

Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Disinflation resumes, EUR downside bias
USD	PCE jump to keep USD supported
JPY	Weak CPI, production drop to put JPY under pressure
GBP	Data drout means sterling drift

Overnight comment – DXY index drifts lower

Hopes of a temporary ceasefire in Gaza seem to be on the rise with US National Security Advisor Sullivan sounding optimistic on Sunday. Nonetheless, financial markets took little comfort, with most Asian equities lower on the day, led by China. US equity futures were also a little softer. Despite the prospect of heavy issuance this week, UST yields pushed lower in Asian trade, continuing Friday's decline. Brent crude futures broadly held Friday's dip. The DXY index pushed a little lower in Asian trade alongside the drop in UST yields. Friday's weekly CTFC data showed both speculators and asset managers very downbeat on AUD.

In Japan, the Topix outperformed, the services PPI dipped more than expected and JGBs bull flattened supported by the of month-end index extensions. USD/JPY was little changed with volatility continuing to slide. **USD/JPY sits around 150.40.**

Over the weekend Bloomberg reported that the ECB remains on track to announce a new operational framework in spring. The report noted implementation might take 2 years. On Friday, Dutch natural gas futures dropped to their lowest since May 2021, which in due course will result in downside pressure on headline inflation in the eurozone. Core inflation is a different issue. **EUR/USD edged higher during the Asian session to sit around 1.0835 as Europe opens.** It was a quiet start to trade in the UK. Adzuna, a job search engine, reported at 15% YoY drop in job openings. **GBP/USD also drifted a little higher in Asian trade to sit around 1.2675 as the European session gets underway.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – CBI distributive trades, sales (DI, Feb)	-/-33
US – New home sales (%MoM, Jan)	3.0/8.0

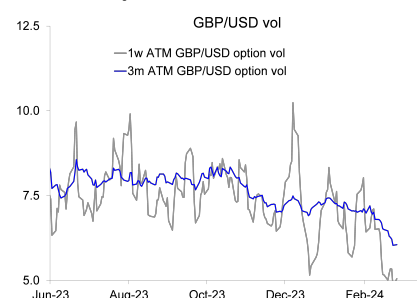
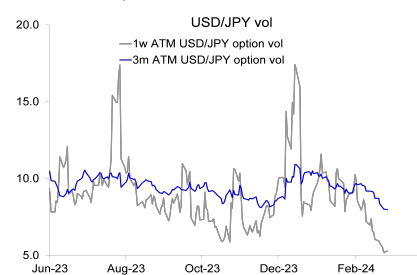
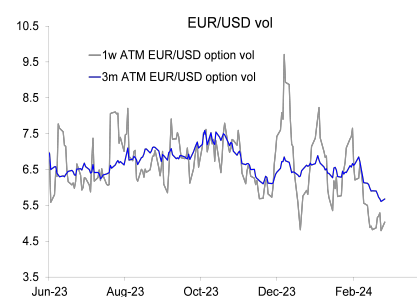
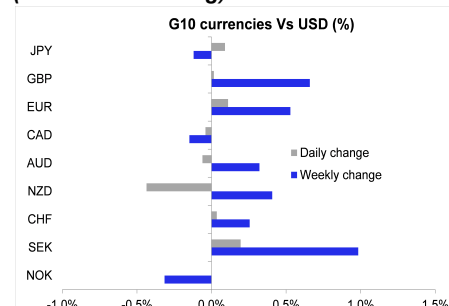
Source: Bloomberg

Europe. President Lagarde, Vujcic and Stournaras all speak. Lagarde speaks in the EU parliament on the ECBs 2022 annual report. On Friday Stournaras, a noted dove on the ECB said that the first cut was likely in June, saying "*The latest deceleration in wages gives hope that we are on track, But we won't have enough information to decide on rate cuts before the end of the second quarter — so June.*" A number of his colleagues also suggested patience was the best strategy and that there was no rush to tighten policy. We continue to expect a first move in June. The activity data would need to be very weak to trigger a move in April. In the UK the CBI's distributive trades survey is due. Deputy BoE Governor Breeden and Pill speak at the BoE's research conference.

US. Trump's sizable victory over Hailey in her home state suggests that unless his legal problems trip him up, he will be the Republican nominee for President. Note Super Tuesday, when over a dozen states will hold primaries, is on 5 March. The NY Fed nowcast for Q1 sits at an above trend 2.8% saar. A potential minor government shutdown starting on 1 March and possibly broadening on 8 March may temporarily nudge the growth path lower but markets have been here many times before. House Republicans remain divided on how to proceed. The House reconvenes on Wednesday leaving very limited time to pass a funding package. New home sales likely rose in January but mortgage rate have subsequently pushed back above 7.0%.

Market summary

(Source: Bloomberg)



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