

# Mizuho Daily Currency Watch

27 February, 2024

MIZUHO

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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 – CPI lifts JPY

US equities took a breather after the record highs seen last week. Asian shares were soft at the open but a rally in China through the session saw most major indices close higher, although Taiwan and S Korea both declined. UST yields dipped a little in the Asian session, while the DXY index pushed lower.

Japan CPI eased in January but by less than expected. Bloomberg reports that is partially related to overseas package holiday prices, where MIAC has restarted collecting prices again after Covid. Foreign package travel jumped 63%YoY. Travel prices everywhere are sharply higher in the post-Covid world, especially in Japan where the currency has been so weak. We would note that the new level of prices is likely correct but the pace of gains in terms of the YoY rate will have been too low while prices were not collected and now appears to high. Headline CPI dropped from 2.6%YoY to 2.2%YoY, vs 1.9%YoY expected. Ex fresh food and energy remained elevated at 3.5%YoY, down from 3.7%YoY. The higher than expected CPI saw 2yr JGB yields push higher and now sit at a multi-year high around 0.17%. Month-end buying helped limit any upside pressure further along the curve. **USD/JPY dropped through the session to sit around 150.30 as Europe opens.**

German consumer confidence remained near rock bottom levels in February. Germany remains the “tired-man” of the eurozone. French consumer confidence for February was a little weaker than expected, making the recent recovery look a little less solid. On-going declines in inflation and a solid labour market should mean that consumer spending picks up in H2. Despite the weak consumer confidence, **EUR/USD pushed a little higher late in the Asian session to sit around 1.0855 as Europe opens.** UK shop price index showed a sharp drop in February from 2.9%YoY to 2.5%YoY led by on-going decline in food prices. Non-food prices were unchanged. **GBP/USD tracked EUR/USD higher and sits around 1.2685 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – M3 (%YoY, Jan)	0.3/0.1
US – Durable goods orders (%MoM, Jan)	-5.0/0.0
US – House prices (%YoY, Dec)	6.0/5.4
US – Consumer confidence (DI, Feb)	115.0/114.8

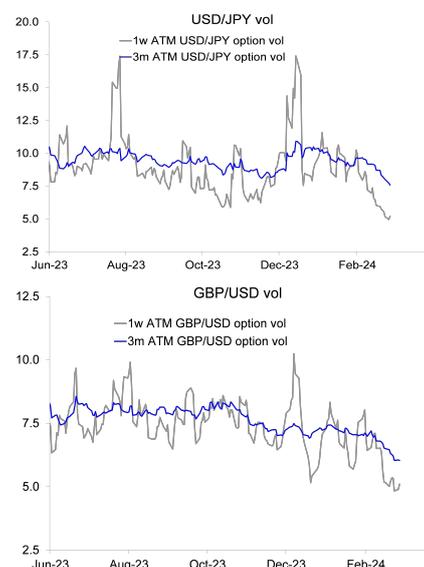
Source: Bloomberg

**Europe.** The money and credit data have been among the indicators appearing most downbeat on the outlook. Eurozone M3 now looks to have bottomed out and be in the throes of a mild recovery. The ECB's Elderson speaks as does the BoE's Ramsden.

**US.** A pick up in US consumer confidence may have electoral implications. The president does not currently seem to be getting much credit for the strong US economy. House prices seem to be picking up again, which may help. The Fed's Schmid speaks.

## Market summary

(Source: Bloomberg)



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