

# Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

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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 – Ueda caution weighs on JPY

Record highs for US stocks saw Asian equities trade higher led by the Nikkei which pushed up 1.9% to a new high. Asian manufacturing PMI data were mixed, but continue to imply manufacturing across the region remains under pressure. Chinese PMI data were also mixed with the official manufacturing PMI nudging lower (49.1 vs 49.2) and the Caixin manufacturing PMI edging higher (50.9 vs 50.8). UST yields were choppy in Asian trade, but broadly held the post-PCE declines. The DXY index was also choppy holding the bulk of the post-PCE gains.

Japan's labour market data for January were in line with expectations with the unemployment rate remaining at 2.4% and the job offers/applicants ratio unchanged at a solid 1.27x. Consumer confidence for January came in a little better than expected with the headline index at 39.1, just a fraction below the post-pandemic high. **The yen was among the worst G10- performers in the Asian session as BoJ Governor Ueda again sounded cautious on the achievement of the inflation target** ("We are not yet in a position to foresee the achievement of a sustainable and stable inflation target"), **with USD/JPY pushing up towards 150.40.**

It was quiet start in the eurozone ahead of key price and labour market data later in the session. **EUR/USD sits around 1.0815 as European trade gets underway.** The UK house prices rose more than expected in February, pushing the YoY rate into positive territory at 1.2%. Yesterday the Government announced that OECD Chief Economist Lombardelli will replace Broadbent as Deputy Governor for Monetary Policy from 1 July. She does not seem especially dovish and the balance of the MPC doesn't seem likely to change. **GBP/USD sits around 1.2635 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – CPI, flash (%YoY, Feb)	2.5/2.8
EZ – Core CPI, flash (%YoY, Feb)	2.9/3.3
EZ – Unemployment (%), Jan)	6.4/6.4
US – ISM m'fact (DI, Feb)	49.5/49.1
US – Auto sales (%saar, Feb)	15.4/15.0

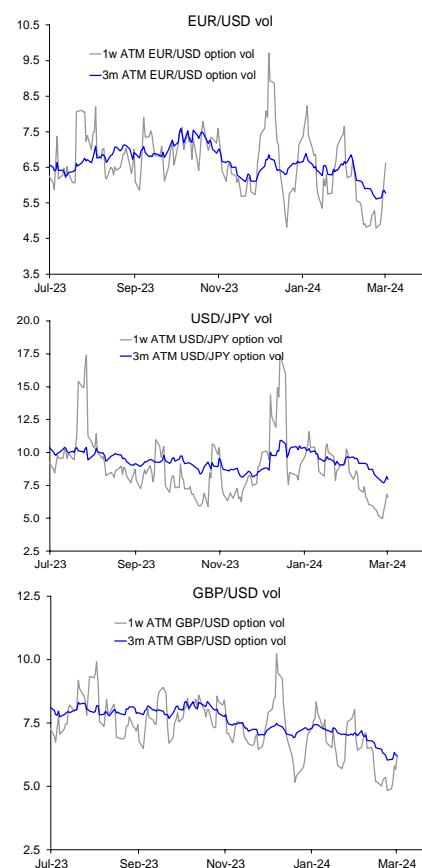
Source: Bloomberg

**Europe.** The French and German CPI releases were broadly in line with expectations while Spanish CPI was fractionally firmer, suggesting that the Eurozone data today will be close to consensus with a marginal upside bias. The main interest today will be in core CPI, which is seem dropping a similar amount to headline CPI. Eurozone unemployment was at the cycle low in December. After the tick higher in the German data in January the risks seem to be on the upside vs the consensus forecast for an unchanged print. The rock solid labour market is buttressing the ECB's call for keeping rates on hold into summer. The final manufacturing PMIs in the UK and the eurozone will not likely make waves. For the ECB Holzmann speaks. For the BoE Pill speaks.

**US.** The manufacturing ISM and auto sales data are the highlight for today. Auto sales are among the first hard data points for the month. Sales have been choppy of late. Also construction spending, the U Mich consumer sentiment data and the final m'fact PMI are also due. For the Fed, Williams, Barkin, Waller, Logan Bostic, Kugler, Schmid and Daly all speak. Waller and Logan speak jointly on QT, which should be of interest. Recall that there is likely to be a wider QT discussion at the March Fed meeting. Daly and Schmid talk on AI and the labour market. Kugler speaks on the dual mandate.

## Market summary

(Source: Bloomberg)



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