

Mizuho Daily Currency Watch

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Colin Asher

Senior Economist

colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

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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 as labour market remains solid
JPY	Back in the intervention zone
GBP	Lack of negatives sees scope for mild GBP appreciation

Overnight comment – Yen under pressure

Another day, another new high for US equities. Asian shares also pushed higher, led by Japan, where the Topix is a fraction below its all-time high. Asian composite PMI data were soft with the biggest drop in China where the composite Caixin PMI dropped from 54.1 to 52.8, with services driving the dip. Oil prices nudged off the highs from yesterday but are trading near 2-month highs as concerns in the Middle East combine with a much earlier start than usual to the Atlantic Hurricane season. UST yields were little changed in Asian trade, while the DXY index reversed some of the late dip from Tuesday. AUD was firm in the wake of better than expected retail sales.

The yen remains under pressure, continuing to decline vs other G10 currencies in Asian time, sitting at a 38-year low vs USD, a 33-year low vs AUD and a record low vs EUR. There is plenty of chatter on possible intervention during a the 4 July holiday but that fact that a solid US payrolls report on the Friday might undo the impact is a counter-argument. One of Japan's major lifers suggested that 30yr yields were not attractive at current levels. **USD/JPY sits around 161.95 as Europe opens.**

The French press tallied around 215 candidates from parties other than Le Pen's RN party withdrawing from 3-way contests, making it more difficult for RN to win a majority of seats in the second round of voting on Sunday. **EUR/USD edged lower through Asian trade but nonetheless held most of yesterday's gains. It sits around 1.0735 as Europe opens.** Ahead of tomorrow's election, **GBP/USD pushed higher and was little changed in Asian trade, sitting around 1.2680.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Composite PMI, final (DI, Jun)	51.7/51.7 (p)
EZ – Composite PMI, final (DI, Jun)	50.8/50.8 (p)
EZ – PPI (%YoY, May)	-4.1/-5.7
US – ADP employment (k, Jun)	165/152
US – Weekly jobless claims (k)	235/233
US – ISM, services (DI, Jun)	52.6/53.8
US – FOMC minutes	--/--

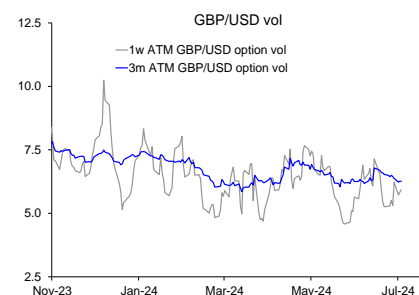
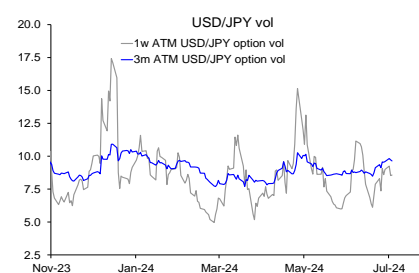
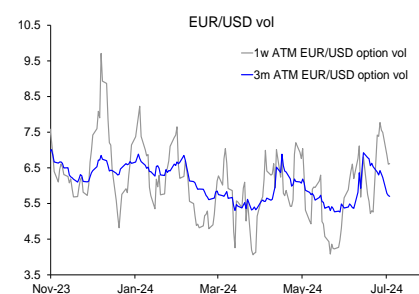
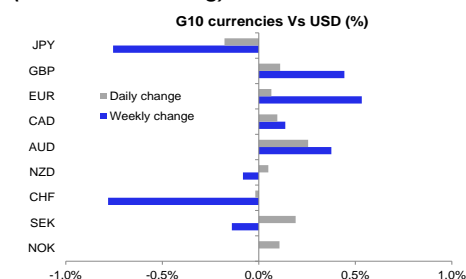
Source: Bloomberg

Europe. The eurozone PPI will likely underscore that goods price disinflation is easing. For the ECB the Sintra Forum remains on-going with today's session on "Drivers of equilibrium interest rates" of special interest as G10 central banks are moving into easing cycles. Investors will be looking for clues as to how low interest rates may go.

US. With Thursday 4 July a holiday, Wednesday is packed with data. The services ISM is the highlight, with the sub-indices of interest for clues on demand, prices and the labour market. Regional Fed surveys imply a modest firming. The ADP is a less good signal for payrolls than it used to be while weekly jobless claims are one of the most timely labour market indicators. The FOMC minutes will be scrutinised for signs on what will provide the Fed with the confidence that it needs to ease policy. The meeting implied that there is now a higher bar in the wake of the error in prematurely signalling easier policy ahead earlier in the year. There may also be some commentary on neutral rates.

Market data

(Source: Bloomberg)



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