

# Mizuho Daily Currency Watch

15 May, 2024

MIZUHO

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Currency	Main focus of the week (S-T view)
EUR	Drift
USD	Elevated CPI to keep USD stable
JPY	Shrinking Rinban ops to keep JPY supported near term
GBP	Wages in focus, esp with June BoE move in the balance

## Overnight comment – Longer for inflation confidence

“It looks like it will take longer for inflation confidence” was the key line of Powell’s speech yesterday. The reiteration of this view failed to hit UST yields which pushed lower in US time. It was the same for the US dollar. In Asian trade, UST yields and the US dollar both drifted lower still. The Nasdaq closed at a record high while Asian stocks were mixed ahead of the US CPI data, with Hong Kong and South Korea closed for holidays. AUD wage data were marginally softer than expected, while the PBoC left its MLF rate unchanged as expected.

It was a quiet session in Japan, with rising JGB yields now a focus as well as the yen. JGB yields were little changed ahead of the Q1 GDP report and the 20yr auction tomorrow. The GDP report is likely to show the economy contracting in Q1. **USD/JPY pushed lower alongside the drop in UST yields, with the pair sitting around 156.30 as Europe opens.**

Belgian central bank governor Wunsch yesterday noted that the ECB should proceed gradually, arguing for 2 cuts in 2024, while rejecting back to back moves in June and July. For now we see the hawks winning the back to back debate and expect the second cut in September. **EUR/USD was a little higher in Asian trade, building on yesterday’s gains, sitting around 1.0825 as Europe opens.**

BoE Chief Economist Pill’s comments were somewhat ambiguous and can be marshalled for argument for a cut in either June or August. We suspect that the data will have the final word. Recall that Bailey noted there were two CPI reports ahead of the next BoE meeting. **GBP tracked EUR during Asian trade and GBP/USD sits around 1.2590 as Europe opens.**

## Today’s Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Employment (%QoQ, Q1)	--/0.3
EZ – Industrial production (%MoM, Mar)	0.4/0.8
US – CPI (%MoM, Apr)	0.4/0.4
US – Core CPI (%MoM, Apr)	0.3/0.4
US – Retail sales (%MoM, Apr)	0.4/0.7
US – NAHB housing index (DI, May)	51/51

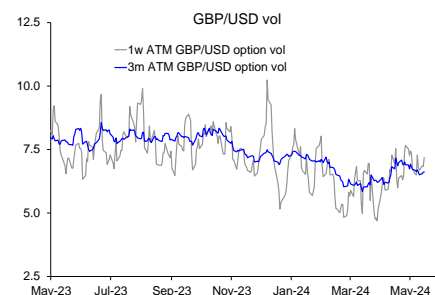
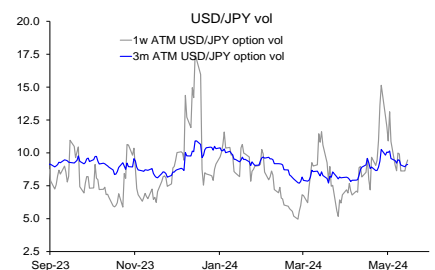
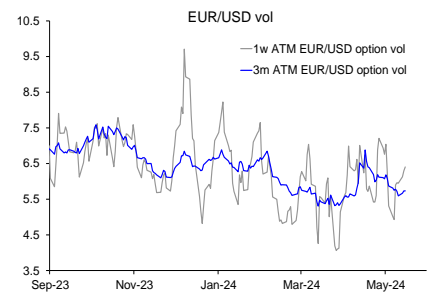
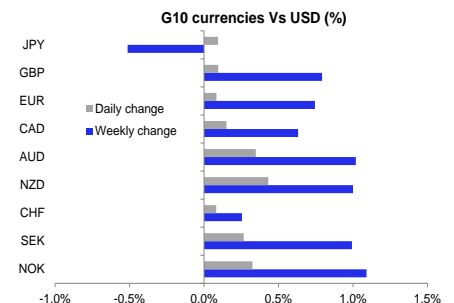
Source: Bloomberg

**Europe.** The second estimate of Q1 GDP, eurozone industrial production and the EU Commission forecasts are due. Industrial production can be volatile, especially in some of the smaller countries. A gain in March is expected, despite output declines in the bigger eurozone members in March. For the ECB Rehn, Muller, Villeroy and Makhoul speak.

**US.** Yesterday’s PPI data were dramatic at first glance but less so once the revisions were taken into account. The YoY rate for headline PPI was as expected at 2.2%. The read-over to today’s CPI is seen as minimal. Nonetheless, even here the consensus is for another elevated print of 0.4%MoM at the headline level and 0.3%MoM at the core level. These are not numbers that will provide the Fed with confidence that it is on track to achieve its inflation target. We expect a mild downside miss on headline CPI but see little change in the trend of inflation running around 3.0% saar. April retail sales are also due and are likely to slow after a strong report in March. Business inventories, the NAHB housing index, the TICS data and the Empire manufacturing survey are also due.

## Market data

(Source: Bloomberg)



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