

Mizuho Daily Currency Watch

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MIZUHO

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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 – Solid trade data fail to lift JPY

The Chinese authorities limited quant fund activity and bank have ramped up property lending. These factors helped Chinese stocks outperform in the Asian session. Elsewhere, shares mainly tracked US equities lower, with tech shares leading the way lower. It has been a quiet session for USTs with yields little changed and the DXY index was little changed too. Australian wage data were in line with expectations. While the bias is for slower gains in wages going forward, the RBA remains watchful.

Japan's trade balance was better than expected with exports a little firmer than expected, rising 11.9%YoY. The seasonally-adjusted trade balance turned positive to the tune of ¥235bn. This is the first surplus since May-2021. This is a strong recovery from the peak deficit of over ¥2trn/month in late 2022 as oil prices surged. **Despite the return to a surplus, USD/JPY was little changed and ended the session near the highs of the day around 150.05.** The Reuters Tankan for February showed business sentiment softening in both manufacturing and non-manufacturing. The Topix closed down 0.2%.

German's Economic Advisors will revise down their 2024 GDP forecast later today. Expectations are from something a little above 0.0%. **EUR/USD was little changed in Asian trade and sits around 1.0810 as European trade kicks off.** The UK fiscal data were in line with expectations and the market reaction was muted. The fiscal year-to-date deficit is ~£10bn less than the OBR forecast. **GBP/USD enjoyed a small bounce after the data and sits around 1.2630 as Europe gets underway.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – PSNCR (£bn, Jan)	-/12.9
UK – CBI trends survey, orders (DI, Feb)	-27/-30
EZ – Consumer confidence (DI, Feb)	-15.5/-16.1
US – FOMC minutes	--

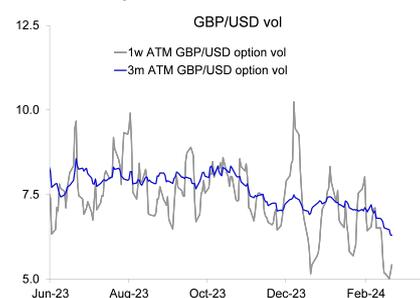
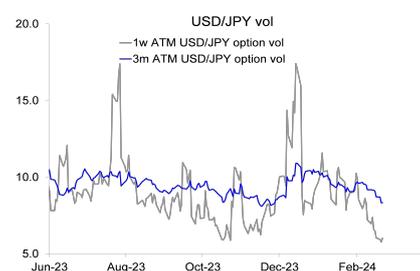
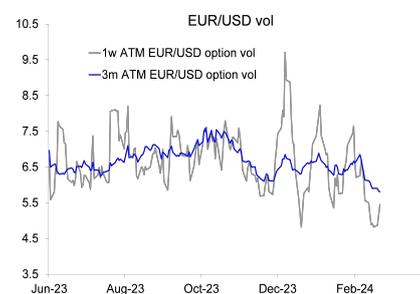
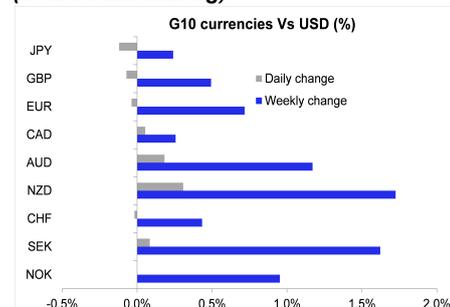
Source: Bloomberg

Europe. The BoE's Dhingra speaks on "Recent BoE projections". Recall that Bernanke's review is due in the spring. She spoke at the TSC on Tuesday and was dovish as expected. It would be a surprise if she wasn't dovish today as well. A number of other BoE speakers also spoke at the TSC yesterday. In general, they seemed much more cautious about the need to cut rates and looked to be pretty patient as a whole. The fiscal data for January will be the final set before the 6 March budget. The Treasury usually runs a surplus in January as tax receipts are received. The data will help the OBR calculate how much headroom the Chancellor will have for tax cuts. The government's political situation is dire and we expect that the Chancellor will use all the headroom he has.

US. In the press conference following the January FOMC meeting Chair Powell said the Fed wanted more confidence that inflation would come down and stay down. Wednesday's minutes will be watched for any signs of the Fed detailing exactly what they are looking for that would make them confident. We suspect that slower nominal growth would help. The recent CPI and PPI certainly will not help and likely put the start of rate hikes back at least one meeting and possibly two. We continue to see rate cuts as being a H2 development. The Fed's Bostic makes opening remarks, which we doubt will cause much of a stir. Today's 20yr auction will test demand at the long end of the curve.

Market summary

(Source: Bloomberg)



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