

Mizuho Daily Currency Watch

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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 – Japan data add to BoJ caution

The Nasdaq's longest winning streak this year (7 sessions) ended yesterday. Tech stocks led Asian shares lower. US equity futures were a fraction higher. UST yields were little changed in the Asian session, while the DXY gave back some of yesterday's gains but remains elevated above 105.50. Oil remains near seven-week highs with Brent crude futures around \$85.75.

Japan's CPI was a touch softer than forecast. Headline CPI, which pushed higher in May, remains distorted by energy costs – in this case a renewable energy surcharge. Utility fees added ~0.5pp to headline CPI. Ex fresh food and energy CPI dropped from 2.4%YoY to 2.1%YoY. The flash PMI for June was also on the soft side, dropping from 52.6 to 50.0, as services dipped sharply. Both these reports will add to BoJ caution on tightening policy. **At the same time with USD/JPY back up around the 159.0 level, its highest since intervention, the weak yen is also a problem for the BoJ.** The government will hold talks on raising the minimum wage next week. Chief Cabinet Secretary Hayashi was rolled out to repeat the fx stance – important to maintain confidence in yen, stable forex is desirable. Note that the US released its semi-annual currency report and that Japan was added to the monitoring list, although the report noted that currency manipulation has not played a role in the large deficits that the US ran with a number of trading partners.

In France, the latest poll showed President Macron's approval rating equalling its previous low at just 26%, a level seen in both 2023 and 2018. **Otherwise, it was a quiet start to trade with EUR/USD sitting around 1.0720.** The UK consumer seems to be in better shape today than it seemed yesterday, with consumer confidence improving a little more than expected in June from -17 to -14, its highest level since late 2021. UK retail sales also bounced back in May after a poor April. We see much of the volatility as weather related. Sales were up 2.9%MoM in May, while the 2.3%MoM drop in April was revised upward to show a drop of just 1.8%MoM. Q2 consumption looks healthier as a result, especially as the weather in June looks likely to be a plus. Yesterday's MPC meeting hinted at a cut in August, which remains our base case. **GBP/USD jumped in the wake of the data to sit around 1.2670 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Consumer confidence (DI, Jun)	-16/-17
UK – Retail sales (%MoM, May)	1.8/-2.3
UK – Composite PMI, flash (DI, Jun)	53.0/53.0
EZ – Composite PMI, flash (DI, Jun)	52.5/52.2
US – Composite PMI, flash (DI, Jun)	53.5/53.5
US – Existing home sales (%MoM, May)	-1.1/-1.9

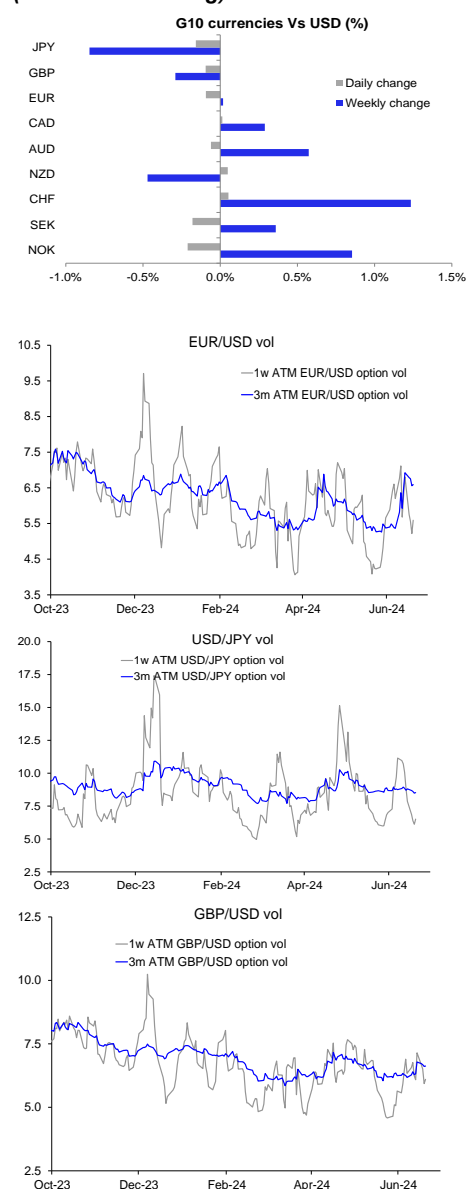
Source: Bloomberg

Europe. The flash PMI is one of the most useful measures of cyclical developments in the absence of timely alternatives at the eurozone level. The eurozone PMI has been crawling higher in recent months and it would not be a surprise if it took a breather. Should it continue to push higher, it could be a sign of underlying strength. The ECB's Nagel speaks. UK retail sales are due.

US. The flash composite PMI is due as are existing home sales. The Fed's Daly speaks

Market data

(Source: Bloomberg)



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