

# 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 – Trump comments make waves

The Nasdaq ended 2.8% lower, its biggest decline since December 2022. The semi-conductor sector led the declines in the wake of Trump comments about Taiwan paying more for its own defence. The Biden administration also reportedly warned allies of reprisals if they keep supplying China with semi-conductor technology. Shares in Japan, Taiwan and South Korea were all lower, with semi-conductor shares the worst performers. Chinese shares were a little higher on the day. UST yields were a little higher in the Asian session, while the DXY index edged off yesterday's lows. Solid Australian unemployment data helped lift AUD.

Comments from presidential candidate Trump gave the yen a lift yesterday. Trump accused the Chinese and Japanese of keeping their currencies weak. He said "So we have a big currency problem because the depth of the currency now in terms of strong dollar/weak yen, weak yuan, is massive". If he was aware of Japan's recent intervention to strengthen its own currency he would likely applaud. This is a contrast to Treasury Secretary Yellen whose recent comments on intervention suggest faint disapproval. In the same interview he said he would likely keep Powell as Fed Chair, although keeping Powell as Fed Chair wouldn't stop Trump calling up daily to ask for lower policy rates. Trump will be a vector for higher volatility, happy to up end long-standing assumptions. In the wake of his comments yesterday USD/JPY volatility pushed a little higher. Japan's seasonally-adjusted trade deficit was marginally smaller than expected. **USD/JPY dipped as low as 155.38 in early Asian trade but now sits around 156.35 as Europe opens.**

Eurozone new auto sales were up 2.8%YoY. Otherwise, it was a quiet open ahead of the ECB meeting later today. **EUR/USD sits around 1.0930 as Europe opens.** UK labour market data were very close to the consensus forecasts. Average earnings nudged lower from 5.9%YoY to 5.7%YoY. The headline figure is reported on a 3m%YoY basis. The simple YoY numbers imply quite a sharp drop next month, especially for private sector wages, when the elevated number from March will drop out of the 3m%YoY comparison. **GBP/USD was little changed in the wake of the report and trades around 1.2990.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Unemployment (3m%, May)	4.4/4.4
UK – Average earnings (3m%YoY, May)	5.7/5.9
UK – Payrolled employment (k, Jun)	-5/-3
EZ – ECB meeting (% Depo)	3.75/3.75
US – Weekly jobless claims (k)	230/222
US – Philly Fed index (DI, Jul)	3.0/1.3

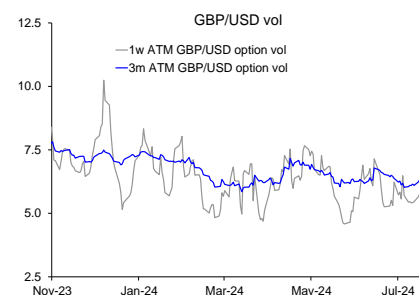
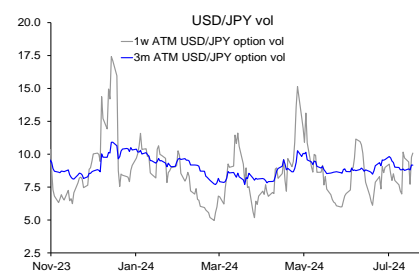
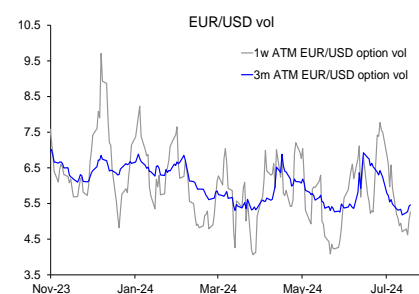
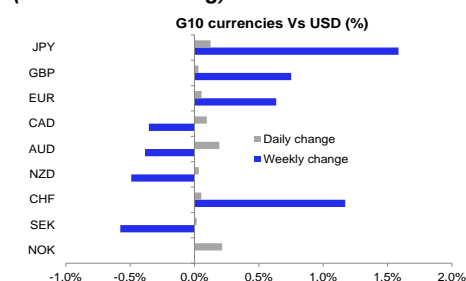
Source: Bloomberg

**Europe.** The July ECB meeting is finally here. It is highly likely that policy rates will be left unchanged at 3.75%. We suspect that President Lagarde will refrain from clearly signalling a cut in September. Nonetheless, while stressing that the ECB remains data dependent, she will likely hint at lower rates in the not-too-distant future if events turn out as the ECB expects. There are no new forecasts at this meeting. The UK labour market data are due.

**US.** The US labour market remains in good shape, with claims still at a level that implies a solid labour market. The Philly Fed index is also due.

## Market data

(Source: Bloomberg)



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