

# Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Low CPI to weigh on EUR
USD	DXY on a roll as investors give up on Fed cuts
JPY	Intervention risks. JPY to remain under modest pressure
GBP	GBP sentiment has softened a little. Mild downside

## Overnight comment – DXY index holds above 105 at 4m high

Over the long weekend, solid manufacturing data in both China (PMI) and the US (ISM – first expansion since Sep-22) helped Brent futures push up towards \$88/barrel, a new high for the year to date. In today's Asian session, UST yields broadly held Monday's surge, which came in the wake of the jump in prices paid component in the ISM report. There are now only ~15bp of cuts priced for the June FOMC and ~65bp for the remainder of the calendar year. Monday's surge in UST yields dragged the DXY index up above the 105 level, its highest since November 2023. FX rates were little changed in Asian trade. AUD was the outperformer in the wake of the RBA minutes.

A number of points from Monday's BoJ Tankan survey are worth noting. Corporate FX expectations for FY24 sit at USD/JPY 141.42 and EUR/JPY 151.86. Large exporters are expecting the yen to strengthen modestly this fiscal year. Companies remain upbeat, especially non-manufacturing companies. Auto sentiment dragged the manufacturing index down but, somewhat surprisingly, the sector did not anticipate a recovery in sentiment in Q2, hinting that the sector's problems may linger into the current quarter. Companies anticipated higher output prices over 3yr and 5yr forecast horizons but their CPI expectations were unchanged in Q1, just above 2% across the forecast horizon. Today's 10yr JGB auction went smoothly, helping limit the upside pressure in the sector, as yields more broadly nudged higher. **USD/JPY was little changed around 151.75 amid on-going intervention chatter.** Ex BoJ Governor Kuroda said recent yen weakness was excessive.

Whilst a number of ECB doves are trying to ignite momentum for an April move (see Villeroy's comments over the weekend) we suspect they will have little luck in shifting the first cut from June, regardless of where the risks lie (and the macro risks are clearly on the downside). **EUR/USD was little changed in Asian trade and sits around 1.0730.** In the UK, the early data were soft with Nationwide house prices recording their first MoM decline since August and the BRC shop price index also coming in below 2.0% for the first time since February 2022. This will boost hopes of further declines in the official data later in the month and likely put a bid into Gilts early in the session. **GBP/USD was little changed in Asian trade around 1.2545.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – M4 ex OIFCs (3m %saar, Feb)	--/2.2
EZ – Inflation expectations, 1yr (%), Mar)	--/3.3
US – JOLTS job openings (k, Feb)	8770/8863
US – Vehicle sales (mn saar, Mar)	15.90/15.81

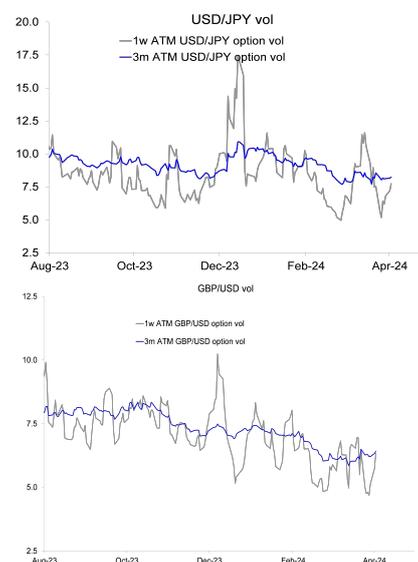
Source: Bloomberg

**Europe.** The ECB's inflation expectations are due. Inflation expectations have been broadly under control but the ECB will hope for more progress here. Friday's French HICP was weaker than expected (2.4%YoY vs 2.8%YoY expected), as was Italian HICP (1.3%YoY vs 1.5%YoY expected). German CPI will round out the major national releases. If the German figure declines to 2.4%YoY as expected, tomorrow's eurozone figure will come in below the consensus estimate of 2.5%. UK money and credit data are due which will detail the pace of money supply growth and the strength of consumers' demand for credit and mortgage borrowing.

**US.** On the data front JOLTS, the final estimate of durable goods and vehicle sales are due. JOLTS is falling out of favour due to data issues. Vehicle sales should be the data highlight. For the Fed, Bowman, Williams, Mester and Daly all speak.

## Market summary

(Source: Bloomberg)



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