

Mizuho Daily Currency Watch

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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 – BoC set to join the easing party

US stocks nudged higher. Despite solid services PMI data in China, Chinese equities moved lower. Japanese equities were also lower in the wake of the drop in USD/JPY. Elsewhere in Asia, equities were broadly higher. Soft GDP data did not hit AUD especially hard. UST yields edged off the lows but held the bulk of the drop yesterday. The DXY index was a little firmer in the Asian session.

In Japan, the cash earnings data for April were mixed, with headline earnings up 2.1%YoY but some of the sub-components looking a little weak. The bulk of pay rises agreed in the spring wage negotiations will feed through over the next few months giving the BoJ a clearer picture of wage developments in the economy as a whole. The BoJ may wait for this clearer view to emerge before pushing rates higher again. However, they seem less inclined to wait to lower Rinban purchases. Yesterday, the press reported that the BoJ may reduce its Rinban ops as soon as the June meeting. This didn't prevent JGB yields opening lower today on the back of gains in USTs overnight. USD/JPY jumped off the lows in the wake of the wage data and continued to push higher through the session. **The pair sits around 155.80 as European trade gets underway.**

It remains quiet in Europe ahead of the ECB meeting and the EU elections. EGB yields remain near recent lows ahead of the ECB meeting suggesting hopes of dovish guidance from President Lagarde in the press conference. **EUR/USD trades around 1.0875 as the European session gets underway.** There was no clear winner of the UK election debate. Given the government trails so heavily in the polls, the PM needed a knock-out punch, which he failed to deliver. **GBP/USD sits around 1.2770 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – New car registrations (%YoY, May)	8360/8488
UK – Composite PMI, final (DI, May)	52.8/52.8 (p)
EZ – Composite PMI, final (DI, May)	52.3/52.3 (p)
EZ – PPI (%YoY, Apr)	-5.3/-7.8
US – ADP (k, May)	175/192
US – Non-m'fact ISM (DI, May)	51.0/49.4

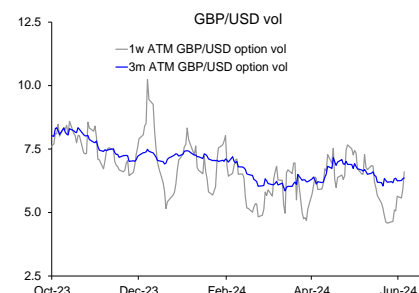
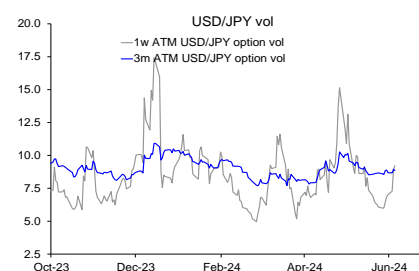
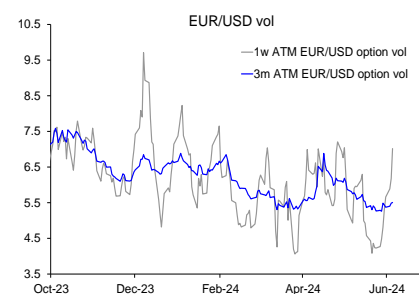
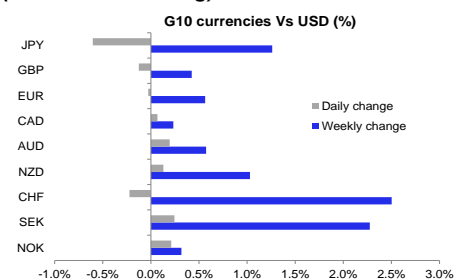
Source: Bloomberg

Europe. The eurozone PPI is likely to suggest that downside goods price pressures are continuing to ease. Once the disinflation from goods has passed through the economy there looks to be a reasonable chance that services prices will be sufficient to keep the overall CPI elevated. The final services and composite PMIs are due today in both the UK and the eurozone. The final estimates rarely move markets. French industrial production is also due. UK auto registrations are also due.

US. Last month both manufacturing and services ISM prints were below 50. The manufacturing print this month softened further. The services ISM is expected to move back above the 50 level. Two consecutive months of both sectors below the 50 level would not be a good look and would start to cast doubt on the strength of activity. Prices paid are always of interest. They remain elevated just below the 60 level. Bank of Canada meets today and will likely become the third G10 bank to ease policy after the SNB and the Riksbank. The market is pricing a ~80% chance of a 25bp cut.

Market data

(Source: Bloomberg)



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