

# Mizuho Daily Currency Watch

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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 – China GDP beat but details weak, Asian currencies soft

US equities headed south and it was an ugly session for Asian equity markets and currencies. Although Chinese GDP topped expectations, it was primarily driven by public investment. It will be hard to sustain these levels of activity without a pick up in private demand. IDR was especially weak, while KRW also lagged. CNH spiked as high as 7.2831, a new high for the year before easing off. The declines in equity markets didn't really translate into heavy demand for UST. Yes, UST yields are off yesterday's high but not by much and they were little changed through Asian trade. Much of the increase in yields in the wake of the strong US retail sales data has been maintained, especially at the longer end. The DXY index pushed further above 106 to levels last seen in early November 2023. USD/JPY pushed above 154.0 in the wake of the US retail sales data and has traded around 154.30 since. There appears to be a slightly less feverish tone to verbal intervention from MoF. For example, Fin Min Suzuki noted that he was monitoring FX markets closely but didn't promise bold action. Volatility has picked up but is not especially elevated while the fundamentals in the US look upbeat. While the yen may be at the bottom of the G10 performance rankings in the month to date, its clear that its mainly USD strength rather than JPY weakness, potentially robbing intervention of its effectiveness. Oil jumped yesterday but is below Friday's high. Brent sits around \$90.50.

**It was a quiet start to trade in the eurozone. EUR/USD sits around 1.0605 as Europe opens.** UK labour market data were mixed. Wages came in a little firmer than expected, while the rest of the report was weak, with the unemployment rate jumping from 3.9% to 4.2%. The unemployment section of the report continues to suffer from a low response rate and unemployment has been volatile of late. From a policy perspective we think the firm wages and rise in unemployment likely cancel each other out given the question marks about the unemployment data. The solid wage data are in line with the indeed survey earlier in the week, which suggests pay growth in the UK remains uncomfortably high for now. **GBP/USD was marginally lower in the wake of the report and sits around 1.2420 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Average earnings (3m %YoY, Feb)	5.5/5.6
UK – Payrolled employment (k, Mar)	20/20
UK – Unemployment (3m%, Feb)	4.0/3.9
GE – ZEW survey, expectations (DI, Apr)	35.5/31.7
EZ – Trade balance, sa (€bn, Feb)	21.8/28.1
US – Industrial production (%MoM, Mar)	0.4/0.1
US – Housing starts (%MoM, Mar)	-2.6/10.7

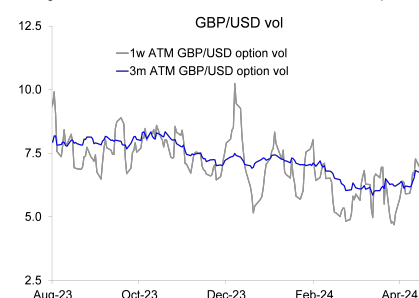
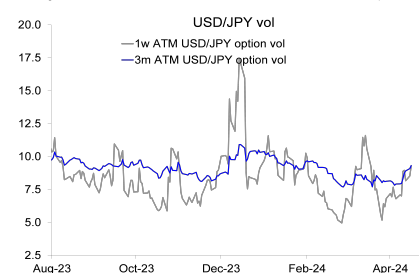
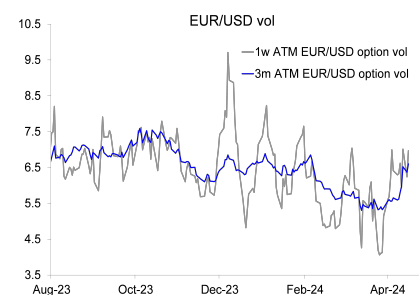
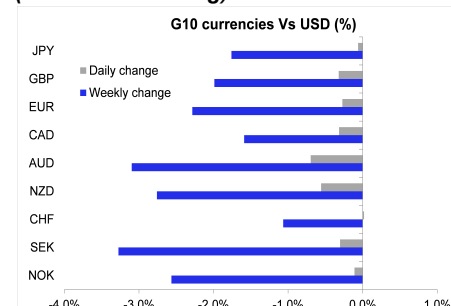
Source: Bloomberg

**Europe.** The ECB's Rehn, Villeroy, Vujcic are scheduled to speak. With a near unanimous agreement to start easing in June, the main focus is on ECB moves in H2. The eurozone trade balance and current account do not receive much interest from market participants, which is unsurprising as the release rarely moves markets. However, the recovery of the eurozone trade balance over the past 18 months from the lows in the wake of the surge in energy prices in 2022, is impressive and an on-going support for EUR. It may be the case that weak imports are the driver of the rising trade surplus but its nonetheless a support for the single currency. In the UK, BoE Deputy Governor to be, Lombardelli, testifies to the TSC. Her comments will be of interest, as little is known about her monetary policy predilections.

**US.** Industrial production and housing data are due and earnings season is picking up steam. For the Fed, Daly, Williams, Barkin, Jefferson and Powell are due to speak. The latter two will be of most interest as the other 3 have all spoken in recent sessions.

## Market summary

(Source: Bloomberg)



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