up the gains late in the session.

Japan's re-opening after the long weekend came with a lack of drama. Equity markets played catch up with the Topix adding another 2.0%. **The soft currency helped equities, with USD/JPY edging higher through the Asian session to sit around 149.65.** The Topix is now less than 10% below the record high from December 1989. JGB yields were little changed, although 2yrs drifted a little higher pushing up towards the late 2023 highs.

It was a quiet start to trade in Europe. French unemployment data showed the unemployment rate unchanged at 7.5%. Belgian central bank governor Wunsch's comments from late yesterday were quite dovish. He suggested the risks to inflation were limited. **EUR/USD was little changed in Asian trade and sits around 1.0775 as Europe opens.** UK labour market data were firm. Payrolled employment pushed up 48k, defying expectations of a modest decline, with the prior month revised higher too. Wages were also a little firmer than expected. The unemployment rate dropped but there remain question marks about the quality of the Labour Force Survey. **GBP pushed higher after the data, with cable sitting around 1.2645 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Unemployment (3m%, Dec)	4.0/3.9
UK – Payrolled employees (K, Jan)	-18/-24
UK – Average hourly earnings (3m%YoY, Dec)	5.6/6.5
GE – ZEW survey, expectations (DI, Feb)	17.3/15.2
US – NFIB small business confidence (DI, Jan)	92.1/91.9
US – CPI (%MoM, Jan)	0.2/0.2
US – Core CPI (%MoM, Jan)	0.3/0.3

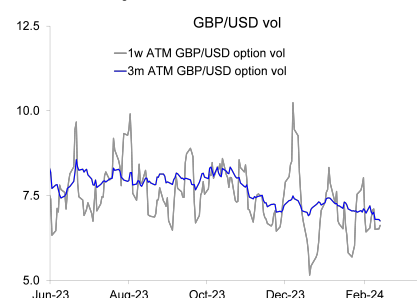
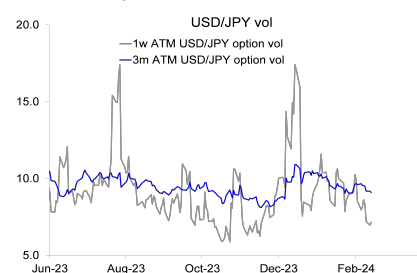
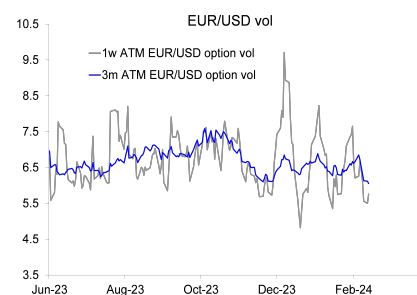
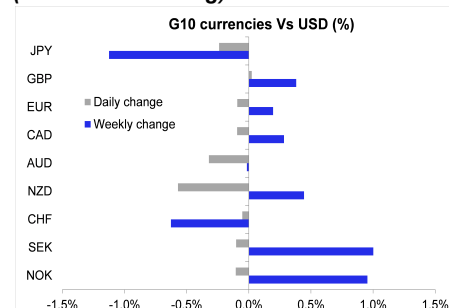
Source: Bloomberg

Europe. The ZEW survey kicks off the February round of monthly business surveys in the eurozone. The ZEW is a little different, being a survey of investors rather than businesses and thus it tends to be more driven by financial market trends than developments on the ground that businesses face. It tends to be quite a volatile survey making the recent uptick seem quiet subdued, which is in line with downbeat conditions in the German economy. There are no central bankers scheduled to speak today. In the UK the focus will be on the labour market data. It will be hard to draw firm conclusions given the question marks over the ONS Labour Force Survey.

US. In contrast to the seasonal adjustment revisions in early 2023, the early 2024 CPI revisions were a damp squib, with the pattern of inflation little changed. Headline CPI is seen at 0.2%MoM in January, dragging the YoY rate down from 3.4% to 2.9%. Gradual progress towards target. The core data are less encouraging. Another 0.3%MoM print is expected. The YoY rate is seen coming down but by less and to a still elevated level – 3.7% vs 3.9% in December. NFIB data suggest that small businesses remain depressed.

Market summary

(Source: Bloomberg)



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