

# Mizuho Daily Currency Watch

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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/JPY dips at the European open

Despite the sharp drop in US equities, Asian equities were mostly higher, with India the main exception. There were no surprises in the US primaries. UST yields were a fraction higher in the Asian session, off Tuesday's lows. The DXY index was little changed. The Topix shrugged off weak US equities and a firmer yen to push higher. At 2730, it still has ~6% to go to take out the 1989 high at 2887. JGB yields moved higher at the open but eased off during the session amid speculation of a March BoJ move. The BoJ is reportedly set to revise down its assessment of consumption and production at the 19 March BoJ meeting. **USD/JPY dropped late in the session to sit around 149.60 as Europe opens**, possibly on the back of a Jiji report on the March BoJ meeting. The German trade balance continues to push higher, surging to over €27bn. EUR/USD pushed higher during the Asian session but remained below Tuesday's high. **The pair sits around 1.8060 as Europe opens**. Budget leaks had limited impact as GBP tracked EUR higher. **GBP/USD trades near 1.2710**.

## Market summary

(Source: Bloomberg)

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Budget	--
EZ – retail sales (%YoY, Jan)	-1.3/-0.8
US – ADP (k, Feb)	150/107
US – JOLTS openings (k, Jan)	8850/9026
US – Beige Book	--

Source: Bloomberg

**Europe.** The UK budget is due at 12.30 GMT. Over the weekend, the Chancellor was pushing the "responsible prudence" line in an effort to dampen expectations and said that the latest OBR projections had moved against the government, showing limited room for tax cuts. Thus the Chancellor will likely need to make room for tax cuts, with non-doms, vaping, energy companies, airlines and holiday homes all potential targets. National Insurance (NI) cuts would make the most sense (as the OBR scores them as boosting labour supply and thus not being especially inflationary) but are less well understood by the public than income tax cuts. The government looks to have received limited credit from the electorate for the NI cuts in November and the polls have only got worse. Economics points to NI cuts but politics points to income tax cuts. The press report that Hunt has opted for a 2p NI cut (which although slightly cheaper will use up the bulk of the available fiscal space). We expect the boost to activity to be minor but nonetheless positive. The budget is unlikely to do much for the government in the polls. We continue to expect a change of government at the next election.

**US.** Both the JOLTS report and the ADP have fallen out of favour of late. The ADP report has never really recovered from revisions to the methodology, while there are concerns about the response rate in the JOLTS data. This leaves the focus today squarely on Powell's testimony to the House Financial Services Committee. We suspect that he will reiterate that the Fed is in no rush to cut rates. He will likely swerve any questions on the balance sheet. The BoC meet today. While we think the SNB is likely to be the first G10 central bank to cut rates, at its 21 March meeting, it only meets every quarter. If it's not the SNB, we think the BoC has a shot at being the first to cut, although March is too early.

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