

# Mizuho Daily Currency Watch

10 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	Quiet week, politics to weigh. Downside is path of least resistance
USD	Dots to move higher across the board, inflation to remain elevated. USD supported
JPY	BoJ's expected reduction in bond buying to keep yields pushing higher, JPY solid
GBP	Labour market data not likely to impact June MPC (hold), GBP to lag.

## Overnight comment – Right turn in EU elections weighs on EUR

The combination of strong payrolls and the potential for rising political uncertainty in the EU have pushed EUR/USD lower. UST yields retained the post-payrolls jump in yields and nudged a fraction higher in the Asian session. It wasn't just against EUR that the greenback was strong, although gains against the rest of the G10 were a lot more modest. Asian shares were mixed. Weekly CTFC data showed investors selling US dollars in the week to 4 June but we suspect that in the wake of the strong US payrolls report positioning will swing back towards the US dollar. Positioning in most pairs is not especially stretched. We have a relatively consensus-like view of policy rate moves in H2, which implies that for now the low volatility backdrop for FX markets should remain in place.

In Japan, the 2<sup>nd</sup> estimate of Q1 GDP was revised fractionally higher but it still sharply contracting 0.5%QoQ. The current account for April was firmer than expected. May bank lending was little changed at 3.0%YoY, while the economy watchers' survey also for May dropped sharply, hinting that consumption may remain soft on Q2. Despite mixed data, JGB yields tracked UST yields higher, with 10yrs pushing back above the 1.0% level. 30yr JGB yields were almost 10bp higher. The main focus of the week will be the BoJ meeting which concludes on Friday. There is a widespread expectation that a reduction in Rinban ops will be announced. Over the weekend, the Nikkei said such a step would be considered at the meeting. **USD/JPY nudged a fraction higher in today's Asian session to sit around 157.10 as Europe opens.**

In the wake of a poor performance in the EU elections, French president Macron has called a snap election for the Lower House of the French legislature, with the first round of voting on 30 June and the second on 7 July. We see this as boosting uncertainty. French bonds were under modest pressure at the open. CAC futures were down over 1% ahead of the open. Early results show that the far right has made solid gains. Note the far right is not a coherent block. The centre-right EPP will have around 180 seats and most likely Von der Leyen (EPP) will remain Commission president. The EPP will be the biggest block but will need allies to form a coalition. The existing coalition would in theory still have sufficient strength to maintain a majority but last time round their vote was not solid. **The rise in political uncertainty has not helped EUR, with EUR/USD sitting around 1.0750 as Europe opens.** In the UK, the REC Report on Jobs was mixed. Placements dropped at a slower pace and pay remained elevated. In contrast to the elevated uncertainty in continental Europe, the UK election continues to track the polls. The government remains on track for a heavy defeat, while the opposition continue to push a centrist agenda. **GBP/USD was little changed in the Asian session and sits around 1.2705 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – REC Report on Jobs	--

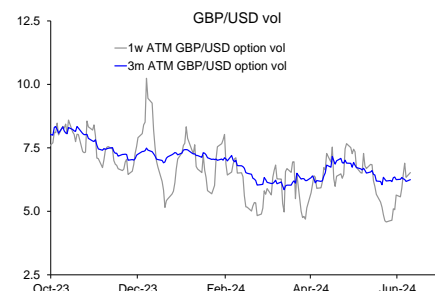
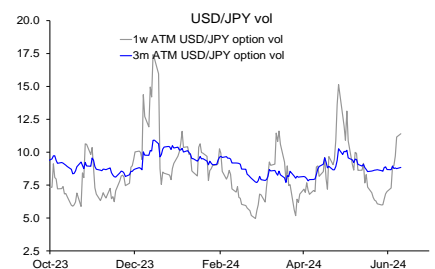
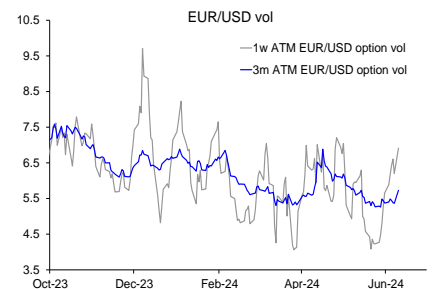
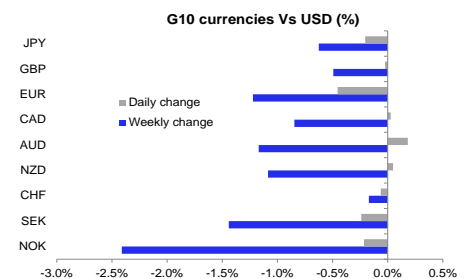
Source: Bloomberg

**Europe.** The early results of the EU elections should be available for perusing by investors. In the UK, the labour market data are under a cloud while the ONS works on producing a more robust survey, which is expected in autumn. Private sector surveys have been relied on more heavily during this period. The REC report on jobs has been the survey that presents the weakest view of the labour market. That said, last month it did show some improvement and will be watched for further signs of bottoming out. Reform leader Farage will give a speech pushing the case for lower interest on BoE reserves.

**US.** It's a very busy week with both key price data and the FOMC meeting as well as the University of Michigan consumer confidence survey late in the week. That said, it's a quiet start to the week. It is a supply-heavy week with 3yr USTs today, 10yrs on Tuesday and 30yrs on Thursday.

## 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