Mizuho Daily Currency Watch

5 March, 2024

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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 – USD in demand

US equities closed lower and most Asian indices tracked US shares, led by the Hang Seng. The Topix was among the exceptions even as the Nikkei ran into a little profit taking. UST yields bull flattened a little in the Asian session, while the DXY index pushed a little higher. The main focus was on China's National People's Congress and the economic targets for 2024. The GDP target was left unchanged at around 5% with Premier Li Qiang noting that such a target would need "*policy support and joint efforts from all fronts*". Base effects means the 2024 target will be much more challenging that it was last year. China's Caixin services PMI was a little softer than expected leaving the composite PMI unchanged at 52.5.

Tokyo CPI Japan for February jumped from an upwardly revised 1.8%YoY to 2.6%YoY as energy subsidies roll off. While the headline print was a little higher than expected, ex fresh food and energy (ex ff&e) CPI was in line with expectations at 3.1%YoY, down from 3.3%YoY. We have long noted that ex ff&e CPI is a better metric of underlying price pressures than headline inflation (which has been heavily distorted by subsides for much of the past year) and it remains well above the BoJ's 2.0% target. Ex ff&e CPI is likely to ease in coming months but will probably be above 2.0% for the rest of 2024. The final composite PMI nudged a little higher in February to 50.6 from the initially reported 50.3. 10yr JGB auction saw decent demand with the tail the shortest since October, although the bid/cover ratio did dip a little to 3.24x. USD/JPY held in well, supported by the jump in headline CPI, as the greenback gained against most other G10 currencies, especially towards the end of the session. **USD/JPY sits around 150.50 as Europe opens**.

In the eurozone, the focus remains on the ECB meeting on Thursday. **EUR/USD pushed a little lower to sit around 1.0850 as Europe opens**. UK BRC retail sales were soft coming in at just 1.0%YoY, with a lot of the weakness seen as a function of the wet weather during the month. The YoY rates are dropping sharply, which is in large part a function of easing inflation. The press continues to speculate on tomorrow's budget. It looks as if Chancellor Hunt will need to create room for income tax/NI cuts by hiking taxes elsewhere as headroom vs the fiscal targets is likely small. **GBP/USD dipped in overnight trade to sit around 1.2675 as European trade gets underway**.

Today's Major Events and Data Releases

Events over coming 24 hours	*Survey/Prev*
UK – New car registrations (%YoY, Feb)	*--/8.2*
EZ – PPI (%YoY, Jan)	*-8.0/-10.6*
US – Non-manufacturing ISM (DI, Feb)	*53.0/53.4*

Source: Bloomberg

Europe. Final composite PMI data in the UK and the Eurozone are not likely to make waves. The additional information content is likely to be limited. UK new car registrations are also due. The focus in the eurozone is Thursday's ECB meeting and in the UK its Wednesday's budget.

US. The non-manufacturing ISM will be the main data focus for investors. The index sits at a solid 53.4. A mild dip would still suggest the sector remains in decent shape. Not so "Super Tuesday" is likely to strongly suggest it will be a re-match of Trump vs Biden in early November.

Market summary

(Source: Bloomberg)