

# Mizuho Daily Currency Watch

3 June, 2024

Colin Asher

Senior Economist

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

MIZUHO

Currency	Main focus of the week (S-T view)
EUR	ECB cut priced in. Focus on forecasts
USD	Solid labour market data to keep USD supported
JPY	JPY to catch up with rising JGB yields?
GBP	Quiet data week leaves GBP at the mercy of risk appetite

## Overnight comment – Election results lift INR. ZAR and MXN little changed

Over the weekend it has become increasingly clear that the ruling ANC did poorly in Thursday's election, slumping to ~40% of the vote. Currently the market-friendly Democratic Alliance seem the most likely coalition partners. ZAR was little changed. Meanwhile, in India, exit polls suggest Modi's BJP will win a landslide victory with an increased majority. Indian assets rose with INR pushing higher. News that South Korea may have large oil and gas reserves saw shares push higher with KRW leading Asian currency gains. Exit polls suggest Mexico's election is in line with expectations, with the ruling party maintaining its grip on power. MXN is little changed. OPEC+ extended cuts as expected at least through end September and the plan is for them to be gradually phased out. CFTC data show USD longs trimmed further last week continuing the trend seen in May. Oil nudged a lower in the Asian session. Asian manufacturing PMI data were mixed. UST yields were little changed and the DXY index was a little higher.

Japan's capex data were weaker than expected, suggesting Q1 GDP is not likely to be revised higher, when the data are released on 10 June. One of Japan's major lifers said that superlong yields had risen to attractive levels but that it was "only slowly" increasing buying in the sector. JGBs were firm but the long end again lagged hint that life insurer sponsorship of the sector may be less firm than assumed. **USD/JPY ended the session little changed around the 157.30 level.**

S&P lowered France's credit rating late on Friday. S&P said that the deficit would remain above 3% through 2027 despite planned reforms and the expected recovery. The downgrade will not help the prospects of President Macron's Renaissance Party in the EU elections which get underway on Thursday. OATs lagged Bunds but only modestly so, as yields edged lower at the open. **EUR/USD flatlined during Asian trade to open in Europe around the 1.0850 level.** In the UK, the Institute of Directors economic confidence metric rose to -3, its highest since September 2021. The Institute said that the green shoots of recovery were clearly visible. **GBP/USD ended the Asian session little changed, trading around 1.2735.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – M <sup>fact</sup> PMI, final (DI, May)	47.4/47.4 (p)
UK – M <sup>fact</sup> PMI, final (DI, May)	51.3/51.3 (p)
US – ISM m <sup>fact</sup> (DI, May)	49.7/49.2
US – Vehicle sales (mn saar, May)	15.82/15.74

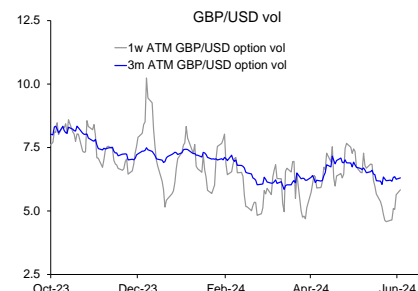
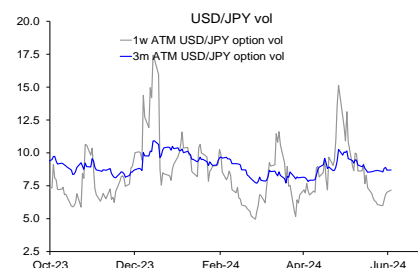
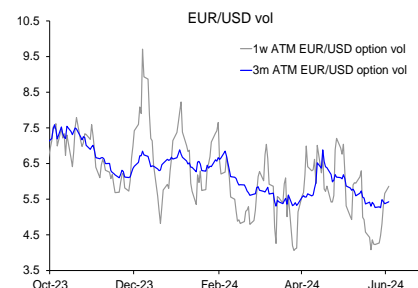
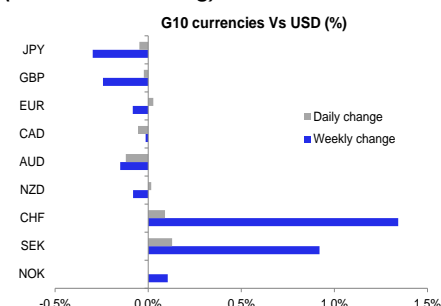
Source: Bloomberg

**Europe.** It is a quiet start to trade in Europe with just the final manufacturing PMI reports due in the eurozone and the UK. The UK election is on-going but nothing has happened to boost the government's very dim prospects. The main focus of the week will be ECB monetary policy, with the ECB widely expected to kick off its easing cycle with a 25bp cut on Thursday.

**US.** The ISM data imply that the US manufacturing sector is under the weather. That said conditions seem better than they looked for most of 2023 and a return above the 50 level is not impossible. The prices sub-indices are also of interest as disinflation, which is being led by the manufacturing sector, looks to be running out of steam. Vehicle sales are one of the first hard data points on consumer activity on the month. Dealer discounts suggest sales will remain firm.

## 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