

Mizuho Daily Currency Watch

26 March, 2024

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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 – DXY drift ahead of quarter end

Asian equities were mixed, with Hong Kong leading the gains and Australia the declines. Japanese equities were broadly flat. The PBoC continued to support the currency setting the fix 0.1% firmer. USD/CMH pushed lower in the wake of the fix. UST yields dipped but gave back most of the drop through the remainder of the session. The Director of the CBO said the US deficit was on a unprecedented trajectory. The DXY index continued Monday's drop, drifting a little lower through the Asian session. With the central bank meetings in the rear view mirror and quarter end approaching, DM FX volatility continues to drop.

One of Japan's lifers noted that it planned to boost holdings of super-long JGBs in the wake of the BoJ hike. Note that JSDA data show lifers were somewhat hesitant in the long end during most of the fiscal year to date. The 10yr JGBi breakeven rate pushed up to an 8-week high at 1.376%, likely in part due to the soft yen. Today's it was Fin Min Suzuki verbally intervening. He noted that he was watching currency moves with a high sense of urgency and that the government would take appropriate steps against excessive currency moves without ruling out any measures. The head of Keidanren also noted that USD/JPY above 150 was "excessive". **USD/JPY showed limited reaction and sits around 151.35, little changed on the day.**

Yesterday the ECB's Lane sounded optimistic on wages saying that he didn't see a spiral and that normalisation was on track. In line with recent media speculation, the French budget came in much worse than expected at 5.5% of GDP for 2023, up from 4.8% of GDP in 2022. The government target was 4.9% of GDP. Yesterday, German Chancellor Scholz suggested he was open to reviewing Germany's debt break but both the main conservative opposition and coalition partners the Free Democrats are against suggesting an uphill struggle for change. German consumer confidence was a fraction firmer than expected but remains at depressed levels. Bund yields nudged lower at the open after yesterday's sell-off. **EUR/USD drifted a little higher through Asian trade.** It was a quiet start in the UK. **GBP/USD sits around 1.2650.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – Durable goods orders (%MoM, Feb)	1.2/-6.5
US – Core durable goods shipments (%MoM, Feb)	0.0/0.9
US – Consumer confidence (DI, Feb)	106.8/106.7

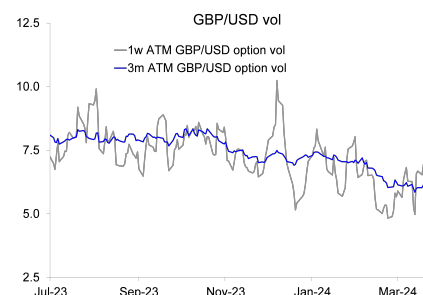
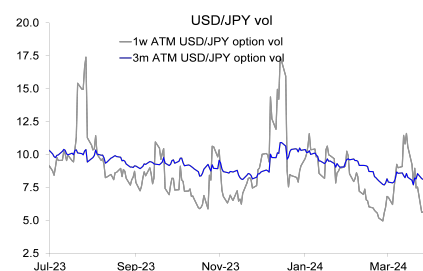
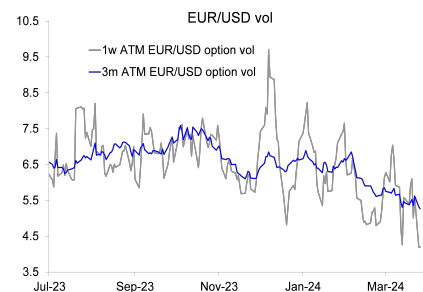
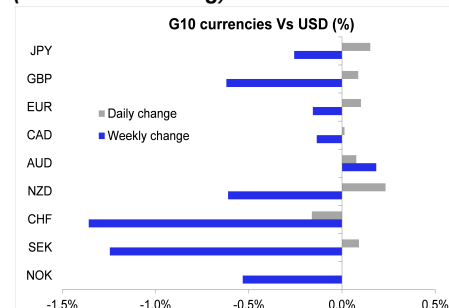
Source: Bloomberg

Europe. It is a quiet session in the eurozone with German consumer confidence the highlight. German's remain downbeat, which is unsurprising given the poor outlook. Germany is indeed the Tired Man of Europe, as German Finance Minister Lindner noted at Davos. Little has changed since then to suggest that Germany's energy levels are picking up. It may be even quieter in the UK with neither data nor central bank speak for focus.

US. The main focus of the week comes on Friday, when the core PCE data are due. In the meantime, investors will pore over the details of the durable goods and consumer confidence reports. Durable goods were very weak in January due to air transportation orders. A recovery in the aircraft sector is expected which should boost the headline figures in February. Core shipments, which best translate into capex in the GDP accounts, will likely be flat suggesting only a modest capex boost in the Q1 GDP accounts amid elevated interest rates. The consumer confidence numbers remain weak. It remains a mystery as to why president Biden is not getting much reward in the polls for the solid performance of the US economy but the fact that consumer confidence is not especially elevated likely contributes. Issuance remains a focus with the 5yr UST auction due today.

Market summary

(Source: Bloomberg)



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