

# Mizuho Daily Currency Watch

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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 – Takata “Price target in sight” comment lifts JPY

Late yesterday, US Congressional leaders said they had a deal to prevent a shutdown. It initially pushes back the deadlines to 8 March and 22 March. Asian stocks were mixed, with China leading the gains. The Topix was near flat. US equity futures were little changed. UST yields were little changed, as was the DXY index. The yen was the big mover, while AUD and NZD pared some of yesterday's dip. DM FX volatility has ticked a little higher in the short dates as the ECB meeting is now less than 1-week away. Nonetheless, volatility remains near multi-year lows as investors wait for the G10 easing cycle to get underway.

BoJ's Takata spoke today helping the yen shrug off weak industrial production data that cast doubt on whether Q1 GDP in Japan will be positive. Despite weak activity data it seems the BoJ is set to exit NIRP in the near future. Takata noted that in his view “the price target is finally coming into sight”. He went on to say “its fine to shift the gear one notch lower... We wouldn't just keep hiking over and over”. **In the wake of the speech USD/JPY pushed down below 150 for the first time since 21 February, as far as 149.70.** Industrial production for January dropped 7.5%MoM, while retail sales were up 0.8%MoM after a sharp drop in December. Company forecasts for February and March imply negative growth on the quarter. MoF's weekly flow data showed overseas investors taking a break from buying Japanese stocks, while Japanese investors bought overseas stocks (¥225bn) and sold bonds (¥257bn).

German retail sales for January were soft. EUR/USD sits around 1.0830 as European trade gets underway as investors await national inflation prints. In the UK the Lloyds business barometer nudged a fraction lower but the level remains well above the long-run average. Yesterday the BoE's Mann noted that much consumer spending seemed to be immune to higher rates making the Bank's job of controlling inflation harder. She also noted the UK weak supply side developments potentially keeping rates higher. **GBP/USD was off yesterday's lows to sit around 1.2665 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – M4 ex OIFCs (3m% saar, Jan)	--/4.4
US – Personal income (%MoM, Jan)	0.4/0.3
US – Personal spending (%MoM, Jan)	0.2/0.7
US – Core PCE (%MoM, Jan)	0.4/0.2
US – Weekly jobless claims (k)	210/201

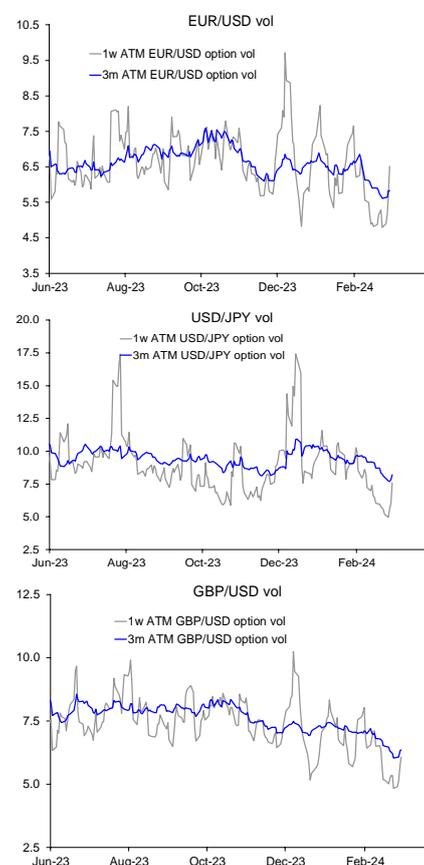
Source: Bloomberg

**Europe.** It is an important day for data, although none of it is at the eurozone level. National releases include French consumer spending, German unemployment and German, French and Spanish CPI data, which will form the bulk of the Eurozone flash CPI report on Friday. Policy-driven energy price rises should keep French headline CPI elevated, while food prices are an upside risk in the wake of farmers protests. In contrast, Spanish CPI should push lower on base effects. German CPI is also seen lower. In the UK the money and credit data are due. The housing market looks like it has eased a little in recent months and mortgage approvals may pick up.

**US.** The core PCE data will be the highlight of the data week. In the wake of the solid CPI and PPI data a 0.4%MoM print is expected, which will push the 3m and 6m averages higher. Despite the MoM jump, YoY rates should continue to ease a little. For the Fed Bostic, Goolsbee and Mester all speak. Goolsbee seems impatient to ease but most of his colleagues see no rush to alter policy.

## Market summary

(Source: Bloomberg)



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