

# Mizuho Daily Currency Watch

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MIZUHO

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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 – USD/JPY hits 38-year high

Most Asian equity markets were under pressure, with Chinese tech leading the declines in the wake of disappointing sales forecasts from a US tech company. Property shares were also soft. US equity futures were also a little lower. UST yields were little changed in Asian trade, broadly holding Wednesday's rise. The DXY index, however, gave back some of Wednesday's gains in a quiet session for data. A jump in Australian CPI expectations helped AUD.

Japan retail sales were firmer than expected in May, rising 1.7%MoM. After a run of soft data, the BoJ will be hoping that this firmer spending reflects higher wages from the spring wage round. There was solid demand for today's 2yr auction. JGB yields tracked the rise in USTs on Wednesday, rising across the curve with the 7~10yr sector underperforming. At the same time the 10yr breakeven rate pushed up to just below the 1.6% level, a 20yr high. The soft yen is no doubt is a factor in rising inflation expectations. **USD/JPY pushed up to a high of 160.87, to a 38-year high, ahead of the open and drifted only slightly lower through the Asian session.** Finance Minister Suzuki noted that one-sided moves were not desirable as currencies should reflect fundamentals.

It was a quiet start to trade in Europe, with politics still the main focus. EUR/USD pushed higher during Asian trade as the greenback ran into some profit taking. **EUR/USD sits around 1.0700 as Europe opens.** The head-to-head leaders' debate yesterday evening was a no-score draw and will make limited difference to the outcome of the elections. **GBP tracked EUR and GBP/USD sits around 1.2645 as European trade gets underway.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Money supply, M3 (%YoY, Jun)	1.5/1.3
EZ – EU Commission econ confidence (DI, Jun)	96.1/96.0
US – Weekly jobless claims (k)	235/238
US – Durable goods orders (%MoM, May)	-0.5/0.6

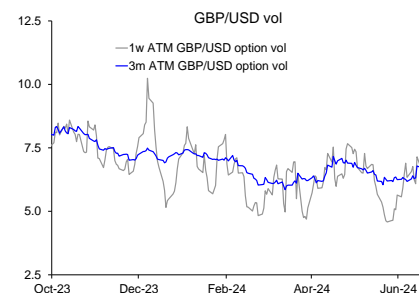
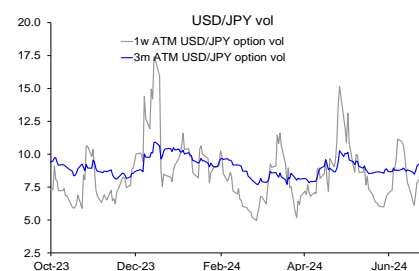
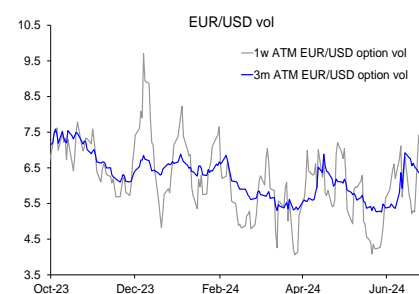
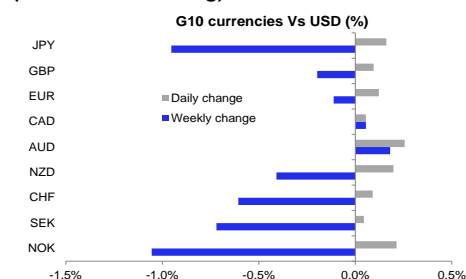
Source: Bloomberg

**Europe.** The eurozone credit data for May are due. YoY broad money supply growth looks to have bottomed out, supporting the notion of a recovery underway. That said the growth rate remains anaemic, suggesting the recovery is somewhat fragile. The EU Commission confidence indices provide good comparative data within the eurozone, as well as an index on labour hoarding in the text of the report. The index shows labour hoarding easing but still a factor in eurozone labour markets. The Riksbank is expected to leave policy unchanged today.

**US.** There is a heavy data docket today but the focus will be on politics as Biden and Trump go head to head in the first debate of the presidential election campaign.

## Market data

(Source: Bloomberg)



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