

Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Downside is path of least resistance against a light data backdrop
USD	Inflation data not likely to provide confidence...USD firm
JPY	JPY to remain solid as recession is revised away and wage reports look upbeat
GBP	Recession in the rear-view mirror

Overnight comment – What recession?

Asian equities were mixed with Japan & Australia leading the declines and Hong Kong & China the gains. Chinese stocks were supported by news that regulators are pushing banks to extend further support to the property sector. Over the weekend China's CPI was much firmer than expected but the PPI was weaker. The latter is more likely the better signal, with the CPI more likely impacted by temporary factors. UST yields were little changed in Asian trade and the DXY index was too after a volatile end to last week.

In Japan, the second estimate of Q4 GDP saw the H2-23 recession revised away much to the relief of the BoJ. The upward revision was smaller than expected (0.1%QoQ vs 0.3%QoQ expected) but still positive nonetheless. The GDP deflator was revised up a little to 3.9%YoY. JGB yields jumped on a Jiji report, from late Friday, on YCC being replaced with a framework that would target the amount of JGBs bought. The curve bear steepened with 10yrs up over 3bp to sit around 0.75%. The weekly CTFC data showed speculative investors lightening up on JPY shorts. JPY short positioning remains elevated and is likely to be reduced further as a BoJ move comes closer. Japanese equities were also under pressure with the Topix down over 2%, driving speculation that the BoJ bought ETFs for the first time since October. **USD/JPY ended the session little changed around the 147.0 level, although early in Tokyo trade it did drop towards 146.55.**

In Europe, the Portuguese right-wing parties dominated the election and the Italian government coalition won a regional vote. Dutch industrial production was very weak. **EUR/USD was little changed around 1.0945.** In the UK, the Report on Jobs for February weakened further. It showed demand for staff declined at the fastest rate since early 2021. Candidate availability increased sharply and starting salaries rose at the slowest rate since March 2021. The reduction in temp billings was the steepest since July 2020. The picture painted here is at odds with the BoE's Decision Makers' Panel. **GBP/USD was little changed in Asian trade to sit around 1.2855 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Report on jobs	

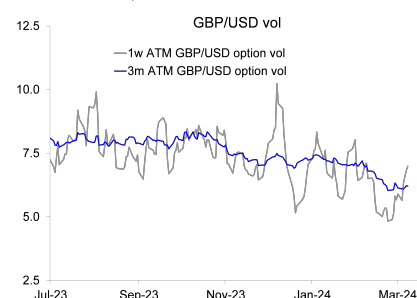
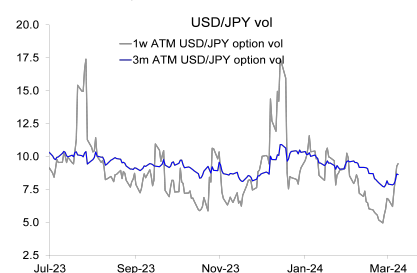
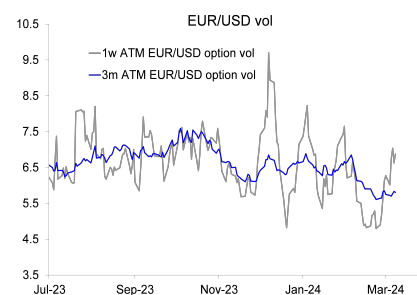
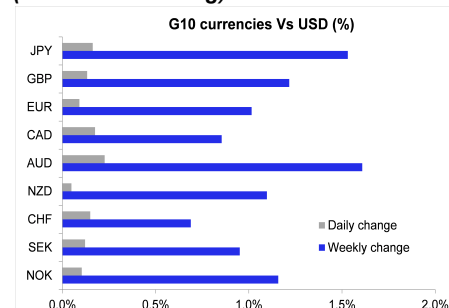
Source: Bloomberg

Europe. It is a quiet start to a quiet week in the eurozone. Its hard to imagine that there will not be any ECB commentary today, although none is scheduled. In the UK, the REC Report on Jobs is due. It has been giving a much softer picture of the labour market compared to the BoE's Decision Maker Panel. Both surveys have been attracting more attention while the official labour market data are in for repairs. There are no BoE speakers ahead of the 21 March BoE meeting.

US. It is a very quiet start to a data-heavy week, which includes the CPI, PPI, retail sales and industrial production. There are no scheduled Fed speakers ahead of the 20 March FOMC meeting. The CPI and PPI look likely to remain elevated and are thus not likely to provide the Fed with much confidence that it is on track to get inflation down. Retail sales should look elevated, while production should remain weak. There is UST supply early in the week with 3yrs on Monday, 10yrs on Tuesday and 30yrs on Wednesday.

Market summary

(Source: Bloomberg)



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