

Mizuho Daily Currency Watch

16 April, 2024

Colin Asher

Senior Economist

colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

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 – 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

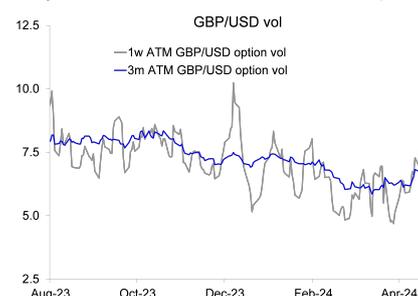
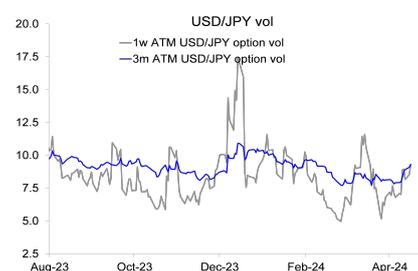
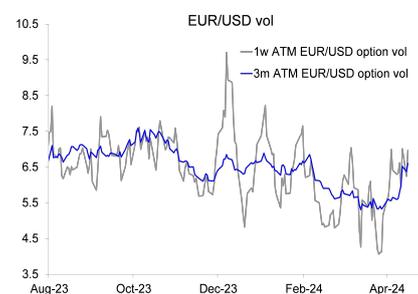
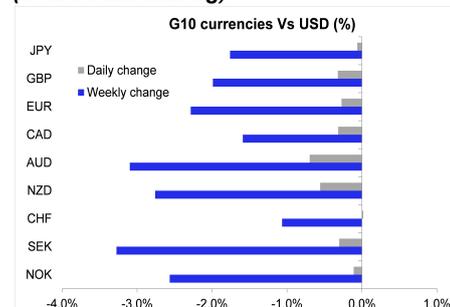
Source: Bloomberg

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)



This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author(s). It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605 promulgated pursuant to the U.S. Commodity Exchange Act and is not intended to provide information upon which to base a decision to enter into a derivatives transaction regulated by the CFTC. Any discussion in this publication of derivatives is limited to commentary on economic, political, or market conditions and statistical summaries of multiple companies' financial data, which may include lists of current ratings.

This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Brazilian, Japanese, Singapore or any other applicable securities laws. This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. These materials and the content of any related presentation are confidential and proprietary and may not be passed on to any third party and are provided for informational purposes only. As a general rule you will not have a right to terminate early any transaction entered into – if you wish to do so, losses may be incurred by you Mizuho shall have no liability for any losses you may incur as a result of relying on the information herein or in any related presentation.

The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This Publication has not been nor will be submitted to, or reviewed by, any regulatory authority. Without limiting the generality of the foregoing, nothing contained herein is in any way intended by Mizuho to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. A recipient must complete its own independent analysis of the financial instrument, product or service and receive all information it requires to make its own decision, investment or otherwise, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such item. The information contained in this Publication has been obtained from public sources and such information is believed to be correct and reliable but has not been independently verified.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

Brazil: Banco Mizuho do Brasil S.A. is authorized to operate and regulated by the Brazilian Central Bank.

This publication is available free of charge to clients. However, if you no longer wish to receive it then please specifically request to unsubscribe from the distribution list.

© 2018 Mizuho Bank Ltd