

# Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

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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 – Less dovish Ueda lifts JPY, as oil jumps

Oil jumped late on Thursday amid fears that the conflict in Gaza may spread to other parts of the Middle East. It maintained the gains in the Asian session. Brent crude futures pushed above \$91 to its highest since late October last year. Rising energy prices and a speech from the Fed's Kashkari (non-voter) raising the possibility that there may be no Fed cuts this year saw US equities drop sharply. China's markets are closed today. Other Asian equity markets tracked the US lower, with Japan leaning the way. UST yields dipped late on Thursday, led by the front end and were flat during Asian trade, while the DXY index edged higher.

Japan's household spending was firmer than expected, rising 1.4%MoM. Early in the session, Finance Minister Suzuki said he didn't rule out any options should the yen make abrupt moves. The main driver of events in Japan was BoJ Governor Ueda, who gave a press interview late yesterday and spoke again in the Diet earlier today. We suspect that the weak yen is the driver of the comments and his less dovish comments are an attempt to ease some of the pressure on the currency. He said wage hikes were likely to lead to higher prices from summer through autumn and that the weak yen might also be a factor driving policy rates higher. 2yr JGB yields rose to 0.21%, their highest since 2011. USD/JPY dipped when the initial press interview was published and again when Governor Ueda spoke in the Diet, although the latter dip was later erased. **USD/JPY sits around 151.20 as Europe opens.**

Peripheral EGBs outperformed yesterday having underperformed sharply early in the week. Today Italy reports debt and deficit data for 2023. German factory orders data were soft with a 0.2%MoM print leaving orders down over 10%YoY. German remains the tired man of the Eurozone. **EUR/USD was little changed in the Asian session around 1.0825 as Europe opens.** In the UK, Halifax house prices declined in March, the first decline in six months. We suspect this is a blip rather than the start of a downward trend for house prices. **GBP/USD drifted lower through Asian trade to sit around 1.2615 as European trade gets underway.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Retail sales (%YoY, Feb)	-0.8/-1.0
US – Non-farm payrolls (k, Mar)	214/275
US – Unemployment (% , Mar)	3.8/3.9
US – Average hourly earnings (%MoM, Mar)	0.3/0.1

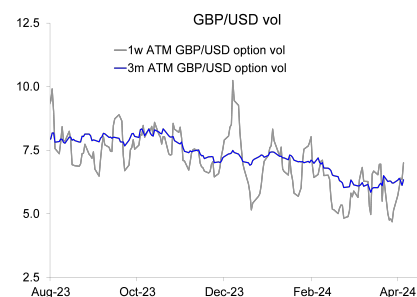
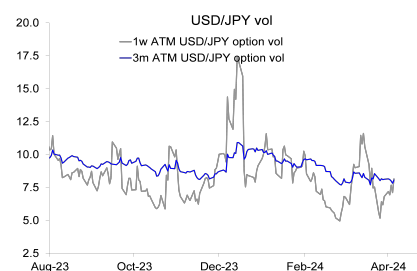
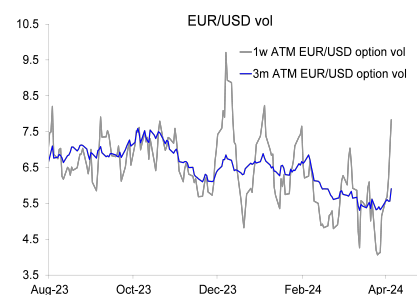
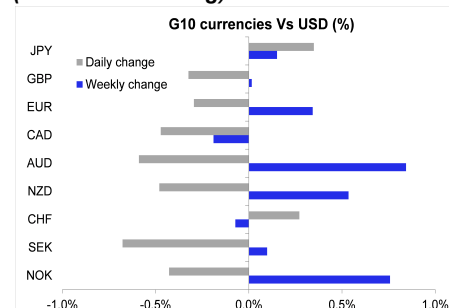
Source: Bloomberg

**Europe.** French and Spanish industrial production are due if somewhat lagging in nature. Eurozone retail sales are also due. These are also likely to be weak too. The eurozone seems to be recovering modestly but that is not likely to be the picture from today's data. Italian deficit data will be a focus in the wake of a renewed focus on the EU's Excessive Deficit Procedure.

**US.** The non-farm payrolls report is the data highlight of the week. The consensus for payrolls is a little over 200k. Since two prints below 200k in October and November payrolls have exceeded 200k every month. This is well ahead of most estimates of the natural growth of the labour market, although fluctuations in immigration suggest a fluctuating actual pace of growth of the labour market.. The unemployment rate is seen edging lower to 3.8%. This would leave the unemployment rate essentially unchanged at a low level over the last six months. Rounding out the long list of Fed speakers this week are Logan, Collins, Bowman and Barkin. Given expectations that the Fed may make some changes to QT soon, Logan's comments will be a focus.

## Market summary

(Source: Bloomberg)



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