

Mizuho Daily Currency Watch

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MIZUHO

| Currency | Main focus of the week (S-T view) |
|----------|--|
| EUR | France still the focus. Downside is path of least resistance |
| USD | USD in demand despite soft core PCE report |
| JPY | Heading back into the intervention zone |
| GBP | Lack of negatives sees scope for mild GBP appreciation |

Overnight comment – JPY approaching the danger zone, again

It was a mixed start to the week for Asian equities with Japanese shares higher but declines in China, Taiwan and South Korea. UST yields were little changed in Asian trade while the DXY index nudged lower.

In Japan, JGB yields pushed higher at the open in line with overseas markets on Friday. The curve bear steepened. The Summary of Opinions for the June BoJ meeting suggested that some members might be happy to hike as soon as the July meeting. That said we expect that the bulk of the board will remain cautious and proceed only slowly with tighter policy. **With USD/JPY little changed in Asian trade around the 159.70 level, policy markets are nervous.** Lead MoF FX official Kanda said Japan was ready to intervene 24 hours a day if necessary. Finance Minister also said he was ready to take appropriate measures if necessary. JPY showed limited reaction.

Over the weekend the ECB's Schnabel said that the risks of shocks meant that the ECB was unable to pre-commit to any particular path of interest rates. She noted that labour hoarding was weighing on productivity and weakening monetary transmission but also that firms were finally starting to absorb higher wages via lower profit margins. **EUR/USD nudged higher in the Asian session to sit around 1.0705 as Europe opens. It was a quiet start to UK trade with GBP/USD tracking EUR/USD higher to sit around 1.2650.**

Today's Major Events and Data Releases

| Events over coming 24 hours | Survey/Prev |
|--------------------------------------|-------------|
| GE – IFO business climate (DI, Jun) | 89.5/89.3 |
| UK – CBI industrial trends (DI, Jun) | -25/-33 |

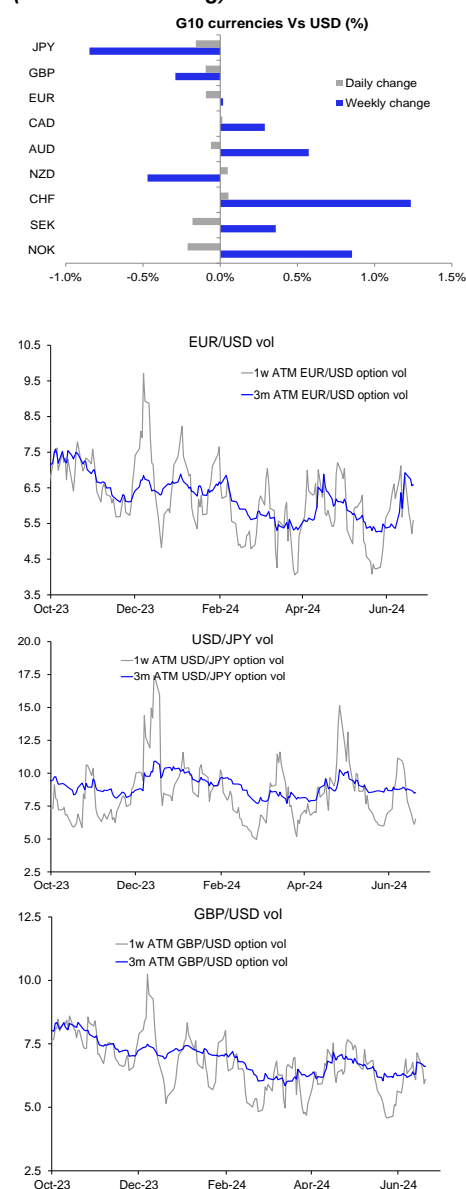
Source: Bloomberg

Europe. It is difficult to escape politics with the first round of the French elections this weekend and the UK election on 4 July. French polls continue to suggest le Pen's RN party will win the most seats but fall shy of a majority of seats. Later today the UK's Institute of Fiscal Studies is expected to run the rule over the fiscal plans or lack thereof of the main parties ahead of the UK vote. Schnabel speak today as do Nagel and Villeroy, although none of the topics look promising for policy-relevant commentary. The IFO survey is highlight if the data docket in the eurozone, while the CPI industrial trends survey is due in the UK.

US. For the Fed Waller gives opening remarks at a research conference in Italy, Goolsbee will be interviewed on TV and Daly will talk about the economy and policy.

Market data

(Source: Bloomberg)



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