

Mizuho Daily Currency Watch

17 June, 2024

Colin Asher

Senior Economist

colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

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Currency	Main focus of the week (S-T view)
EUR	France the focus. Downside is path of least resistance
USD	Fed speakers the focus in the wake of FOMC but safe haven demand to dominate
JPY	BoJ disappointment vs global risk appetite.
GBP	BoE hold to have limited impact amid risk-off backdrop.

Overnight comment – French focus

US equities managed to close almost flat on Friday but negative sentiment pervaded the Asian session. Most equity markets were lower, with Japan leading the decliners. Chinese shares were mixed after mixed data, which showed production and housing weak, while consumption was a little firmer than expected. The Chinese central bank left its key policy rates unchanged.

Japanese machinery orders decline in line with expectations easing 2.9%MoM. In the wake of Frida's disappointment from the ECB, 2yr JGB yields have slide below 0.3%, to their lowest for 5-weeks. Its not just BoJ disappointment but fears of a European crisis that have dragged JGB yields lower. **USD/JPY was little changed in the Asian session and sits around 137.30 as Europe opens.**

EUR/USD was little changed in the Asian session after the heavy sell-off at the back end of last week, sitting around 1.0700, as Europe opens. Over the weekend Le Pen noted that she would work with Macron if elected saying "I'm respectful of institutions, and I'm not calling for institutional chaos. There will simply be cohabitation." French supply on Thursday will be a focus this week.

Right Move house prices were unchanged in May leaving them up just 0.6%YoY. Polls taken over the weekend suggest that government's number is up. Three dismal polls imply a very poor performance for the government and a large Labour majority. **GBP/USD held the bulk of Friday's drop in the Asian session to sit around 1.2680 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
US – Empire m'fact (DI, Jun)	-13/-15.6

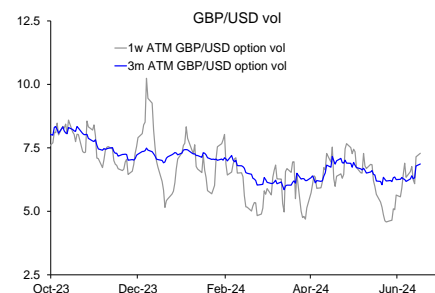
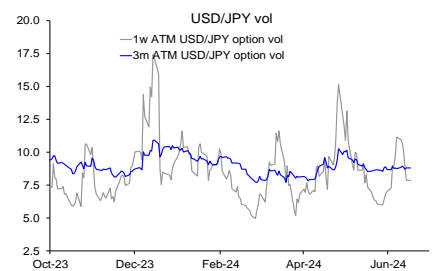
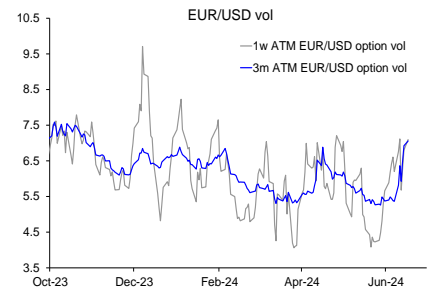
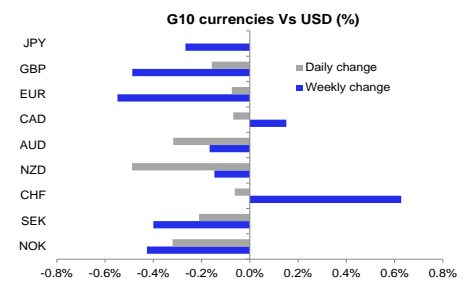
Source: Bloomberg

Europe. The focus remains on French politics, French bonds and any knock on impact on the transition mechanism that may bring the ECB into play. The press report that over the weekend the ECB let it be known that they have no plans to discuss French bonds. ECB Chief economist Lane speaks this morning in London. The weekend headlines suggest that he will try to ignore the topic even though it will be uppermost in his audience's mind. President Lagarde, Guindos and Makhoulf also speak later today. In the UK, Right Move House prices are due.

US. It's a quiet start to the week in the US, where one of the highlights of the week will be the heavy slew of Fed speak on Tuesday. Empire State manufacturing index is due.

Market data

(Source: Bloomberg)



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