

Mizuho Daily Currency Watch

3 April, 2024

Colin Asher

Senior Economist

colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

MIZUHO

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 drift ahead of key labour market data

Fed speak overnight had little impact on UST yields, which remained just below Tuesday's highs in Asian trade. Daly said that 3 cuts was a reasonable baseline but the firm economy meant there was no urgency to move. Mester ruled out being ready to vote for cuts in May and also noted that she had lifted her estimate of the long-run from 2.5% to 3.0% due continued resilience in the economy despite high rates and to higher productivity growth and investment, notably in technologies relating to climate change. Asian equities tracked US equities lower amid concern about less Fed easing. South Korea and Australia led the declines. US equity futures were also lower. Brent crude futures continued to push higher, moving above \$89/barrel. The DXY index eased a little further of yesterday's high in Asian trade.

In Japan, the BoJ left its rinban amounts unchanged, underscoring its message that policy would remain loose. JGB yields were fractionally lower on the day across much of the curve. **USD/JPY was little changed around the 151.60 level.** Its not far below levels where many expect MoF to step in but for now the 152 level remains untested.

The ECB's Holzmann said that an April move was "not on his radar" but in June the ECB would have more information which might allow the start of the easing cycle. He also noted that 3% would be a good target for the ECB reflecting 2% inflation and 1% productivity gains. The Italian press report at that Italian deficit in 2024 will be -4.3% and below 4% in 2025. Dutch inflation came in strong. **EUR/USD is well off yesterday's lows and sits around 1.0770 as Europe opens.** It has been a quiet start to trade in the UK with **GBP/USD around 1.2570 as European trade gets underway.**

Market summary

(Source: Bloomberg)

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – CPI (%YoY, Mar)	2.5/2.6
EZ – Core CPI (%YoY, Mar)	3.0/3.1
EZ – Unemployment rate (% , Feb)	6.4/6.4
US – ADP employment (k, Mar)	212/210
US – ISM non-manufacturing (DI, Mar)	52.8/52.6

Source: Bloomberg

Europe. Eurozone inflation is likely to surprise on the downside vs the consensus forecast, after lower-than-expected prints across the 4 major economies, especially France. The core CPI is also seen coming lower. This may be good news for the doves but we suspect that it will have limited impact on the timing of the start of the ECB's easing cycle. A small downside miss is not sufficient to over-turn the solid consensus for the first cut in June that was evident at the March ECB meeting, regardless of how much the doves push for early action. However, they may have more success at pushing Lagarde to consider a move in July, although for now that seems unlikely. The eurozone unemployment rate is also due. Unemployment remains at the cycle low at 6.4%, which is one factor behind the ECB's upbeat view on wages this year. The final PMI data are also due in the eurozone and the UK.

US. ADP employment and the non-manufacturing ISM reports are due. Given its limited weight in the economy the impact of the firm manufacturing ISM report was a little surprising, even if the prices paid sub-index was on the strong side. Its another heavy day of Fed speak, with Bowman, Goolsbee, Powell, Barr and Kugler are all due to speak. Kugler and Powell both speak on the economic outlook.

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