

# Mizuho Daily Currency Watch

2 July, 2024

MIZUHO

Colin Asher

Senior Economist

[colin.asher@mizuhoemea.com](mailto:colin.asher@mizuhoemea.com) | +44 20 7012 5262/+44 7387 139164

Currency	Main focus of the week (S-T view)
EUR	France still the focus. Downside is path of least resistance
USD	USD in demand as labour market remains solid
JPY	Back in the intervention zone
GBP	Lack of negatives sees scope for mild GBP appreciation

## Overnight comment – Focus on possible Trump policies pushes DXY index higher

Asian stocks were mainly higher led by Japan, while UST yields edged lower off yesterday's highs. In the wake of Biden's weak debate performance last week and yesterday's Supreme Court ruling, Trump's potential policy actions, which likely mean higher deficits and higher inflation, are receiving more focus and pushing longer-dated UST yields higher. In contrast, pessimism on the outlook for China has pushed yields on Chinese government debt to record lows, helping USD/CNH to a new high for the year above 7.30.

Banks and insurers are pushing the Topix towards a record close, with the Topix up a further 1.15% today. The Dec-89 high sits at 2886.50, a fraction above today's close at 2856.60. The prospect of higher policy rates are lifting the financial sector. JGB yields pushed higher, especially in the 10~20yr sector, despite solid results at the 10yr auction. **The yen remains in focus, with USD/JPY pushing up to a fresh multi-year high around 161.70.**

The ECB's Lane spoke in a TV interview early this morning noting that today's CPI data will not answer the ECB's questions on services inflation, echoing Lagarde's comments from yesterday that the ECB needs time to assess inflation uncertainties and that strong labour markets meant there was no rush to ease. Simkus said that he felt that above 3.0% policy rates were restrictive, while Wunsch said using the TPI would not solve fiscal problems, while Kazaks said there was no reason to use the TPI right now. A July move from the ECB is highly unlikely and we continue to expect the next 25bp cut from the ECB in September. **EUR/USD sits around 1.0735 as Europe opens. UK shop price index declined further in June to sit at just 0.2%YoY. GBP/USD edged lower through Asian trade to sit around 1.2640 as Europe opens.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – CPI, flash (%YoY, Jun)	2.5/2.6
EZ – Core CPI, flash (%YoY, Jun)	2.8/2.9
EZ – Unemployment (%), May)	6.4/6.4
US – JOLTS job openings (k, May)	7864/8059
US – Vehicle sales (mn saar, Jun)	15.8/15.9

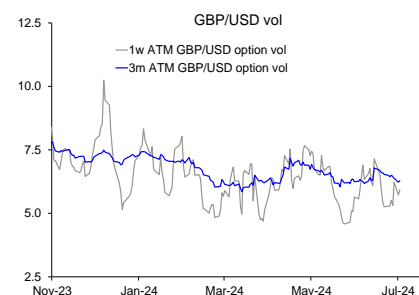
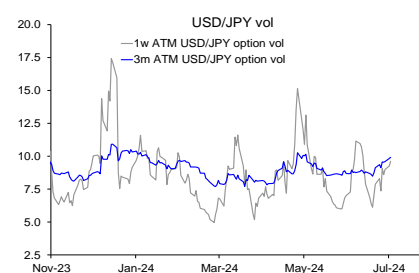
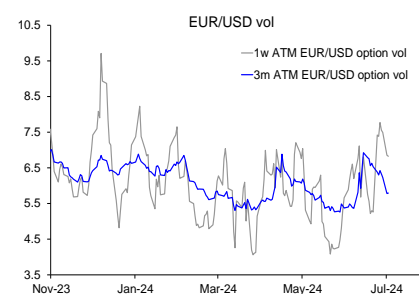
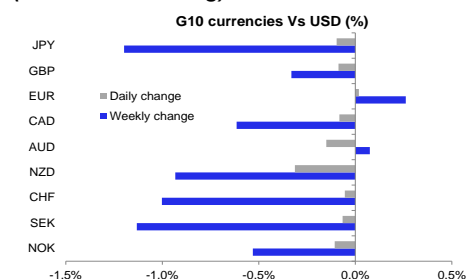
Source: Bloomberg

**Europe.** The national CPI releases have all been close to consensus, suggesting few surprise in the eurozone release later today. The consensus forecast is for further mild easing of inflationary pressure on a YoY basis, with headline sliding to 2.5% and core at 2.8%. The eurozone unemployment rate for May is also due. Eurozone unemployment sits at the cycle low at 6.4%. German unemployment has been edging higher for over 2 years but has been offset by declines elsewhere. The eurozone PMI for June noted that employment continued to expand, albeit at a moderate pace, suggesting that a stable unemployment rate seems likely. A solid labour market is the ECB's baseline assumption. For the ECB – Guindos (Eurozone inflation), Schnabel (geopolitics and inflation) and Elderson (Biodiversity) all chair sessions at the ECB's Sintra central banking conference, while Powell, Lagarde and Brazil central bank chief Neto all speak on the policy panel.

**US.** In the US, JOLTS job openings are due. These have attracted less attention in recent quarters due to a falling response rate. The openings to unemployment ratio is just about back to pre-Covid levels, although recall that the labour market was pretty tight just before the pandemic struck. Vehicle sales are also due. As noted above Powell speaks at the ECBs Sintra forum.

## 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