

Mizuho Daily Currency Watch

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MIZUHO

Colin Asher

Senior Economist

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

Currency	Main focus of the week (S-T view)
EUR	PMI to remain soft. EUR likewise
USD	DXY drift
JPY	Pick up in global manufacturing to help JPY
GBP	PMI data lto keep GBP supported

Overnight comment – Quiet start to the week

Chinese travel and spending data over the Lunar New Year break topped pre-Covid levels hinting that a consumer-driven recovery is under way. The solid data was perhaps one reason why the PBoC left its MLF rate on hold over the weekend. The PBoC likely also had yuan stability in mind when taking the decision. Chinese equities pushed higher after the long holiday. Most other Asian equities moved higher too. The DXY index was a fraction lower in the Asian session.

Weekly CFTC data covering the week to 13 February showed investors becoming more bullish GBP and more downbeat on EUR and JPY. GBP positioning sits at its most positive since August last year. In contrast, JPY positioning continued to soften last week building to recent weakness. EUR positioning is also on a clear downtrend.

Japanese machinery orders for December were in line with expectations, up 2.7%MoM. The approval rating of the Cabinet remains dire. On the basis of one Mainichi poll the rating was the worst in ~75 years. Equities and the yen shrugged off Kishida's woes. **USD/JPY dipped a little and trades just around 149.95.**

It was a quiet start to trade in Europe. Most of the media focus was on the Munich Security Conference that took place over the weekend. The focus was the necessity of European countries boosting their defensive capabilities. **EUR/USD nudged a little higher in Asian trade and sits around 1.0790.** UK house prices pushed 0.9%MoM higher in January returning the YoY rate to positive territory after six months of contraction. Late on Friday the BoE's Pill noted that interest rate cuts were some way off saying it may take "several months". GBP/USD drifted higher **to sit around 1.2625 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Rightmove house prices (%MoM, Feb)	--/1.3

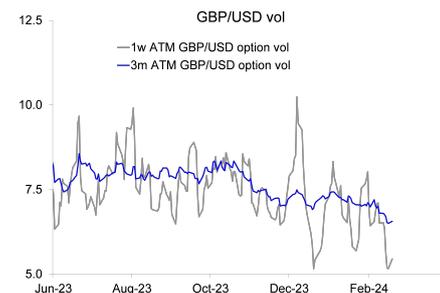
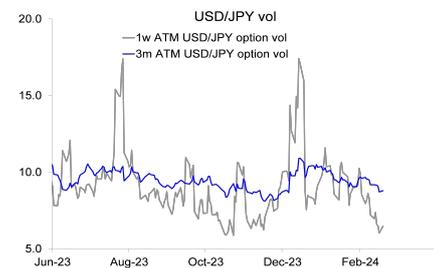
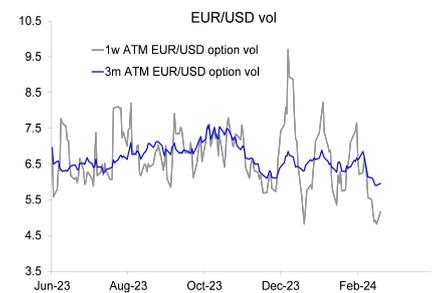
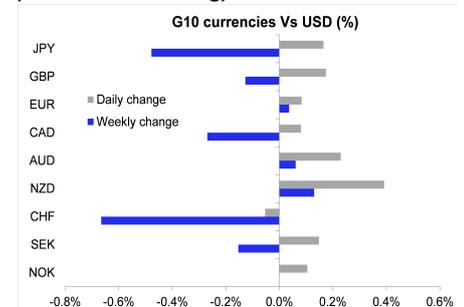
Source: Bloomberg

Europe. It's a quiet start to the week in the eurozone. Looking ahead a key point of interest will be the ECB's release of a wage tracker on Tuesday. Better data in this area are welcome given that it's a clear focus for the ECB policy debate.

US. It will be a much quieter week with limited data, few Fed speakers and less focus on earnings in the US. Monday will be especially quiet with markets closed for the President's Day holiday. Politics/geopolitics may take a higher profile. The Munich Security Conference ran over the weekend, with Trump's recent comments a warning for America's allies that a more transactional relationship is likely in the event of a Republican sweep in November's election. With Israel poised to push further into Southern Gaza, expect increased pressure from its allies to avoid civilian casualties also seems likely. At the tail end of the week, the South Carolina primary takes place. Trump is the overwhelming favourite and one get the impression that Haley remains in the race just in case Trump's legal problems trip him up. The first trial for Trump is currently set to start on 25 March. The trial is expected to last ~6 weeks. It seems the most minor of the 4 likely trials this year.

Market summary

(Source: Bloomberg)



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