Mizuho Daily Currency Watch

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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 – Sticky wicket

Yesterday, the IMF released its interim update. Growth forecasts were little changed but the IMF was wary of sticky service prices and suggested that higher-for-even-longer policy rates may be necessary. The S&P closed at a record high in the wake of solid earnings, with small caps performing especially strongly. In a press interview after the close, ex-president Trump said that he would not remove Fed Chair Powell if elected. Gold pushed up to a record high, while Bitcoin is also enjoying a good week. USTs were little changed in Asian trade, while the DXY index nudged lower.

In Japan, 10yr JGB yields bounced off a 3-week low. BoJ data implied that the BoJ intervened on Friday as well as Thursday. Friday's intervention was estimated at ~¥2.1trn coming on the back of ~¥3.5trn on Thursday. This compares to the ¥9.7trn in the 2 operations in late April/early May. Given that the operation last Thursday came on the back of the soft US inflation MoF is appears getting less bang for its buck as investors become used to its presence. **USD/JPY edged lower in Asian trade to sit around 158.00**.

It has been a quiet start to trade in the eurozone ahead of the ECB meeting tomorrow. While the bank lending survey was positive, there are plenty of challenges for the eurozone, with Trump noting potential challenges amongst them. **EUR/USD was little change around 1.0900**. UK inflation was a little firmer than expected, with headline CPI unchanged at 2.0%YoY and services CPI unchanged at 5.7%YoY vs 5.6% expected. Service prices seem a little sticky at uncomfortable levels as BoE Chief Economist noted last week and the IMF underscored yesterday. At the start of the week we had the BoE at 5-4 in favour of a cut. The sticky CPI makes a cut a little less likely but its not a game changer. We will wait for the labour market data (Thurs) and retail sales report (Fri) and reassess. **GBP/USD nudged a little higher after the report to sit around 1.2980 as Europe opens**.

Today's Major Events and Data Releases

Events over coming 24 hours	*Survey/Prev*
UK – CPI (%YoY, Jun)	*1.9/2.0*
UK – Core CPI (%YoY, Jun)	*3.4/3.5*
EZ – CPI, final (%YoY, Jun)	*2.5/2.5 (p)*
US – Industrial production (%MoM, Jun)	*0.3/0.7*
US – Housing starts (%MoM, Jun)	*1.8/-5.5*
US – Beige Book	*--*

Source: Bloomberg

Europe. The final eurozone CPI for June is due. It provides the rich detail that allows a look under the hood at detailed inflation developments that are not available in the initial release. In the UK the King Speech will lay out the new government's plans. We remain sceptical that the plans as they stand can significantly boost growth. Inflation data are also due.

US. The Beige Book, which sets up the Fed for its 31 July FOMC meeting, is due. Recent Fed rhetoric has suggested that July is still too early. Most members seem happy to wait, at least until September and longer if the data so dictate, to start easing policy. Waller and Barkin are scheduled to speak. After the solid retail sales data, industrial production for June will round out forecasts for activity in Q2. Headline production may be boosted by utility output given higher than usual temperatures. More broadly, production looks like its bottoming out. Housing starts for June are also due, with a rebound expected after a weak May.

Market data

(Source: Bloomberg)