

# 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 – Greenback remains under pressure after weak ISM

Neither Powell nor Kugler added much new to the policy debate. Both seemed happy to be patient and both said if events unfold as expected it will likely be appropriate to ease later this year. US stocks closed little changed and Asian shares were mostly higher with Japan and South Korea leading the gains. Yesterday's OPEC+ online meeting ended as expected – with supply cuts for H1 being left in place until mid-year. Brent futures trade just below \$90/barrel, at year-to-date highs. Final service PMIs and the global composite PMI are released later today. The global manufacturing PMI implies that the slide in global manufacturing is coming to an end with the PMI at 50.6 in March, up from 50.3 in February. The inventory build is in the process of being worked through. Solid data helped AUD and NZD push higher against the US dollar overnight.

MoF's weekly International Transactions in Securities data for the final week of FY23 showed overseas investors as heavy sellers of Japanese equities for a third consecutive week. They also bought Japanese bonds after a volatile few weeks around the BoJ meeting. Japanese investors were net sellers of overseas bonds and modest buyers of overseas stocks. The BoJ's Sakura report, released ahead BoJ meetings with new forecasts, downgraded the economic assessment of 7 of Japan's 9 regions implying the BoJ will be in no rush to tighten policy further. Regional branch managers reported that small businesses were planning to give workers wages rises in line with or larger than last year. Recall that despite an elevated result from wage negotiations at large companies last year, wage growth remained soft as small and medium sized businesses did not follow suit. **USD/JPY was little changed around the 151.65 level.**

EGB spreads are in focus in the wake of news on EU Commission deficit procedures for countries running large deficits in 2023. Whilst its no surprise, it underscores Europe's fiscal challenges. **EUR built on yesterday's gains in the Asian session and EUR/USD sits around 1.0840 as Europe opens.** In a quiet start to trade **GBP/USD was little changed in Asian trade to sit around 1.2655.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – DMP 1yr inflation expectations (%YoY, Mar)	3.2/3.3
UK – DMP Output price expectations (%YoY, Mar)	4.2/4.3
EZ – PPI (%YoY, Feb)	-8.5/-8.6
US – Weekly jobless claims (k)	214/210

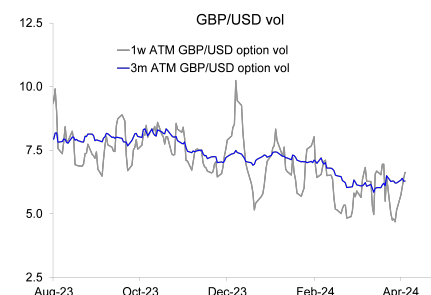
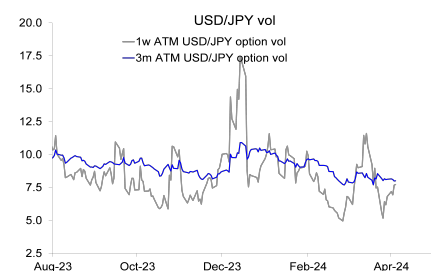
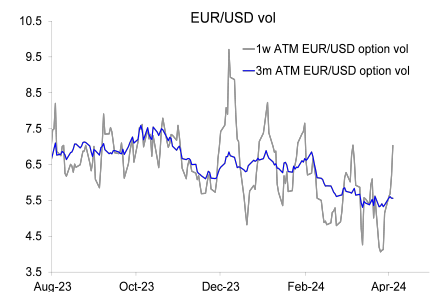
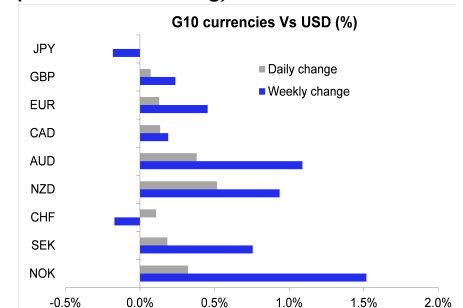
Source: Bloomberg

**Europe.** ECB's account of its March decision is not likely to spark much market reaction. In the post-meeting press conference President Lagarde was clear that the first cut was highly likely to be in June and there seemed to be a high degree of consensus on that point. That remains the case. In the UK, in the absence of the full labour market report, the MPC is relying on other indicators to gauge labour market tightness. A number of MPC members have highlighted the Bank's Decision Makers' Panel survey, which contains questions on companies' inflation, output price and pay expectations. Although almost all metrics are heading in the right direction, many are doing so only slowly. Wage growth expectations (3m average) are unchanged at an elevated 5.2% since July 2023. Other surveys suggest wage growth is slowing faster. The final services and composite PMI data are due in the eurozone and the UK. This report has the potential to shift the BoE narrative.

**US.** Weekly jobless claims are likely to suggest that the US labour market remains rock solid. There will be a lot more Fed speak with Harker, Barkin (voter), Mester (voter), Goolsbee, Musalem, Kugler and Kashkari all lined up to speak.

## Market summary

(Source: Bloomberg)



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