

# 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 – Tech earnings boost risk appetite, sink USD

Strong US tech earnings after the bell supported Asian tech stocks, especially in Japan where the Nikkei surged over 2% to a record high, taking out the 1989 bubble-era peak. Yesterday, the Fed's Barkin said he was concerned that when goods price disinflation petered out, services CPI would still be too elevated. The FOMC minutes suggested the Fed continued to see easing too early as the bigger risk. Yields pushed higher during the US session but eased off the highs during Asian trade. The DXY came under pressure in Asian trade as risk appetite improved.

MoF's weekly flow data for the week ending 16 February showed overseas investors remaining solid buyers of Japanese equities. Overseas participation has been a factor in driving the Nikkei to a record high. At the same time Japanese investors were decent buyers of overseas stocks but sellers of overseas bonds. Japan's flash PMI data were disappointing, with the composite PMI slipping back to 50.3, while department store sales were firm in January at 7.1%YoY. Governor Ueda spoke today noting "I expect that a virtuous economic cycle in which inflation rises gradually with an increase in wages and employment will strengthen". His commentary suggests that despite a run of soft macro data, the BoJ remains on track for policy normalisation in the spring. We continue to see April as the most likely timing for the exit from NIRP. **USD/JPY dipped a little to sit around 150.10 as Europe opens.** Late yesterday the ECB's Wunsch said it remained possible that policy rates would remain tight for longer than currently expected and that labour markets were tight. Ahead of the busy session, **EUR/USD sits near 1.0850, its highest since non-farm payrolls on 2 February.** It was a quiet start in the UK. **As with EUR, GBP/USD drifted higher through Asian trade and sits around 1.2665.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Composite PMI (DI, Feb)	48.4/47.9
EZ – CPI, final (%YoY, Jan)	2.8/2.8 (p)
UK – Composite PMI (DI, Feb)	52.9/52.9
US – Weekly jobless claims (k)	216/212
US – Composite PMI (DI, Feb)	51.8/52.0
US – Existing home sales (%MoM, Jan)	3.2/8.0

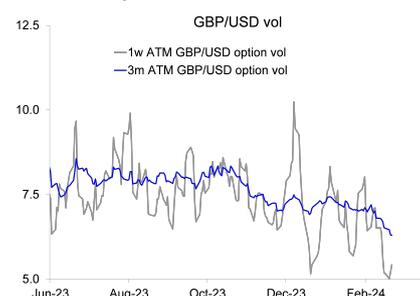
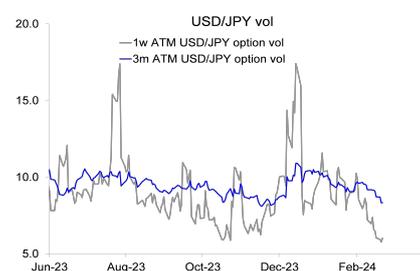
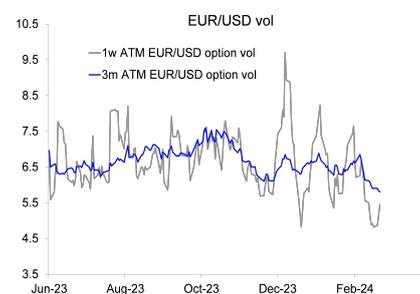
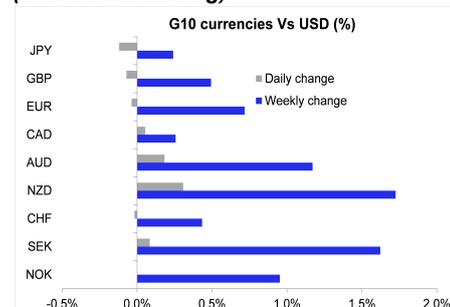
Source: Bloomberg

**Europe.** The PMI data are among the most important of the month. They are a staple of most short-term macro models for GDP forecasting. The ECB noted recently that after a difficult period during the pandemic, the PMI's leading indicator properties have normalised. A minor improvement is expected that would leave the composite PMI below 50. Globally, it seems as if manufacturing is bottoming out. In the UK the level of the composite PMI is much healthier. In the UK too manufacturing may edge higher. The ECB publishes its account of the January policy meeting. President Lagarde was not as hawkish as she might have been in the press conference and it will be interesting to see if that tone is reflected in the minutes. The BoE's Green speaks. As a recent convert to keeping rates on hold, her views are of interest. If she is starting to sound dovish then it is possible that some of the centrist MPC voters will do so as well.

**US.** Weekly jobless claims remain very low even as continuing claims are edging higher. The US the PMI data get less focus than the more-established ISM data. The Fed, Jefferson, Harker, Cook and Kashkari speak. Jefferson speaks infrequently. His comments will be worth looking out for.

## Market summary

(Source: Bloomberg)



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