Mizuho Daily Currency Watch

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Colin Asher
Senior Economist
colin.asher@mizuhoemea.com | +44 20 7012 5262/+44 7387 139164

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 – DXY gains, despite lower UST yields

US equites closed just shy of record highs. Asian shares were mixed with the Hang Seng leading the declines as Trump appointed JG Vance, a China hawk, as his running mate. Japanese stocks edged higher, playing catch up from yesterday. Even as UST yields nudged lower in Asian trade, the DXY index pushed higher.

In Japan, in a quiet session, JGB yields pushed lower, led by 10yrs as the tap auction at the long end met with solid demand. **USD/JPY pushed steadily higher through the Asian session to sit around 158.60 as Europe opens**.

In the wake of last week's budget deal, the German Finance Ministry yesterday said new issuance will fall to €43.8bn next year from €50.3bn this year. Net new issuance is seen falling each year through 2028, leaving the debt/GDP ratio at just 62% by 2028. Spending at all ministries, except defence, was squeezed. The deficit allows Germany to meet its NATO commitment to spending 2% of GDP on defence. The issuance numbers are roughly as expected. The draft budget is expected to be approved this week. **It was a quiet start to trade with EUR/USD drifting lower through Asian trade to sit around 1.0885 as Europe opens**. The Bloomberg monthly economist survey showed a small upgrade to 2024 (0.8% vs 0.7% prev) and 2025 (1.3% vs 1.2% prev) GDP forecasts. Despite, the survey suggesting that the new government's fiscal policy would be looser that its manifesto suggests, the consensus forecast for the annual deficit edged lower at 3.7% of GDP (vs 3.9% prev). The survey pegs the first BoE cut in September, as was the case last month. Current market pricing for the August meeting is very close to 50/50. **GBP/USD tracked EUR/USD lower through Asian trade to sit around 1.2955 as Europe opens**.

Today's Major Events and Data Releases

Events over coming 24 hours	*Survey/Prev*
GE – ZEW survey (DI, Jul)	*41.0/47.5*
EZ – ECB bank lending survey (Q2)	
US – Retail sales (%MoM, Jun)	*-0.2/0.1*
US – Ex-auto Retail sales (%MoM, Jun)	*0.1/-0.1*
US – NAHB housing index (DI, Jul)	*43/43*

Source: Bloomberg

Europe. The ECB's Q2 bank lending survey is a survey the ECB looks at closely in taking its policy decisions. It provides key information on both the demand for and supply of credit. The survey has been looking much less grim in recent quarters if not fully suggestive of a solid recovery. Corporate demand, both backward looking (DI -27.8) and forward looking (DI -3.8), is much weaker than the respective household DIs at 1.3 and 5.6. The ZEW survey kick off the round of sentiment surveys for July. As current conditions rise expectations are dipping. Eurozone trade data are due.

US. Recent US data have been a little soft. Today's retail sales report is likely in the same vein. Retail sales for June were likely close to flat, which would leave nominal spending up ~0.3%QoQ better than Q1 but still weak. It will be similar for the narrower measures of spending including the control group which feeds into the GDP data. Import prices are also due. They have bottomed out, although the firm US dollar is helping keep a lid on any uptick. The NAHB housing index also looks to be in a holding pattern, well below pre-Covid highs. One might say that housing continues to hold up quite well in the face of elevated interest rates.

Market data

(Source: Bloomberg)