

# Mizuho Daily Currency Watch

20 May, 2024

MIZUHO

Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

Currency	Main focus of the week (S-T view)
EUR	PMI continues to point to gradual recovery, EUR to be solid
USD	Fed wants to cut. USD flat
JPY	Soft CPI data follows soft Q1 GDP data. JPY under pressure
GBP	Weak CPI in the price. GBP on the up

## Overnight comment – Copper and Gold rally to record highs

Asian equity markets opened the week on the front foot as commodity-linked shares pushed higher. Both gold and copper pushed up to new highs, while Brent crude futures remain around \$84.1/barrel. The recent surge in commodity prices, should it prove sustained, will make life more difficult for central banks looking to lower rates aggressively. We remain in the “Lower, Slower” camp that says central banks will proceed cautiously in lowering rates especially given that labour markets in most developed economies show few signs of weakness. Chinese banks help the LPRs unchanged as expected. UST yields were little changed in the Asian session as was the DXY index, with FX volatility pushing back down towards the lows seen in early April.

JGB yields pushed higher at the open to a new decade plus high. At  $-0.98\%$ , it looks like pushing through the  $1.0\%$  level on 10yr JGBs is merely a matter of time. The next Rinban operation is on 23 May and investors will be watching to see if the ops are further reduced after the reduction in the 5–10yr sector at the start of last week. The bid/cover at the JGBi auction was the highest since 2007. JPY positioning was little changed week-on-week as of Tuesday according to the weekly CTFC data. The Cabinet office approval rating pushed lower still in 3 polls conducted over the weekend. **USD/JPY ended the Asian session little changed around the 155.70 level.**

A 25bp rate cut at the June 6 ECB meeting seems nailed on. Options vol on structures that now capture the ECB meeting (3wk) have not enjoyed the usual uptick as the meeting comes within the term. Last week’s ECB commentary suggested almost all members are happy to cut rates 25bp. The main focus of the ECB meeting will be on the new staff forecasts, especially inflation over the forecast horizon and its implications for policy. **EUR/USD drifted higher through Asian trade and sits around 1.0880 as Europe opens.** UK house prices pushed up  $0.8\%$  MoM in May according to Rightmove. Asking prices are now at a record high, surpassing last May’s level. **GBP/USD was little changed in Asian trade around the 1.2710 level.**

## Today’s Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – House prices (%MoM, May)	--/1.1

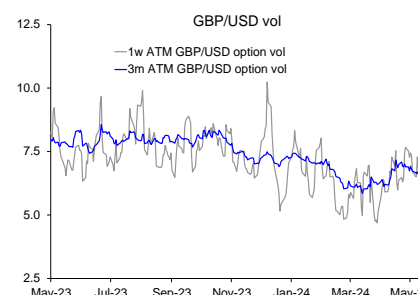
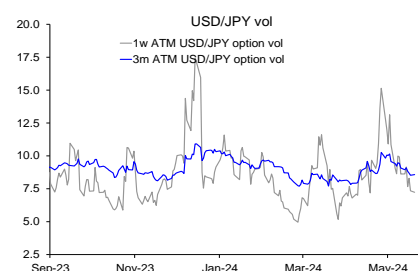
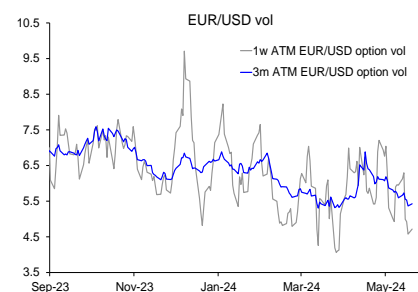
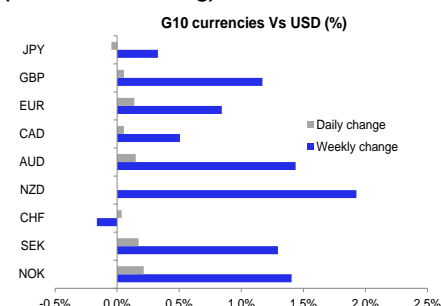
Source: Bloomberg

**Europe.** It will be a quiet session in the eurozone today. In the UK house prices are due and the BoE’s Broadbent gives a speech on monetary policy transmission, which remains a topic of interest given how well the global economy has coped with elevated policy rates. Note that Broadbent’s term ends at the end of June. He will be replaced by Clare Lombardelli.

**US.** There are no data today. There are a lot of scheduled Fed speakers but the content looks to be mainly introductory remarks. Jefferson’s comments on the economic outlook and housing look to be the most promising outlook for policy-relevant commentary. Tomorrow, Waller will discuss the economy, which looks like it could be an interesting speech.

## Market data

(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