

Mizuho Daily Currency Watch

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MIZUHO

| Currency | Main focus of the week (S-T view) |
|----------|---|
| EUR | Oversold, due a bounce |
| USD | Overbought, due a pullback |
| JPY | The cheap safe haven is due a break. This week? |
| GBP | Data to suggest cuts are coming but cable sell off is too fast. GBP to bounce |

Overnight comment – Surprising stability

Markets seem to have taken the Iranian missile strike with a degree of calm, encouraged by the fact that the Iranians see their attack as the end of the matter unless they are subject to additional provocation. Oil futures are little changed and UST yields have moved higher. US equity futures are higher too. The yen didn't see any safe haven flows either and was among the worst performing G10 currencies in the Asian session. Friday's Fed speak underscored patience with Daly noting there is no urgency to cut rates. The biggest mover in the CTCF data was in CHF shorts which increased further in the week to 9 April and now sit at the most elevated level since 2019. Short CHF positioning is starting to look stretched.

Japan's machinery orders were much firmer than expected, up 7.7%MoM in February. The report is encouraging but the series tends to be highly volatile. Today, it was clear yen weakness rather than USD strength in the fx markets. **Verbal intervention is on-going but that didn't stop USD/JPY pushing up to a high of 153.87.** This is the highest level since 1990. JGB yields were fractionally higher across the curve. 5yr JGB yields moved closer to 0.5%, hitting a 13-yr high.

It was a slow start to trade in Europe. Both EUR and GBP crept of the lows from last Friday, supported by a more buoyant tone in risk appetite. The monthly Bloomberg survey of euro area forecasts showed limited change in the consensus forecast, with GDP this year and next unchanged at 0.5% and 1.4%, respectively. CPI forecasts were marginally lower for both 2024 and 2025 at 2.3% (vs 2.4% prev) and 2.0% (vs 2.1% prev). The analysts average forecast for the ECB's depo rate was unchanged with the depo rate at 3.15% by year end. **EUR/USD sits around 1.0660 as Europe opens, while GBP/USD sits around 1.2475.**

Today's Major Events and Data Releases

| Events over coming 24 hours | Survey/Prev |
|--|-------------|
| EZ – Industrial production (%MoM, Feb) | 0.7/-3.2 |
| US – Empire m'afct index (DI, Apr) | -5.0/-20.9 |
| US – Retail sales (%MoM, Mar) | 0.4/0.6 |
| US – Ex auto Retail sales (%MoM, Mar) | 0.5/0.3 |
| US – NAHB index (DI, Apr) | 51/51 |

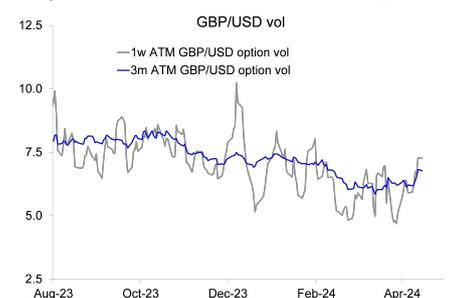
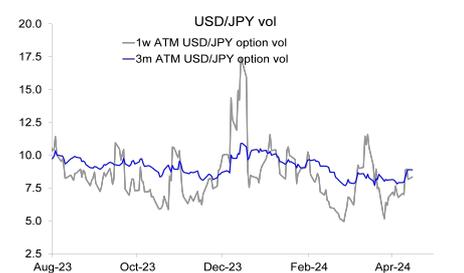
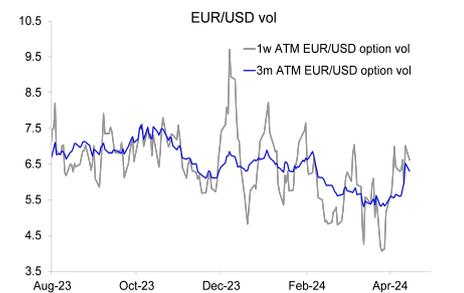
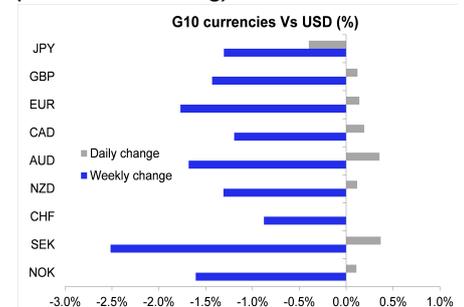
Source: Bloomberg

Europe. Eurozone industrial production plunged in January and should at least partially recover in February. For the ECB, Chief Economist Lane, de Cos and Simkus are scheduled to speak. The BoE's Breeden speaks but is not likely to have much to say about policy in a speech on the payments system.

US. The retail sales report is among the most important activity releases in the monthly calendar. Sales for March round out the first quarter. The February (and probably the March numbers) were decent but a soft print in January is a drag for the quarter as a whole, leaving nominal sales down on the quarter. Control retail sales were less weak in January and may be marginally positive on the quarter. With mortgage rates pushing back up to new highs for the year, its possible that the recovery in the NAHB index comes to a halt. Global manufacturing is showing signs of picking up, although it is not clear that this will be reflected in the regional manufacturing sentiment indices. Earnings season will continue to build this week.

Market summary

(Source: Bloomberg)



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