

# 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 – Rising JGB yields fail to lift JPY

US equities closed mixed ahead of the upcoming inflation reports which kick off today starting with the PPI. In Asia, equity markets were mostly higher albeit modestly so, although the Hang Seng seemed to run into some profit talking after a strong run of late. Tech shares led the gains ahead of earnings later today. UST yields were little changed in Asian trade and the DXY index was little changed, holding onto the bounce late in the US session. AUD was a little soft ahead of the budget due shortly.

The Japanese yield curve bear steepened with yields continuing to push higher. 20yr and 30yr JGB yields made fresh multi-year highs, while 10yr yields approached the November-23 peak, which itself was a multi-year high. The moves were driven by fears that yesterday's reduction in the 5-10yr Rinban volume is just the first step, as well as a soft 5yr auction. The PPI was a fraction firmer than expected at 0.9%YoY. **The yen continued to soften despite the pickup in JGB yields with USD/JPY pushing up to around 156.40 early in the session and then flatlining.**

In the eurozone there were a number of comments overnight on the capital markets union. French President Macron said he would be open to a takeover of a French bank, while EU Commissioner Gentiloni said that if there was no agreement some members would move forward on their own. **Otherwise, it was a quiet start to trade with EUR/USD little changed in Asian trade to sit around 1.0785 as European trade gets underway.**

UK labour market data were mixed. The wage data were a little firmer than expected but the employment data, which remain under a cloud due to low response rates in the survey, were on the soft side. Recall that there will be another labour market report before the next BoE meeting, as well as 2 CPI reports, with the second CPI due the day before the meeting on 20 June. **GBP was marginally higher after the labour market data sitting around 1.2560 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Average hourly earnings (3m%YoY, Mar)	5.5/5.6
GE – ZEW survey, expectations (DI, May)	46.0/42.9
US – PPI (%MoM, Apr)	0.3/0.2
US – Core PPI (%MoM, Apr)	0.2/0.2
US – NFIB small business confidence (DI, Apr)	88.2/88.5

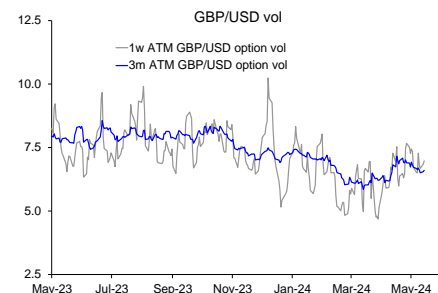
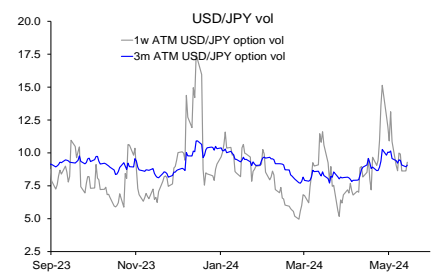
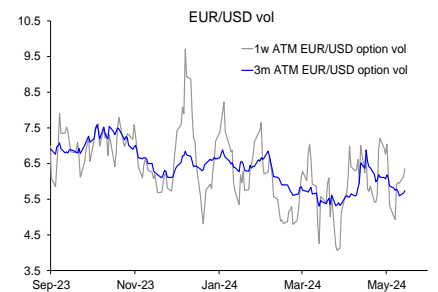
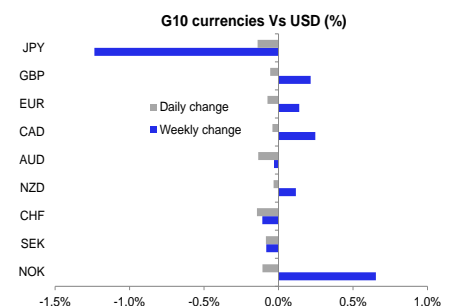
Source: Bloomberg

**Europe.** The ZEW outlook index for Germany survey is already at very elevated levels - levels from which it rarely moves higher. Increasing confidence in the German recovery will have to come from a pickup in current conditions, which seems to be underway albeit at a slow pace. The UK labour market data are due. Recall that the unemployment data remain under a cloud given reliability concerns. Schnabel and Knot are scheduled to speak today.

**US.** The inflation data get underway with the PPI today, followed by the CPI tomorrow. Higher gasoline prices will keep the PPI nudging higher. Hiring plans in the monthly NFIB small business confidence report were a fraction firmer in April than in March but nonetheless remain far from the late 2021 peak. This is especially the case in the wake of Powell signalling the Fed will be more sensitive to downside labour market developments. Overall small business confidence may nudge a little higher in April. Fed Chair Powell and Cook both speak today.

## Market data

(Source: Bloomberg)



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