

Mizuho Daily Currency Watch

10 April, 2024

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Currency	Main focus of the week (S-T view)
EUR	ECB to confirm June cut. EUR soft
USD	Elevated CPI to keep USD supported
JPY	Intervention risks. JPY to remain under modest pressure
GBP	GDP to show imply Q1 activity. GBP neutral

Overnight comment – Hawkish RBNZ lifts NZD

Asian stocks were soft ahead of the US CPI data later today. China led the declines, as Fitch lowered its outlook on the country's debt. Japanese shares were also soft in the wake of news yesterday that the BoJ may revise up its inflation forecasts at its 26 April meeting. The Hang send outperformed led by tech stocks. UST yields were off yesterday's high ahead of the CPI report. They were little changed in the Asian session. The DXY index was also flat during Asian trade after a volatile session yesterday. The RBNZ left policy unchanged as expected. The hawkish statement that saw an on-going need for tight policy lifted NZD.

In Japan, bank lending picked up a little with the YoY rate rising from 3.0% to 3.2%. The PPI nudged higher to sit at 0.8%YoY. While CFTC data show large speculative short JPY positions, Japanese retail investors are heading in the other direction. TFE data show retail positioning long JPY, near record levels. Breakeven rates in Japan continued to nudge higher. BoJ Governor Ueda, presenting the BoJ's semi-annual policy report to the Diet, noted that he wanted to reduce JGB purchases at some stage, which saw yields push higher, especially at the long end. **USD/JPY was little changed and sits around 151.80 as Europe opens.**

Yesterday, Germany pushed ahead with plans for more defence spending. We suspect that defence spending will be elevated across the region in coming quarters, adding to budget deficits. **EUR/USD sits around 1.0850 as Europe opens.** The Indeed wage tracker for the UK nudged higher in March to 6.5%YoY vs 6.0%YoY in February. **GBP/USD was flat during Asian trade around 1.2675.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – CPI (%MoM, Mar)	0.3/0.4
US – Core CPI (%MoM, Mar)	0.3/0.4
US – FOMC minutes	--
US – Budget statement (\$bn, Mar)	-233/-378

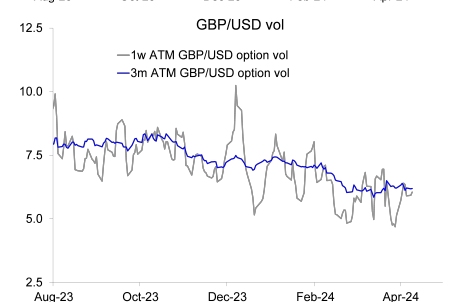
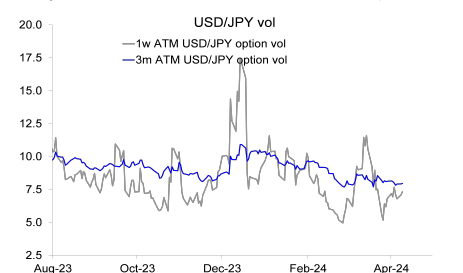
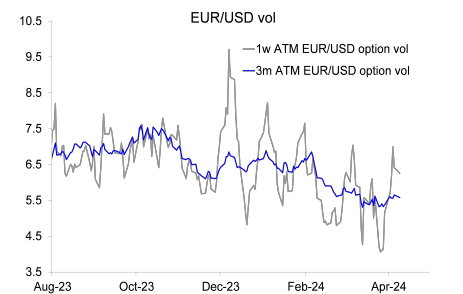
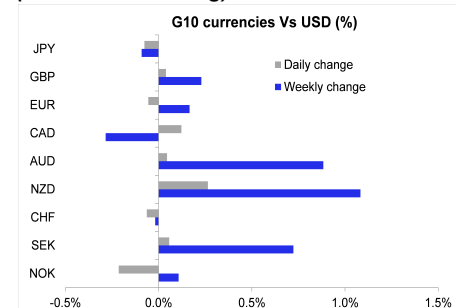
Source: Bloomberg

Europe. It should be a quiet session in both the UK and the Eurozone ahead of the ECB meeting on Thursday.

US. The CPI is the data highlight of the week, although the PPI (tomorrow) also provides important source data for the PCE report on 26 April. Recall that the Fed's official target is the PCE. The last 2 CPI reports have been elevated and a third consecutive elevated report might start to change expectations of the trend. One or two elevated reports may be just volatility in the data, three start to look like inflation is not slowing as the Fed has hoped. The consensus is for 0.3%MoM gains at both headline and core levels, which would see 3m annualised rates above 4.0%. The FOMC minutes are also due. They may be of interest given that the Fed left the dots unchanged while upping its forecasts for growth. The minutes may also shed some light on the prospects for the balance sheet, where a decision on tapering QT is expected soon. The Fed's Bowman speaks on capital requirements and Goolsbee and Barkin also speak. US will issue 10yr USTs today. The Bank of Canada meets later today. We see the BoC as potentially among the first G10 central banks to ease policy, following in the SNB's footsteps. That said, we don't expect a surprise cut at today's meeting. The chances of a June move look much more favourable.

Market summary

(Source: Bloomberg)



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