

# Mizuho Daily Currency Watch

18 March, 2024

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	Downside is path of least resistance given developments elsewhere
USD	Risks are for higher dots, which would keep USD firm
JPY	JPY lift from firmer policy in doubt. JPY to remain under pressure
GBP	BoE on hold but limited sense of urgency to cut. Mild upside bias.

## Overnight comment – Slow start to central bank week

Asian shares opened the week on the front foot, led by solid gains in Japan. Event risk in the coming week is high given the slew of central bank meetings but equities pushed ahead regardless. UST yields were flat in the Asian session as was the DXY index. Chinese data were mixed with industrial production better than expected but housing still under pressure.

Last week's solid wage data have shifted the needle with regard to the BoJ meeting that concludes on Tuesday. The bulk of the press, including the usually reliable Nikkei, have suggested that policy change will happen this week. Bloomberg reports that 90% of BoJ watchers think the move will come this week. Given that expectations have risen so far, it seems hard for the BoJ not to move. If the BoJ is not going to move then the Bank has done a poor job of damping expectations. Not moving now would likely spur more volatility than moving. JGB yields moved lower across the curve and the Topix was up sharply. **USD/JPY has moved a little higher through the Asian session and sits around 149.25 as Europe opens.** Despite expectations of tighter policy this week, Japanese markets seem comfortable with the notion that policy will remain loose even after the first step on the route to the exit from the current ultra-loose policy settings.

Over the weekend De Cos noted that the first ECB cut could come in June, while Rehn said the ECB could probably take its foot off the brake in the summer. We would characterise both as leaning dovish rather than outright doves and their support for June means that June is highly likely. The outright doves do not have the support for an earlier move. **EUR/USD was little changed during Asian trade to sit around 1.0895 as European trade gets underway.** In the UK Rightmove house prices rose 1.5%MoM in March, up for a third consecutive month. Prices are now no longer declining on a YoY basis. **Like EUR/USD, GBP/USD drifted sideways through Asian trade and sits around the 1.2735 level as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Trade balance, sa (€bn, Jan)	--/13.0
EZ – CPI, final (%YoY, Feb)	2.6/2.6
US – NAHB (DI, Mar)	48/48

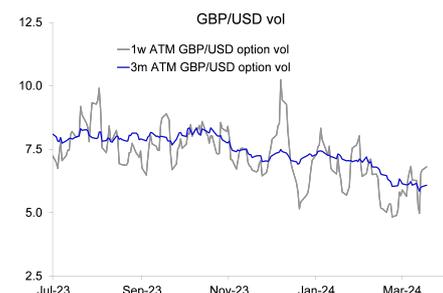
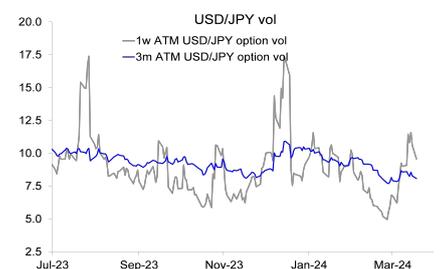
Source: Bloomberg

**Europe.** Its central bank week with the BoJ and RBA on Tuesday, the FOMC on Wednesday and the BoE, SNB and Norges Bank on Thursday. Investors interest will be on the BoJ (first hike since 2007?) and the SNB (first G10 central bank to ease in the current cycle?) although for different reasons. Both meetings are close calls which likely means post-meeting volatility, although in both cases, if nothing happens at this week's meeting expectations for action will be rolled to the subsequent meeting. In the SNB's case it only meets every quarter, which may be a factor in deciding to ease now.

**US.** The NAHB housing index is off recent lows and sits near the middle of the 2023 range. The housing sector has held up relatively well in the face of the highest mortgage rates since 2000.

## Market summary

(Source: Bloomberg)



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