

Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

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

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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 – A green light for intervention

The S&P closed down for a 4th straight session. Asian stocks were mainly higher, while UST yields and the DXY index were lower. The joint statement in the wake of the Finance Ministers' meetings between Yellen, Suzuki and Choi noted "We will also continue to consult closely on foreign exchange market developments in line with our existing G20 commitments, while acknowledging serious concerns of Japan and the Republic of Korea about the recent sharp depreciation of the Japanese yen and the Korean won". This seems to very publicly give cover to Japan and South Korea to intervene, as you can be sure that the US government won't tighten fiscal policy to allow the Fed to lower policy rates and thus weaken the US dollar. The PBoC also noted that it would prevent risks of exchange rate overshooting. The joint statement added to the pressure on the US dollar and it softened across the board. Oil prices dipped yesterday in the wake of the US inventory data, with Brent futures trading around \$87.50. While Australian unemployment ticked higher, the labour market remains tight and there is no urgency for the RBA to ease.

The BoJ released its financial system report, which noted that banks' resilience to rising interest rates was improving. The assessment of the financial system was unchanged. This is just as well as the weak yen raises the possibility that the BoJ will need to hike more/faster. The BoJ's Noguchi, was broadly dovish saying that Japan was still some distance from a virtuous cycle. However, he also noted that monetary policy shouldn't respond to fx developments but if a weak currency impacted the achievement of a virtuous wage/price cycle then the BoJ might act. Yesterday the S&P published a report titled "Japan's long wait for sustained inflation is likely ending". **JGB yields pushed lower today. USD/JPY dropped to sit around 154.25 as Europe opens.**

Eurozone new car registrations were soft, falling 5.2%YoY. Bank of Slovenia Governor Vasle noted that there were limits as to how far the ECB can diverge from the Fed, especially given global components of activity and inflation. To some extent the divergence in economic performance is driven by the much looser US fiscal policy, which the IMF highlights in its World Economic Outlook polished this week. **EUR/USD pushed steadily higher through late US/Asian trade and sits around 1.0690 as Europe opens.** Lower oil prices likely helped lift EUR. Yesterday, BoE Governor Bailey reiterated that the BoE sees a big drop in the CPI next month (as does everyone else) and that recent data were in line with the BoE's forecasts. It was a quiet start to trade in the UK, with GBP/USD tracking EUR. **Cable sits around 1.2480 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Current account, sa (¥bn, Feb)	--/39.4
US – Philly Fed m'fact index (DI, Apr)	2.0/3.2
US – Weekly jobless claims (k)	215/211
US – Existing home sales (%MoM, Mar)	-4.1/9.5

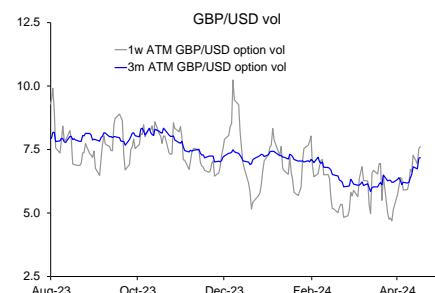
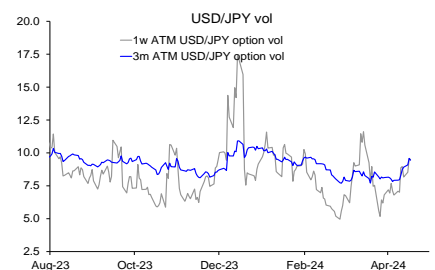
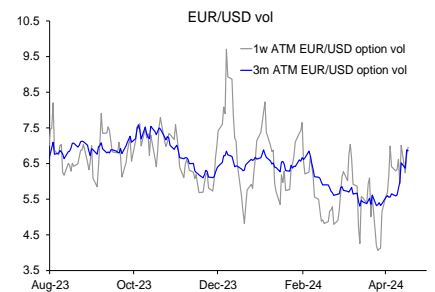
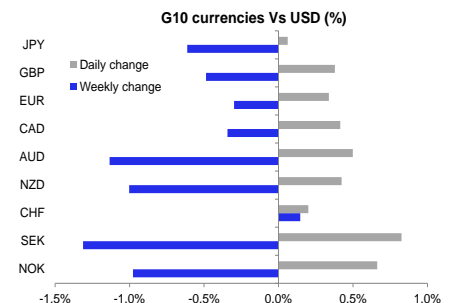
Source: Bloomberg

Europe. The ECB's Guindos, Nagel, Centeno and Simkus are scheduled to speak. Simkus was surprisingly dovish last time he spoke, hinting at a series of cuts this year. The BoE's Greene speaks for the third time in less than a week. She has been notably hawkish of late.

US. Weekly jobless claims will suggest the labour market remains solid. Today's Fed speakers (Bowman, Bostic, Williams and Collins) will be among the last before the 1 May FOMC meeting. They are likely to broadly fall in behind Powell in noting a lack of confidence that inflation is coming sustainably lower.

Market summary

(Source: Bloomberg)



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