

# Mizuho Daily Currency Watch

4 June, 2024

MIZUHO

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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 – Consolidation

Asian shares were mixed, with Indian equities ran into heavy profit taking after yesterday's jump. UST yields and the DXY index broadly consolidated the drop in the wake of yesterday's weak manufacturing ISM print and were little changed through the Asian session. It was a data-light session. Australian data were weak with the current account showing a decent deficit rather than the expected surplus. AUD was the worst performer in the G10, although the dip was modest. CHF outperformed ahead of today's CPI data. Oil prices edged a little lower during the Asian session adding to yesterday's sharp drop. Brent crude futures now sit around \$77.75/barrel, the lowest since early Feb.

JGB yields dipped at the open, despite 10yr supply later in the session. The 10yr JGB auction met with solid demand with the bid/cover rising to 3.66x, while the tail narrowed to 0.02 from 0.05 last month. Finance Minister Suzuki acknowledge the late April/early May intervention noting "We intervened in the market to counter excessive FX moves, which were driven by speculation... From that standpoint, we believe that it had a certain effect." **USD/JPY was little changed during Asian trade and sits around 155.95 as Europe opens.**

It was a quiet open in Europe, with the ECB meeting on Thursday still the focus. EUR/USD was little changed through Asian trade, dipping marginally at the European open. **The pair sits around 1.0900.** UK BRC retail sales were non the soft side in May but nonetheless rose after a weak April. Sales were up 0.7%MoM after a 4.0%MoM plunge in April. Food sales are holding up much better than non-food sales. This evening PM Sunak will debate leader of the opposition Starmer on TV. Recent polls have not been good for the government, pointing to a massive opposition majority. The return of Nigel Farage is probably not good news for the government either. **GBP/USD sits around 1.2795 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – JOLTS job openings (k, Apr)	8360/8488

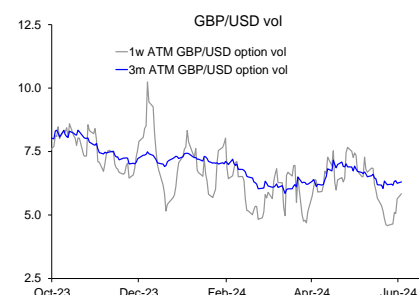
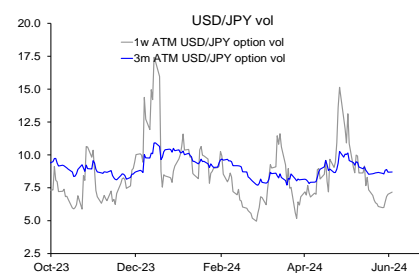
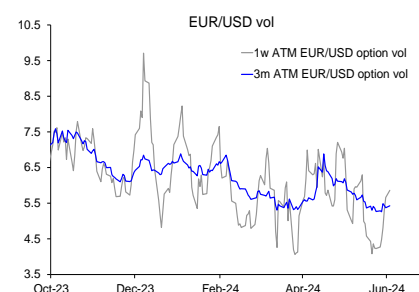
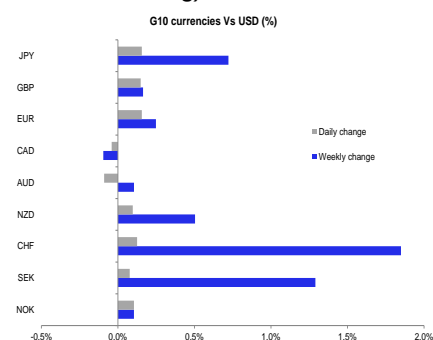
Source: Bloomberg

**Europe.** German unemployment is the highlight of the eurozone data docket. German unemployment is trending higher and sits at 5.9%, up from the cycle low of 5.0% seen in mid-2022. It has been at 5.9% all year. If German unemployment were to top out it may put even more pressure on the eurozone labour market and would suggest deep ECB cuts are not warranted.

**US.** In a quiet session for data the JOLTS report is the focus. Given the Fed Chair's sensitivity to downside labour market news, it will be closely watched. There have been question marks about the response rate and the importance of the release has faded from it peak in 2021/2022. Openings likely continued to gradually decline in April, slowly pushing the job openings to unemployed ratio back towards pre-Covid levels. The rise in the number of unemployed is also helping the move. There will also be a focus on the quits rate, which usually declines when workers are less confident of moving elsewhere for better pay.

## Market data

(Source: Bloomberg)



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