

Mizuho Daily Currency Watch

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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 – Waiting for the Fed

US equities closed at record highs ahead of Wednesday's CPI report and FOMC meeting. Asian stocks were mainly lower, while UST yields dipped a fraction in the Asian session but remained close to Monday's highs. Similarly, the DXY index was little changed in Asian trade, just off Monday's highs. Brent crude futures broadly held yesterday's gains ahead of the OPEC and US EIA monthly reports today and the IEA's monthly report tomorrow.

It was a relatively quiet session in Japan, with only money supply data due. JGB yields were a little lower on the day, while equities gave up early gains. **USD/JPY drifted higher through the session to sit around 157.25 as Europe opens.**

In 2017 when it initially seemed as if Le Pen might win the French presidential election, French OAT/Bund spreads blew out and EUR came under pressure. Since then, Le Pen's RN has toned down its anti-EU rhetoric and no longer seeks to leave the EU. The UK's Brexit lessons have been learned. Brexit is not an issue and consequently EUR should be less sensitive to wider OAT/Bund spreads than it was back in 2017. That said, if the RN was to become the leading party in France, its lack of empathy for an ever closer union may mean that in a crisis, it struggles to find the political will to find a way, especially if other EU countries similarly struggle and no-one wants to make the required sacrifices to hold the EU together. Initial polls suggest RN will win the most seats but fall short of a majority. **EUR/USD sits around 1.0765 as Europe opens.**

UK labour market data were mixed but generally in the soft side. The unemployment numbers (where the data is least reliable) were poor with the ILO measure up 0.1 at 4.4% and the claimant count unemployment rate up 0.2pp at 4.3%. Employment was also soft, down 139k over the last 3 months. However, headline wages were elevated remaining at an upwardly revised 5.9%YoY. Payrolled employees for May were also a little better once revisions were taken into account but are nonetheless lower for 4 consecutive months. **GBP/USD was a little lower after the data around 1.2725.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Unemployment (3m%, Apr)	4.3/4.3
UK – Average earnings (3m%YoY, Apr)	5.7/5.7
UK – Payrolled employees (k, May)	-10/-85
EZ – Sentix investors confidence (DI, Jun)	-1.7/-3.6
US – NIFB small business sentiment (DI, May)	89.6/89.7

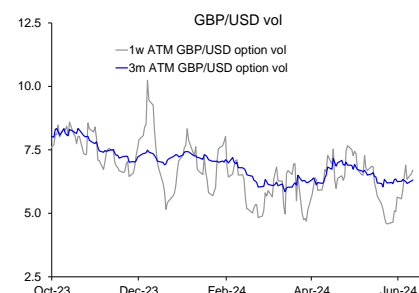
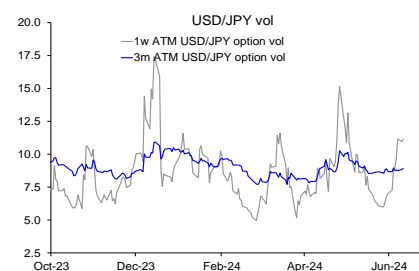
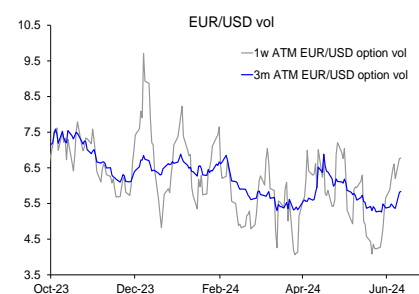
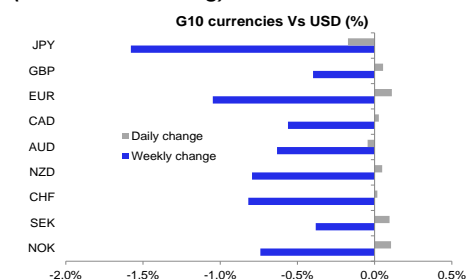
Source: Bloomberg

Europe. The lone data release is the eurozone sentix investor confidence index for June. Beyond the that focus remains on politics, especially in France in the wake of Macron's gamble on a snap election. In the past the eurozone has been sensitive to political risk and we suspect that this will remain the case The UK labour market data are due.

US. It is another quiet session in the US ahead of Wednesday's blockbuster day with both the CPI report and the FOMC decision. The UST market focus will be on 10yr supply.

Market data

(Source: Bloomberg)



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