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 Ito keep GBP supported*

Overnight comment – What's the rush?

Most Asian equity indices nudged higher overnight, while US equity futures were flat. Japanese markets were closed for a national holiday. The Fed's Waller spoke overnight noting "*The strength of the economy and the recent data we have received on inflation mean it is appropriate to be patient, careful, methodical, deliberative – pick your favourite synonym…Whatever word you pick, they all translate to one idea: What's the rush?*" Other officials also suggested being patient including Vice Chair Jefferson. Cash UST were closed but futures were soft. After a volatile session in FX markets yesterday, the DXY index was little changed in Asian trade. **USD/JPY pushed a little higher during the Asian session to trade around 150.55 as Europe opens**.

The second estimate of German GDP was unchanged from the initial estimate. With the German PMI moving further below the 50 level yesterday, there is a good chance that Germany has finally succumbed and fallen into recession after 7 quarters on the brink. **EUR/USD was little changed during Asian trade to sit around 1.0830 as Europe opens**.

UK consumer confidence unexpectedly deteriorated in February, ticking up down not -21 from -19 in January. Yesterday, the OBR reported that its market rates estimates will use the average of the 10 days to 23 January, which is around 25bp lower than current rates. The estimate will also include a larger population and upward revision to tax receipts. The electricity and gas regulator Ofgem provided the data for the price cap for Q2. The cap will fall 12% to £1690, slightly higher than expected. Nonetheless, it's the lowest level since March 2022. Lower domestic gas bills are expected to drive the UK CPI down towards 2% in the spring. **GBP/USD was flat around 1.2665 in Asian trade**.

Today's Major Events and Data Releases

Events over coming 24 hours	*Survey/Prev*
EZ – CPI expectations (3 year horizon, Feb)	*2.4/2.5*
UK – Consumer confidence (DI, Feb)	*-18/-19*
EZ – IFO business climate (DI, Feb)	*85.5/85.2*

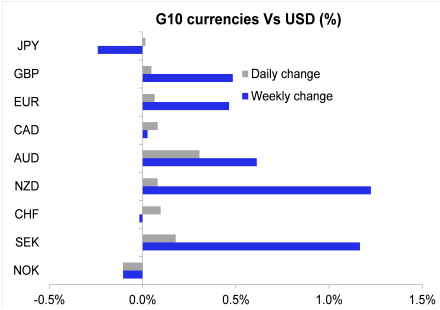
Source: Bloomberg

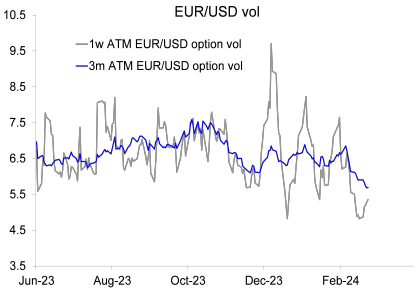
Europe. The ECB releases its survey of inflation expectations at the 1yr and 3yr horizons. The ECB's Schnabel speaks addressing the topic "Has the battle against inflation been won?" We assume she will answer the question with a categorical "No". The February IFO index is due. Germany is weighing on eurozone activity. Despite a run of very weak numbers which have left the YoY growth rate down 0.4%, Germany has managed to avoid two consecutive negative quarters of growth. The IFO index remains depressed and implies that the technical definition of a recession may finally be met when the Q1 GDP data are released. The MPC's Green speaks again today. We assume she will have little to add to her comments on Thursday, in which she appeared in no rush to vote for rate cuts.

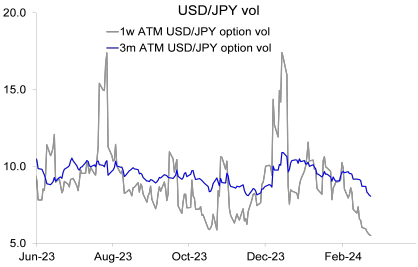
US. Quiet session in the US to end the week with no data, no earnings and no Fed speak ahead of Saturday's South Carolina Republican primary, where Trump is the heavy favourite. Indeed, if Trump didn't have potential legal problems we assume Hailey would have thrown in the towel by now. Hailey has vowed to stay in the race until Super Tuesday on 5 March.

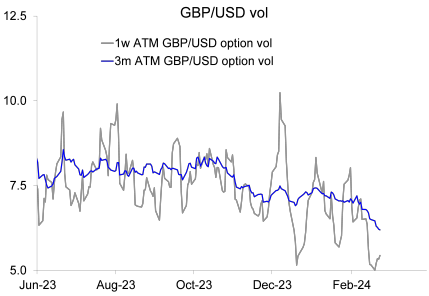
Market summary

(Source: Bloomberg)









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