

Mizuho Daily Currency Watch

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MIZUHO

Currency	Main focus of the week (S-T view)
EUR	ECB on hold, weaker forecasts, EUR downside is path of least resistance
USD	Solid data to keep USD supported
JPY	CPI jump, wage estimates to keep BoJ hike on track and JPY firm
GBP	Responsible budget to do little for GBP

Overnight comment – Quiet start to a busy week

Asian equities were mixed, with some of the early gains dissipating through the session. Tech shares led the gains, with the Nikkei pushing through the 40k level. Note that the broader Topix closed a little lower on the day. UST yields edged off Friday's lows and the DXY index was little changed. Friday's global manufacturing PMI showed output expanding for a second consecutive month and new orders above the 50 level for the first time since August 2022. Optimism on the outlook remained near January's 9 month high. S&P noted *"the cyclically sensitive ratio of new orders-to-stocks of finished goods edged up to its highest level since May 2022"*. OPEC+ extended its production cuts through end June as expected. Oil may be near year to date highs but the bigger picture is that prices have been quite stable in the year to date. In contrast natural gas prices have dropped sharply in the year to date and will help ease headline inflation in coming months. On Friday the Fed's Waller said he wanted to allow all MBS to roll off the Fed's balance sheet and that he also wanted a higher proportion of short-dated USTs, which helped steepen the 2x10s curve for a 5th consecutive session.

MoF data on capex spending was firm suggesting an upgrade to Q4 GDP when the data are released next week. From the BoJ's perspective the data help support the recovery narrative, with businesses continuing to invest rather than pulling their horns in. On Saturday, Kyodo News reported that the government was considering declaring an end to deflation after seeing this year's spring wage negotiations. The BoJ's quarterly JGB market survey shows market dysfunction continuing to ease, with the DI now at -29, from -31 in November. The index was below -60 at the start of 2023. The survey also showed respondents expected 10yr yields at 0.82% by end March and 0.98% by end December. The longer-end of the curve was under pressure ahead of the 10yr action tomorrow and the 30yr on Thursday. **USD/JPY pushed higher through the session to sit around 150.35 as Europe opens.**

It was a quiet start to the week ahead of the ECB meeting. **EUR/USD edged a little higher at the start of European trade to sit around 1.0850.** Over the weekend and ahead of Wednesday's budget, UK Chancellor Hunt was in expectations management mode, saying he would only cut taxes in a responsible way and that he would not borrow to lower taxes. The press report that the fiscal headroom will be at the low end of the scale so that he will have to raise taxes elsewhere if he wants to make big cuts to income tax or national insurance. **GBP/USD sits around 1.2665 as European trade gets underway.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
No major data released	

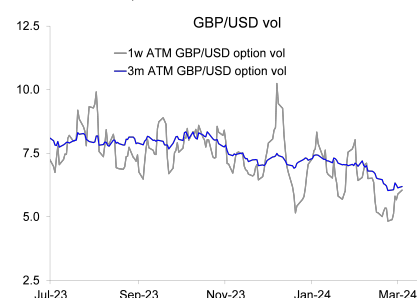
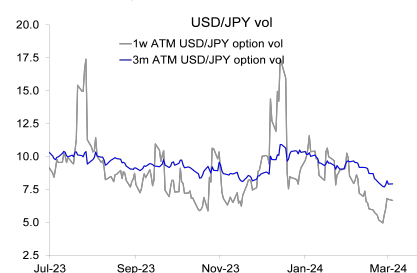
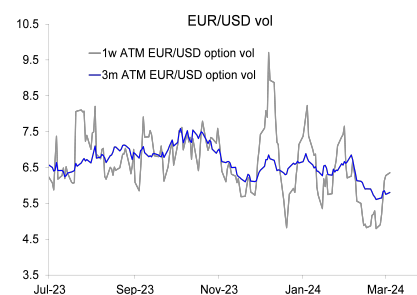
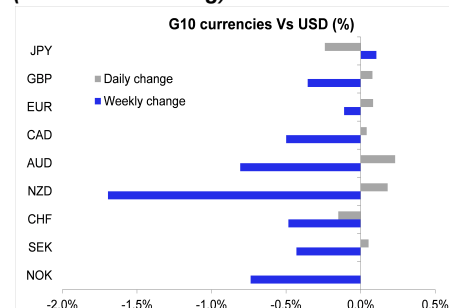
Source: Bloomberg

Europe. The Sentix investor confidence index for the eurozone is not likely to cause any waves. The ECB's Holzmann speaks in Vienna although ahead of Thursday's ECB meeting he is not likely to discuss policy. The ECB meeting on Thursday is the main event in the eurozone and the budget on Wednesday is the main event in the UK

US. Trump continues to perform strongly in the Republican primaries ahead of Super Tuesday on 5 March. Alas for Trump its most likely not only about winning votes but also legal battles in coming months. The Fed's Harker speaks. Fed Chair Powell's testimony to Congress on Wednesday and Friday's payrolls are the highlights of the week.

Market summary

(Source: Bloomberg)



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