

# Mizuho Daily Currency Watch

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MIZUHO

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Currency	Main focus of the week (S-T view)
EUR	ECB to leave EUR little changed
USD	Politics the focus
JPY	Intervention watch in wake of recent MoF moves
GBP	Heavy data week may impact BoE outlook

## Overnight comment – Modest gains for the DXY index

The shocking assassination attempt in Pennsylvania over the weekend has dominated the headlines although financial market moves have been quite muted as one might expect, given that Trump survived the attempt almost unharmed. We note that President Reagan saw a jump in the polls after he survived an assassination attempt in March 1981. We also note that Trump was already leading in the polls ahead of the attempt and that has not changed. There looks to be a small version of the Trump Trade in play in financial markets during Asian time, with US equity futures moving higher, UST futures under modest pressure and the DXY index a little firmer, although the DXY index drifted lower through the session after the initial bounce. Chinese data today were soft, with Q2 GDP coming in well below expectations at 4.7%YoY vs 5.1%YoY expected. The consumer remains the weak point with retail sales much weaker than expected at just 2.0%YoY (vs 3.4%YoY expected). New and used home prices in China continue to fall, down for a 13<sup>th</sup> and 14<sup>th</sup> consecutive month, respectively. Note China's Third Plenum, its 5 yearly meeting of top policy makers starts today and runs through Thursday. Asian equities were mixed with the Hang Seng leading the declines and Australia the gains.

Japanese markets were closed for the Marine Day holiday. **USD/JPY was little changed in Asian trade and sits around 158.20, with investors wary of intervention.** Last week MoF's Vice Minister of International Finance, Masato Kanda, suggested that speculation could be behind recent moves in FX markets. The weekly CTFC data showed little change in JPY positioning in recent weeks as of 9 July. Short JPY positions remain elevated.

Bloomberg's Eurozone monthly survey showed few changes in the main macro variables and the policy outlook. The core inflation outlook was fractionally firmer. **EUR/USD nudged a little lower in early European trade and sits around 1.0890.** UK house prices continued a run of slightly softer data. Rightmove prices were down 0.4%MoM in June leaving YoY prices up just 0.4%. **GBP/USD was broadly stable in Asian trade and sits around 1.2965 as Europe opens, just below Friday's 12-month high.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Industrial production (%MoM, Jun)	-1.0/-0.1
US – Empire manufacturing index (DI, Jul)	-8.0/-6.0

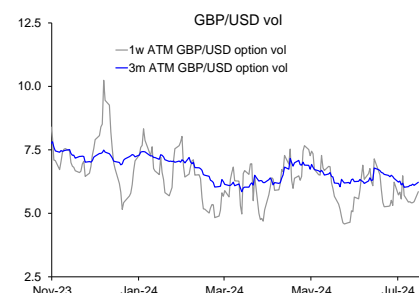
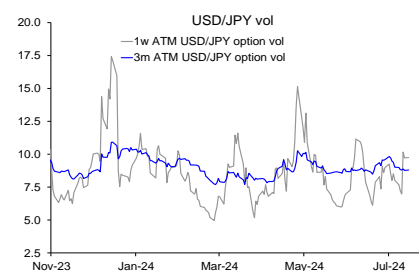
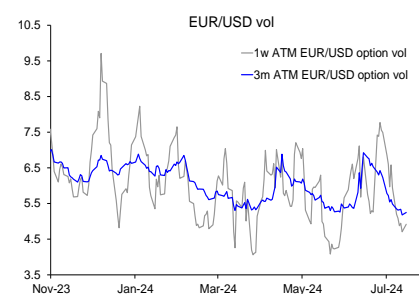
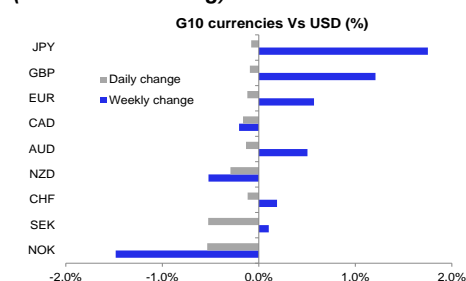
Source: Bloomberg

**Europe.** It will be a quiet session in Europe today, with the focus on the ECB later in the week. Ahead of the ECB policy meeting on Thursday, the bank lending survey is also due.

**US.** Politics was always set to be a focus this week and even more so in the wake of events over the weekend. The Republican Convention takes place and Trump was expected to nominate his running mate. The Vice Presidential candidate is scheduled to make a speech at the Convention. We have not heard of any changes to the schedule. Earnings are also a focus today, with the Empire State manufacturing index also due.

## Market data

(Source: Bloomberg)



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