

Mizuho Daily Currency Watch

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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 – Weak Biden performance lifts USD

President Biden's poor performance in the presidential debate saw UST yields and the DXY index push higher early in the Asian session. Asian equities pushed higher, as did US equity futures.

Today's data were a little firmer than expected. Tokyo CPI was in line with expectation at the headline level at 2.3%YoY, up from 2.2%YoY in May. However, both core measures were a touch firmer than expected at 2.1%YoY and 1.8%YoY, respectively. Within the report, service prices were firm. Industrial production rose 2.8%MoM in May. Housing starts were also slightly better than expected, while the unemployment rate was unchanged at 2.6%. **A poll showed over 50% of SMEs saying the weak yen was a negative for them, as USD/JPY briefly pushed up above the 161.0 level.** The Topix hit an intra-day 34-year high led by financial stocks amid expectations of higher rates.

In Germany the YoY rate of decline for import prices eased to just -0.4%, hinting that goods price disinflation is coming to an end. Otherwise, it was a quiet start with French bonds opening flat to marginally tighter vs Bunds. **EUR/USD sits around 1.0700.** In the UK, Q1 GDP was revised a fraction higher, to 0.7%QoQ vs 0.6%QoQ previously. **GBP/USD nudged higher after the release to sit around 1.2635 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – ECB inflation expectations (1YR, Jun)	2.8/2.9
US – Core PCE (%MoM, May)	0.1/0.2
US – Personal income (%MoM, May)	0.4/0.3
US – Personal spending (%MoM, May)	0.3/0.2
US – U Mich Cons conf, final (DI, Jun)	66.0/65.6 (p)

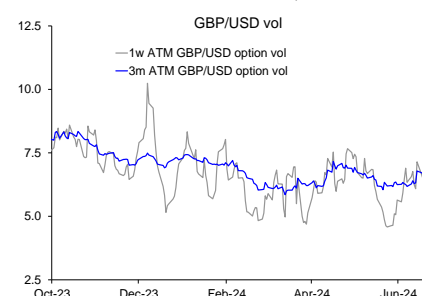
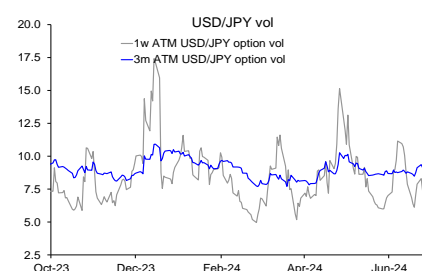
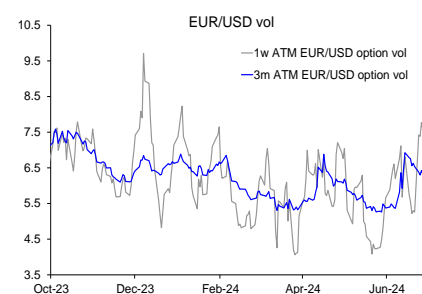
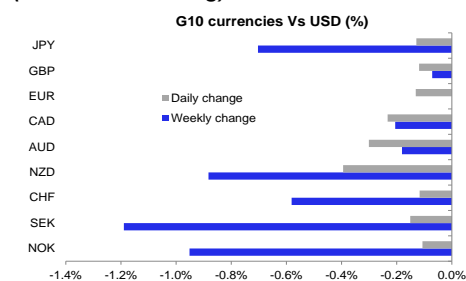
Source: Bloomberg

Europe. France, Italy & Spain all release CPI data this morning, ahead of the eurozone release on Tuesday. On net the reports should point to marginally softer inflation pressures in June. The ECB also releases its inflation expectations survey. In the UK GDP final Q1 GDP is due. The final release is rarely a market mover.

US. The PCE report is the highlight of the week. A benign report is expected with headline flat and core up just 0.1%MoM. YoY rates should continue to edge lower. However, goods price disinflation looks close to running its course putting more onus on slower service price growth going forwards. Spending and income data are also due. Spending has been a little lacklustre in the quarter to date. The final University of Michigan consumer confidence report will see interest in the inflation expectations. The Fed's Barkin and Bowman both speak. Regardless of how benign the core PCE is, it will not impact the Fed meeting in July. The Fed is now wary of prematurely declaring victory and will make sure that inflation is on the way down before moving.

Market data

(Source: Bloomberg)



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