

Mizuho Daily Currency Watch

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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 – Watching wages

With no lead from the US, Asian equities were mixed. Chinese banks lowered their 5yr prime rates, off which mortgages are based, by a more than expected 25bp to 3.95%. The 1yr rate was left unchanged. Chinese shares were initially unimpressed but eventually struggled back into positive territory. Japanese shares pushed lower. USTs started trading, with front end yields almost unchanged but at the longer end of the curve yields nudged a little higher. The DXY index was also a little higher in the Asian session. The RBA minutes showed the Board considering a hike at the 6 February meeting but in the end settling for leaving policy unchanged. AUD showed little reaction.

BoJ executive director Shimizu noted in comments in the Diet that financial conditions will likely remain accommodative if the Bank were to end NIRP. There is a widespread expectation that this will remain the case. There was solid demand at today's 20yr JGB auction with the bid/cover ratio pushing up to 3.85x, up from 3.13x last month and 2.58x in December. The tail was the shortest since July 0.04. The long end outperformed in the wake of the results. **USD/JPY pushed higher towards 150.40, shrugging off comments from Fin Min Suzuki who said he was monitoring the FX market with a high sense of urgency.**

Eurozone new car registrations were up 12.0%YoY in January. Otherwise it has been a quiet start to trade in Europe with **EUR/USD little changed around 1.0770 and GBP/USD also little changed around 1.2590.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – ECB's Euro area indicator of negotiated wages	--

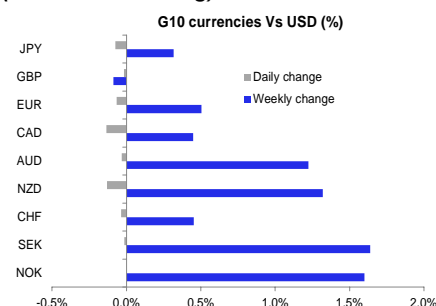
Source: Bloomberg

Europe. The ECB releases quarterly data on negotiated wages. The outlook for wages is central to the policy debate. Earlier this month the ECB published an Occasional Paper titled "A forward looking tracker for negotiated wages". www.ecb.europa.eu/pub/pdf/scpops/ecb.op338~dd97c1f69e.en.pdf?a1270dd1c874c2ecc6aa6deaf61f1cb3. Today's data will provide the latest jumping off point for these indicators. Negotiated wages are expected to have slowed somewhat after accelerating towards 4.7%YoY in Q3 last year – a record high. BoE's Bailey, Broadbent, Greene and Dhingra testify to the Treasury Select Committee.

US. Neither the Philly Fed non-manufacturing index nor the Leading index are likely to make many waves for investors today.

Market summary

(Source: Bloomberg)



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