

Mizuho Daily Currency Watch

19 August, 2024

MIZUHO

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Currency	Main focus of the week (S-T view)
EUR	Soft PMI to add to downside pressures
USD	Jackson Hole to signal cuts are coming but higher front end UST yields should prove USD supportive
JPY	Ueda to stick to the hiking script. But JPY gains already looking stretched
GBP	Risk appetite to support GBP

Overnight comment – DXY under pressure

Ahead of Fed Chair Powell's speech at Jackson Hole on 23 August, Daly and Goolsebee spoke over the weekend with both suggesting that the time to begin cutting rates is near. Both are doves and neither was especially dovish but both seemed to capture the theme of the overnight session – easier Fed policy, which saw UST yields edged a little lower and the DXY come under a surprising amount of pressure, especially against the yen. Asian equities were mixed with the currency weighing increasingly as the session progressed.

Speculative investors have not been this upbeat on JPY since early 2021, when US interest rates were close to 0.0%. Friday's CFTC data for the week to Tuesday showed speculative positioning in the yen turning slightly positive, having been near record short, just 5 week ago. Powell is not the only central banker speaking this week. BoJ Governor Ueda will appear in the Diet on 23 August to discuss the recent rate hike. Core machinery orders were a little firmer than expected rising 2.1%MoM in June. JGB yields pushed a little higher on the day. **USD/JPY was initially quite stable but pushed steadily lower through the back half of the session to sit around 145.45 as Europe opens.**

The German budget for next year sees funding for Ukraine significantly reduced with more reliance placed on proceeds from confiscated Russian assets. This no doubt reflects the difficult funding backdrop for the coalition but also possible less appetite to support Ukraine. **EUR/USD pushed higher through Asian trade and sits around 1.1045 as Europe opens.**

Changes in JPY positioning have been very large but they have also been sizable, if not quite as big, in GBP where speculative investors have taken a much more downbeat view on GBP's prospects in recent weeks. It might be argued that at the end of July speculative long GBP positioning was over extended. That said we continue to see the macro outlook for GBP as better than that in the eurozone and expect that GBP will outperform EUR in the medium term. UK house prices dropped 1.5%MoM in August but are still almost flat over the past year at 0.8%YoY. **Cable was dragged higher by general USD weakness and sits around 1.2965 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
No major data due today	

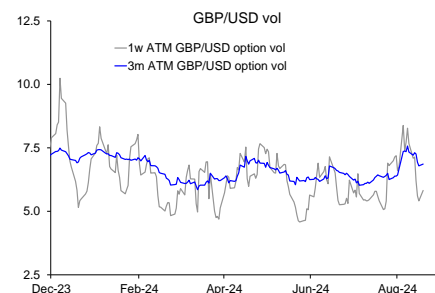
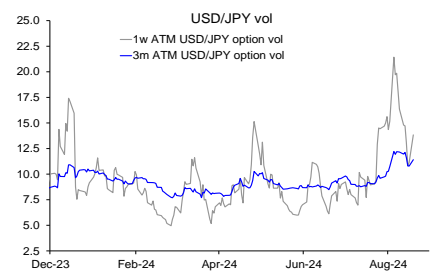
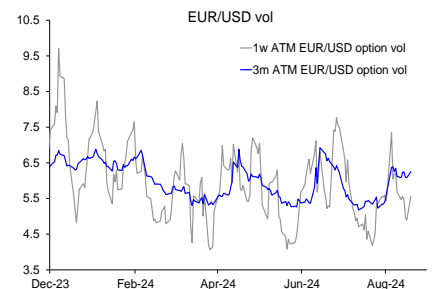
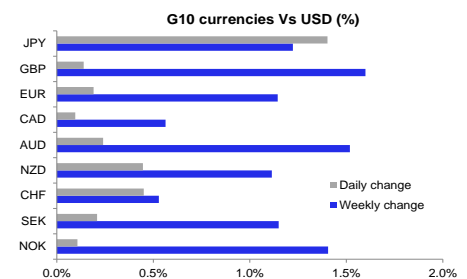
Source: Bloomberg

Europe. There are no major data in the eurozone or the UK today. The main focus is on Thursday when the flash PMI data and the ECB's estimate of euro area negotiated wages are due. Tomorrow sees the Riksbank meet. It is expected to lower the policy rate by 25bp, despite concerns over the currency.

US. The Democratic National Convention starts today and winds up on 22 August. Tim Walz is scheduled to speak on Wednesday and Harris will deliver her acceptance speech on the Thursday. The Fed's Waller gives opening remarks at a workshop later today.

Market data

(Source: Bloomberg)



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