

Mizuho Daily Currency Watch

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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 – Mixed response from Fed speakers to recent data

Fed speakers' reaction to the recent inflation data were mixed. Yesterday, Boston Fed President Collins (non-voter) noted that recent data may warrant later and fewer cuts – this sounds like a dot moving higher. Barkin (voter) said that the data were unhelpful in making the case for cuts. Williams (voter) sounded like in his view nothing had changed. The BoK left policy unchanged, as expected, while GDP in Singapore was soft. Asian equity markets were mixed with Japanese shares a little higher, while Chinese shares were flattish and elsewhere equities were mainly lower. UST yields were little changed while the DXY index edged a little higher. Gold pushed up to a record high and is up 15% year to date.

In Japan, the BoJ left the size of its Rinban ops unchanged. JGB yields continued to push higher at the front end, while edging lower at the very long end. 5yr JGB yields sit just below 0.5% at their highest since 2011, with OIS markets pricing in a rate of 0.3% by year end. The latest Bloomberg survey of forecasts showed a modest upward revision to policy expectations in coming quarters but in general the consensus sees very slow progress on tighter policy. **Verbal intervention continued yet USD/JPY remained around the 153.25 level, with investors seeming increasingly inured to daily verbal volleys from policy makers.**

Post-ECB reports suggest as many as 5 people were initially pushing for an immediate rate cut at yesterday's meetings. The ECB's Stournaras said that now is the time to diverge from the Fed and called policy overly prudent. Kazaks said the ECB is on track to cut in June. Soft Swedish inflation saw SEK drop, possibly adding to downside pressure on EUR. **EUR/USD ended the Asian session at the lows trading around 1.0705.** UK GDP was a touch firmer than expected with the MoM figure at 0.1% as expected but the 3m/3m figure at 0.2% vs 0.1% expected. January was also revised a little higher, up from 0.2%MoM to 0.3%MoM. Production was solid, while construction was weak. The ONS noted that a lot of construction was hampered by bad weather, which implies a pickup in March. The figures support our view that the UK economy has put the late 2023 recession behind it and is set to grow solidly in 2024. **GBP showed little reaction and GBP/USD sits around 1.2535 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – GDP (%MoM, Feb)	0.1/0.2
US – U Mich Consumer confidence (DI, Apr)	79.0/79.4

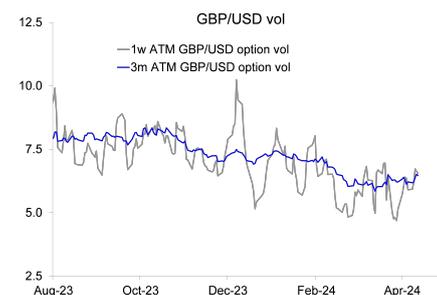
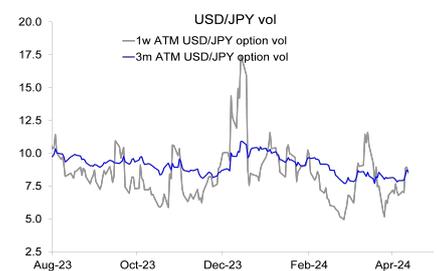
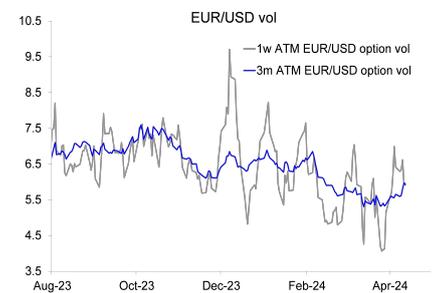
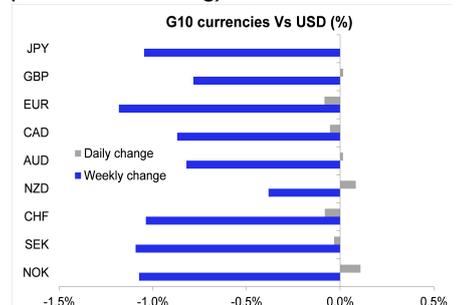
Source: Bloomberg

Europe. In the eurozone the ECB's survey of professional forecasters is due. Only Elderson is scheduled to speak but other ECB commentary is possible in the wake of the Thursday's ECB meeting. In the UK, the long-awaited Bernanke review of the BoE's forecasts and forecasting process is due. Whilst potentially a big change for BoE communications, we see it as having limited change on actual policy. The economy continues to pick up after the H2-23 recession and inflation is set to drop sharply towards 2.0% in late spring once the reduction in wholesale gas prices hits the CPI. The bias for UK rates is lower but the Bank will be hesitant to lower rates rapidly as it has seen what happens in the US when the central bank declares victory prematurely.

US. The Fed's declaration of victory in the inflation battle looks increasingly premature. As such Fed speak will remain the key focus ahead of the 1 May FOMC meeting. Super core CPI is heading rapidly in the wrong direction and the Fed needs to reassure markets that it will ensure that inflation will not only come down but stay down. Collins, Schmid, Bostic and Daly all speak. The University of Michigan consumer sentiment survey is due. The focus is likely to be on inflation expectations. US earnings season kicks off today with a number of major financials reporting.

Market summary

(Source: Bloomberg)



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