

# Mizuho Daily Currency Watch

20 March, 2024

Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

MIZUHO

| 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 – JPY remains under pressure post BoJ move

The S&P closed at a fresh high. Asian equities were mixed, Most moves in the Asian equity session were modest ahead of the upcoming central bank moves starting with the FOMC meeting this evening. Chinese shares pushed mildly higher as the country's banks left benchmark lending rates unchanged. US equity futures were a touch lower. USTs trading was closed with Japan out on holiday. The DXY index was flattish. **While Japanese financial markets were closed for Vernal Equinox Day, the yen continued to slide. USD/JPY briefly pushed up above 151.50. EUR/JPY pushed above 164.70 to its highest since 2008.** The yen remains on the back foot partially as a result of actions elsewhere and partially as a result of media speculation that the BoJ is done hiking – a view that we disagree with. In his post-meeting press conference yesterday BoJ Governor Ueda underscored that policy would remain loose. Even in the wake of the move the policy rate in Japan remains the lowest in the G10 by some margin. Ueda offered up little on future hikes. We expect a mild hiking cycle and see the lower bound of the policy range at 0.2% by end FY24, with a weak yen adding to the hiking risks as it will add to upside inflation pressure via higher import costs. There were two dissenters to the hiking decision which also suggests a mildly dovish bias for the BoJ, although we doubt that they will have much influence on policy going forward. We note that former top FX official at MoF Sakakibara aka "Mr Yen" suggested MoF intervention was likely in the 155-160 range. Now that Japan is finally on a hiking path one could argue a softer currency is less "in line with fundamentals".

It was a quiet start in Europe. The eurozone focus is on the ECB conference in Frankfurt. **EUR/USD sits around 1.0870.** In the UK February Headline CPI was a little softer than expected at 3.4%, as was core at 4.5%YoY. However, services CPI was a little firmer than expected at 6.1%YoY, tempering the market impact. We see limited impact on policy going forward. **GBP/USD initially dipped in the wake of the report but soon recovered to around 1.2715.**

## Today's Major Events and Data Releases

| Events over coming 24 hours        | Survey/Prev |
|------------------------------------|-------------|
| UK – CPI (%YoY, Feb)               | 3.5/4.0     |
| EZ – Consumer confidence (DI, Mar) | -15.0/-15.5 |
| US – FOMC meeting (% , mid)        | 5.375       |

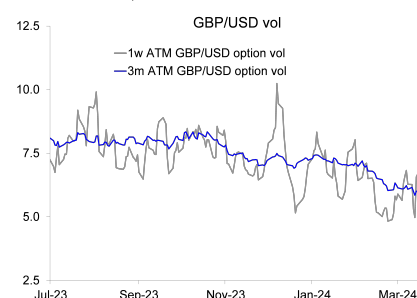
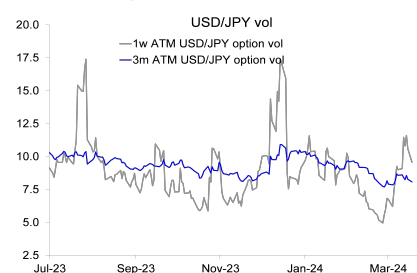
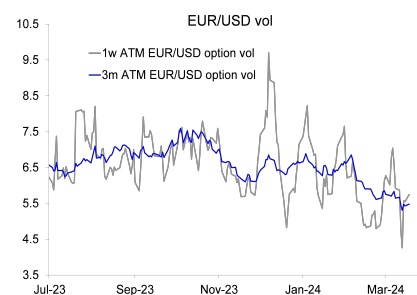
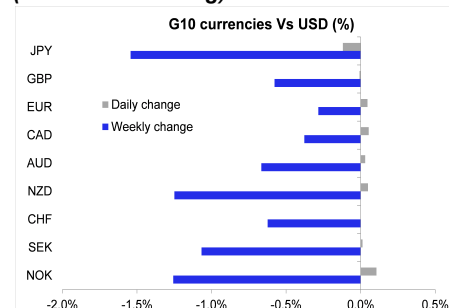
Source: Bloomberg

**Europe.** March Eurozone consumer confidence is due. It is little changed since last summer. There is also a heavy roster of ECB speakers today including Lagarde, Lane and Schnabel at the ECB Watchers' Conference. Recent commentary has tilted heavily towards June as the first policy easing.

**US.** The FOMC meeting is not expected to see any policy change. Nonetheless, with new forecasts and a new Dot Plot due, as well as an expected discussion on the balance sheet the meeting is not without interest as the Fed gropes for the confidence that inflation is coming back to target in the medium term. Recent price data have not been helpful in this search for confidence and there is some evidence that inflation is bottoming out well above the Fed's 2.0% target. The Dot Plot seems most likely to show 3 cuts this year but the risks are skewed towards just 2 cuts. The Fed is also set to come with new forecasts. These are likely to show firmer GDP growth in the wake of recent developments. 2024 unemployment may be nudged lower too, although any changes seem likely to be marginal. The core PCE inflation forecast is a little more uncertain as the inflation data have initially come in lower and more recently come in higher. This probably leaves the 2024 core PCE forecast little changed but with an upside bias. The statement will also be of interest as it may detail what the Fed needs to see to be more confident that inflation is on track to hit the 2.0% target. On the balance sheet, a number of officials have made comments on this front of late.

## Market summary

(Source: Bloomberg)



This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author(s). It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605 promulgated pursuant to the U.S. Commodity Exchange Act and is not intended to provide information upon which to base a decision to enter into a derivatives transaction regulated by the CFTC. Any discussion in this publication of derivatives is limited to commentary on economic, political, or market conditions and statistical summaries of multiple companies' financial data, which may include lists of current ratings.

This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Brazilian, Japanese, Singapore or any other applicable securities laws. This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. These materials and the content of any related presentation are confidential and proprietary and may not be passed on to any third party and are provided for informational purposes only. As a general rule you will not have a right to terminate early any transaction entered into – if you wish to do so, losses may be incurred by you Mizuho shall have no liability for any losses you may incur as a result of relying on the information herein or in any related presentation.

The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This Publication has not been nor will be submitted to, or reviewed by, any regulatory authority. Without limiting the generality of the foregoing, nothing contained herein is in any way intended by Mizuho to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. A recipient must complete its own independent analysis of the financial instrument, product or service and receive all information it requires to make its own decision, investment or otherwise, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such item. The information contained in this Publication has been obtained from public sources and such information is believed to be correct and reliable but has not been independently verified.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

**Brazil:** Banco Mizuho do Brasil S.A. is authorized to operate and regulated by the Brazilian Central Bank.

This publication is available free of charge to clients. However, if you no longer wish to receive it then please specifically request to unsubscribe from the distribution list.

© 2018 Mizuho Bank Ltd