

Mizuho Daily Currency Watch

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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 – Drift

US stocks eased off record highs on Thursday. In the Asian session the focus was on the slew of China data. The decline in new and used home prices accelerated and retail sales were weak. On the other hand industrial production was firmer than expected and the jobless rate eased a little. The Chinese government announced a slew of measures to support the property sector, including reducing the minimum deposit for first time buyers and pushing local government to acquire housing and turn it into social housing. Chinese shares pushed modestly higher in the wake of the announcement. Shares elsewhere in Asia were mixed. UST yields were little changed as was the DXY index.

In Japan, the BoJ left the Rinban unchanged. There had been some speculation that the BoJ would make a further adjustment today following on from the move on Monday. JGB yields nudged higher, with the curve steepening. USD/JPY gave up the bulk of the post CPI gains yesterday and nudged higher in the wake of the absence of any move on the Rinban front. **USD/JPY sits around 155.65 as Europe opens.**

The ECB's Schnabel gave an interview with the Nikkei overnight. She noted that many believed that the neutral rate had likely moved higher – a view she shared – it was impossible to quantify any change in real time with any degree of precision. In turn this argues for a gradual pace of easing, with plenty of time to assess how the economy is responding to policy changes. She reiterated that she felt inflation risks were skewed to the upside and that the last mile was proving bumpy. We suspect that Schnabel will get her way and that the pace of ECB rate cuts will be slow. We look for one 25bp cut per quarter. Holzmann noted that the ECB must be sure that inflation was on the way back to 2.0% before easing. **EUR/USD was little changed in Asian trade around the 1.0865 level.** It was a quiet start to UK trade. **GBP/USD was also little changed in Asian trade around 1.2665.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – CPI, final (%YoY, Apr)	2.4/2.4 (p)
US – Leading index (%MoM, Apr)	-0.3/-0.3

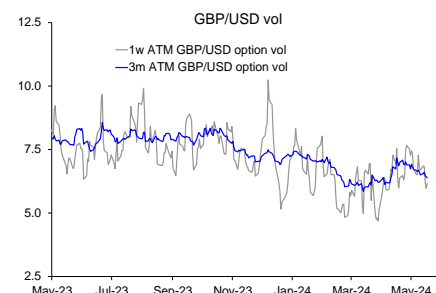
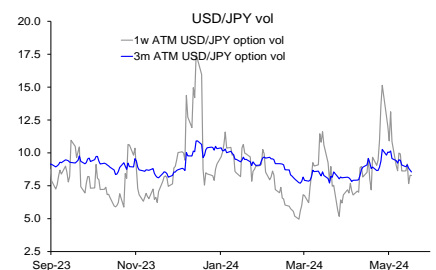
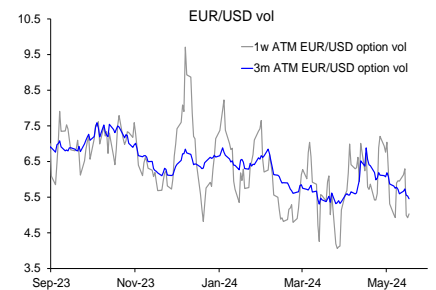
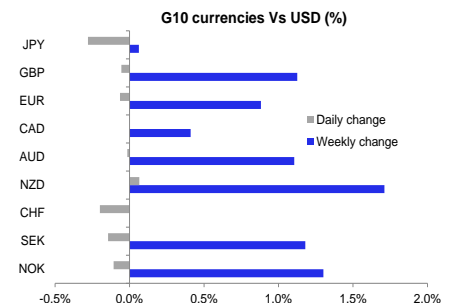
Source: Bloomberg

Europe. Whilst the final CPI in the eurozone is not usually especially market moving, the release does contain a lot of underlying detail on price developments. The ECB's Vastle, Guindos, Vujcic and Kazaks are all scheduled to speak. Thursday's ECB speakers all lined up behind a June cut but were much less willing to commit to action beyond. A number of speakers suggested that proceeding slowly would be prudent. The BoE's Mann speaks. She will likely remain at the hawkish end of the spectrum.

US. After a data heavy week, investors will get a breather today. Only the leading index is due. The Fed's Waller and Daly speak. Alas, Waller is speaking on payments innovation and thus commentary on policy will likely be limited. Daly will be giving a commencement speech at the University of San Francisco School of Management.

Market data

(Source: Bloomberg)



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