

# Mizuho Daily Currency Watch

18 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	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 – Less downbeat

Another day, another new high for US equities, led by large tech stocks. Asian equities tracked modestly higher too. UST yields were little changed as the Fed's Harker said he saw one cut by year end if the data unfold as he expects, although he conceded that zero or two were possible. He added that he wanted to see several more months of improving inflation data, which would seem to rule out July and possibly September as well from his perspective. AUD firmed a little in the wake of the RBA press conference. The Bank left the policy rate unchanged and in the press conference Governor Bullock said that the case for a rate hike was discussed. ZAR continues to hold firm amid volatility elsewhere as investors hope for good things from the new coalition agreement. The new Cabinet ministers should be decided soon.

The monthly Bloomberg survey for Japan showed respondents still expecting the overnight call rate to top out close to 0.75% but the timing of the hikes was slightly earlier, with the first hike in Q4 24 and another in Q3 25. The JGB curve bear steepened, with 30yrs leading the sell off, in line with overseas yields. The BoJ's Ueda reiterated that a July hike was possible, while Rinban volumes were left unchanged. **USD/JPY drifted lower early in the session but subsequently reversed direction to end little changed around the 157.90 data.**

The FT reports that French businesses are courting Le Pen, driven by fear of the hard left alliance. This lack of confidence that Macron can act as a bulwark against extremism is pushing voters to the wings. EGB yields opened lower. As long as yields are declining, the debt sustainability issues for France will look less bad regardless of any French underperformance vs other EGBs. This morning Bunds are underperforming vs other EGBs. **EUR/USD was little changed in Asian trade and sits around 1.0730 as Europe opens.** It was a quiet start to UK trade, with **GBP/USD drifting a little lower through Asian trade to sit around 1.2690 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
GE – ZEW expectations (DI, Jun)	50.0/47.1
EZ – CPI, final (%YoY, May)	2.6/2.6 (p)
US – Retail sales (%MoM, May)	0.3/0.0
US – Ex auto, retail sales (%MoM, May)	0.2/0.2
US – Industrial production (%MoM, May)	0.3/0.0

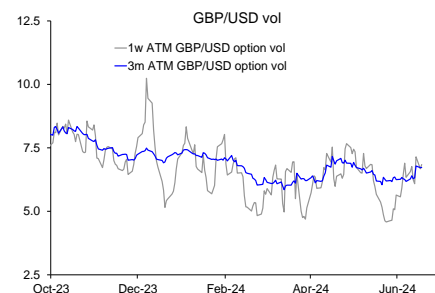
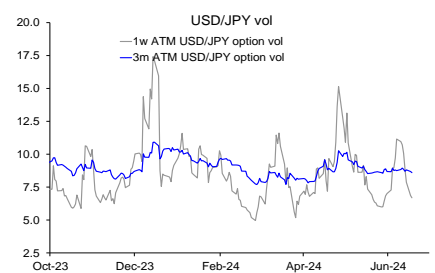
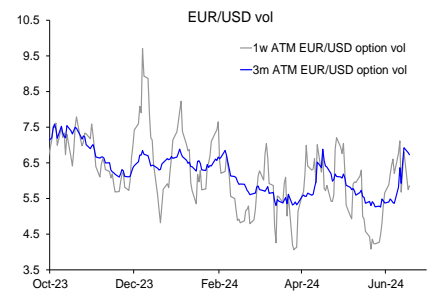
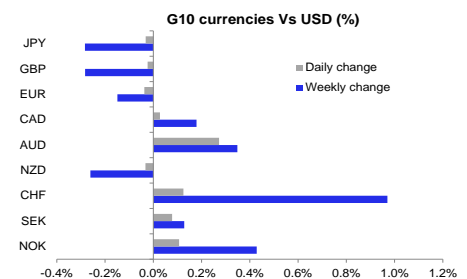
Source: Bloomberg

**Europe.** In the eurozone the second estimate of CPI for May is due. In his speech on Monday, ECB Chief Economist Lane noted that he preferred the second estimate due to the rich detail available. The ZEW index is expected to nudge higher suggesting investors remain upbeat. For the ECB, Knot, Cipollone, Guindos and Vjicic all speak. Its will be a quiet session in the UK with the next focus on Wednesday's CPI data and Thursday's BoE meeting.

**US.** Busy day ahead with lots of data including retail sales and industrial production as well as a heavy roster of Fed speak, including Logan, Kugler, Musalem, Collins, Barkin and Goolsbee ahead of Wednesday's holiday. Aggregate payroll earnings were solid in May after weak growth in April, which will keep overall consumption solid. Given retail sales is focussed on goods it may be a little soft vs overall consumption on the month but it should nonetheless pick up after a weak April. Restaurant spending within the retail sales report is seen as a proxy for services spending.

## 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