Mizuho Daily Currency Watch

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Currency	*Main focus of the week (S-T view)*
EUR	*Due a little upside.*
USD	*DXY due a breather against a light data backdrop*
JPY	*JPY lift from firmer policy vs intervention risks. JPY to remain under modest pressure*
GBP	*Quiet week, GBP sentiment has softened a little. Flattish*

Overnight comment – Asian central banks push back against firm US dollar

Equity markets started the week on the back foot. After the drop on Friday the PBoC set the CNY fixing at a stronger-than-expected 7.0996, which dragged USD/CNH immediately lower, although the pair gave back some of the move through the session. The move implies that the authorities are not sanctioning a weaker RMB. UST yields are little changed in the Asian session, while the DXY index is a little softer.

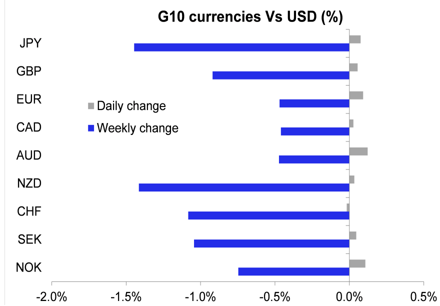
The weekly CTFC data for the week to Tuesday 19 March (the day of the BoJ meeting) show short AUD positioning becoming extremely stretched both for speculative investors and asset managers. Both are near record lows, although one might argue that given the rapid growth of FX markets the positions are not proportionally as large as previous lows even if they are in absolute terms. Short CHF positions are also starting to build – again both for speculative investors and asset managers. It was interesting to note that the leaks and eventual BoJ move did nothing for JPY. Short speculative positioning actually increased during the week and remains elevated. It was a good week for the US dollar ahead of the Fed meeting, with positioning rising almost cross the board, with vs MXN the exception. After a brief spike related to last week's central bank meetings short-term FX volatility is heading lower again.

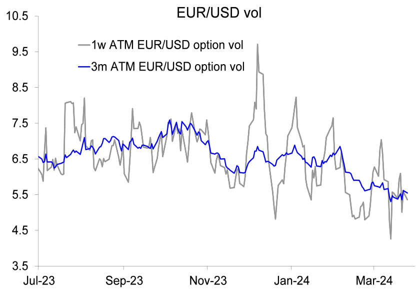
Japan department store sales were firm, but the main focus was on comments by MoF's Vice Minister of International Finance, Masato Kato who noted that the "*current weakness of the yen is not in line with fundamentals and is clearly driven by speculation*". He went on to note " *We will take appropriate action against excessive fluctuations without ruling out any options*". On the scale of verbal intervention this is quite elevated. **USD/JPY showed limited reaction to his comments, and was more or less flat on the day, ending the session around 151.35**. The Topix ran into profit taking after recording its biggest weekly gain in 2 years last week, while long-end JGB yields ended the session higher.

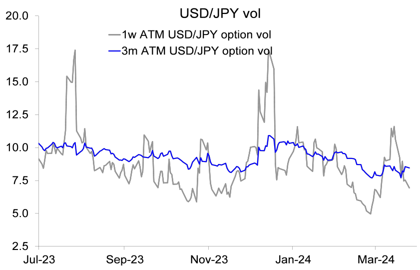
Over the weekend the ECB's Nagel was sounding somewhat dovish saying that overall concerns about inflation had decreased significantly and that the likelihood of a cut before the summer break had increased. We see a June move as more or less a done deal in the absence of any big data surprises. **EUR/USD was fractionally higher in Asian trade and sits around 1.0820 as Europe opens**. It was also a pretty quiet open in the UK. **GBP/USD was flat during Asian trade and sits around 1.2600**.

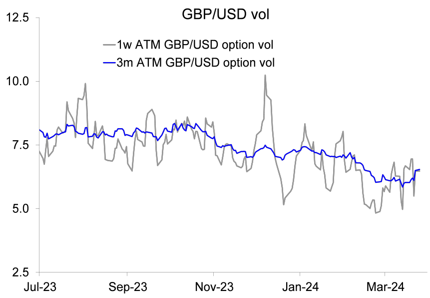
Market summary

(Source: Bloomberg)









Today's Major Events and Data Releases

Events over coming 24 hours	*Survey/Prev*
UK – CBI distributive trades survey (DI, Mar)	*--/5*
US – New home sales (%MoM, Feb)	*2.1/1.5*

Source: Bloomberg

Europe. The ECB's Holzmann speaks. As Nagel's weekend comments indicate even the hawks are basically agreed on a June move. It would be a surprise if Holzmann was to depart from this line. The next move after June remains up for debate and the hawks continue to push back against the notion of consecutive cuts. The BoE's Catherine Mann speaks. Recall that she shifted from voting for further hikes to keeping rates on hold last week, so it would be a surprise if she were not more dovish than she has been previously. The CBI distributive trades survey will give some indication of how the consumer is faring into early spring.

US. For the Fed, Bostic, Goolsbee and Cook speak. There is 2yr, 5yr and 7yr supply in the US early in the week kicking off with a 2yr auction today.