

# 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 – Hawks flash their talons

Another day, another new high for US equities. In Asia, equity markets were mixed. Japanese shares responding to yesterday's post-close drop in USD/JPY led the declines, while China, Australia and India led the gains. Late yesterday, the Fed's Waller spoke, rediscovering his inflation-busting chops after a couple of months on the dovish side of the debate. In contrast to Powell, who broadly brushed off the recent deterioration in the inflation data, Waller said the Fed should push rate hikes further out or cut less. He also noted that the risks of being late were smaller than the risks when cutting too early and that the economy was not giving any reasons for big cuts. UST yields pushed higher at the start of Asian trade in the wake of the comments and broadly held their gains. The DXY index was also higher at the start of the Asian session, dipped and then recovered.

It was a quiet data session in Japan ahead of a heavy data session tomorrow including the Tokyo CPI, unemployment, retail sales, industrial production and housing starts. Note the BoJ's Tankan is on Monday. The only fresh information was MoF's weekly International Transaction in Securities data for the week ending 22 March – central bank week! There was huge selling of Japanese bonds (¥3,892bn) by overseas investors but this came after 2 weeks of heavy buying and net activity on the month is close to flat. Overseas investors were also heavy sellers of Japanese shares for a second week (¥891bn). Japanese investors bought overseas equities (¥82bn) and overseas bonds (¥762bn). JGB yields pushed lower, likely led by pension rebalancing ahead of fiscal year end. The summary of the March BoJ meeting suggested any policy tightening will be gradual, as Governor Ueda noted in the post meeting press conference. Herein lies the problem for the yen in a nutshell. Sluggish tightening from the BoJ, no rush to ease from the Fed as per Waller's comments yesterday. USD/JPY has been little changed in today's session with traders likely wary of verbal intervention from officials. **The pair sits around 151.40 as Europe opens.**

It has been a quiet start to trade in Europe. German retail sales were soft, falling 1.9%MoM. M3 data are due later today with French and Italian CPI data due on Friday. **EUR/USD sits around 1.0805, making fresh lows early in the European session.** The second estimate of UK Q4 GDP was unchanged at -0.3%MoM. The BoE's Haskel (who shifted from voting for hikes to voting for no change in policy last week) said "Although the fall in headline inflation is good news, it is not very informative about what we really care about: what we really care about is the persistent and underlying inflation...I think cuts are a long way off". Bailey noted split views on recent inflation data and it's clear that Haskel is less encouraged than Bailey is. Nonetheless, we think Haskel's concerns are valid and continue to expect an H2 start for the BoE's easing cycle. **GBP/USD tracked EUR/USD lower early in the European session to sit around 1.2615 as Europe opens.**

## Market summary

(Source: Bloomberg)

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – M3 (%YoY, Feb)	0.3/0.1
US – Weekly jobless claims (k)	212/210
US – U Mich consumer confidence, final (DI, Mar)	76.5/76.5

Source: Bloomberg

**Europe.** M3 data in the eurozone continue to point to muted activity, although the lows do seem to be in the rear view mirror. German unemployment is due. It is off the cycle lows, which makes it unusual in contrast to many other eurozone countries. Panetta and Villeroy speak today.

**US.** Weekly jobless claims, the final estimate of GDP and the final University of Michigan data are due but are not likely to make much waves. Tomorrow's PCE data will likely garner much more market focus. Daly and Powell also speak tomorrow.

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