

Mizuho Daily Currency Watch

23 July, 2024

MIZUHO

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	Data not likely to be supportive. Drifting lower
USD	A more volatile political outlook may support USD
JPY	BoJ speculation to support JPY
GBP	Lack of data leaves GBP at risk

Overnight comment – Competing pressures

Tech stocks led US equities higher and enjoyed some respite in the Asian session, with Taiwan's Taiex up 2.8%. Elsewhere, shares were more mixed, with the Topix and Kospi mildly higher and Chinese and Indian shares a little lower. UST yields eased off yesterday's highs in the Asian session, while the DXY index ended Asian trade little changed. VP Harris looks to have wrapped up the Democratic nomination but we note that Trump is still more favoured in the betting odds than before the assassination attempt.

The pre-meeting moves ahead of the 31 July meeting illustrate the competing pressures on the BoJ. Yesterday, the media reported that the BoJ has concerns about consumption being sufficiently strong to withstand a tightening cycle, which argues for delaying a hike. This is why some at the BoJ want more time to assess the wage situation to ensure that the small companies have to come extent followed larger ones in pushing wages higher. In contrast, the political pressure to act is also rising. Yesterday, Toshimitsu Motegi, LDP heavyweight and possible successor to PM Kishida, said "The BoJ needs to clearly communicate that it will firmly proceed with the normalization of monetary policy". The weak yen is one factor weighing on the Cabinet's approval ratings and the politicians see tighter BoJ policy as one route to easing this pressure. We expect that the BoJ will lower Rinban purchases in the late July meeting and lift rates in the autumn. **USD/JPY nudged lower through the session to sit around 156.45 as JGB yields edged higher.**

This morning the ECB's Guindos noted that September was a more convenient month for policy decisions and that wages were starting to slow down. Guindos seems happy to hint at a cut in September after a slew of speakers have been keen to stress that September is not a done deal. **EUR/USD slipped a little late in the Asian session to sit around 1.0880 as Europe opens.** It was a quiet start to trade in the UK. **GBP/USD tracked EUR/USD lower to sit around 1.2915 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Consumer confidence (DI, Jul)	-13.5/-14.0
US – Existing home sales (%MoM, Jun)	-2.9/-0.7

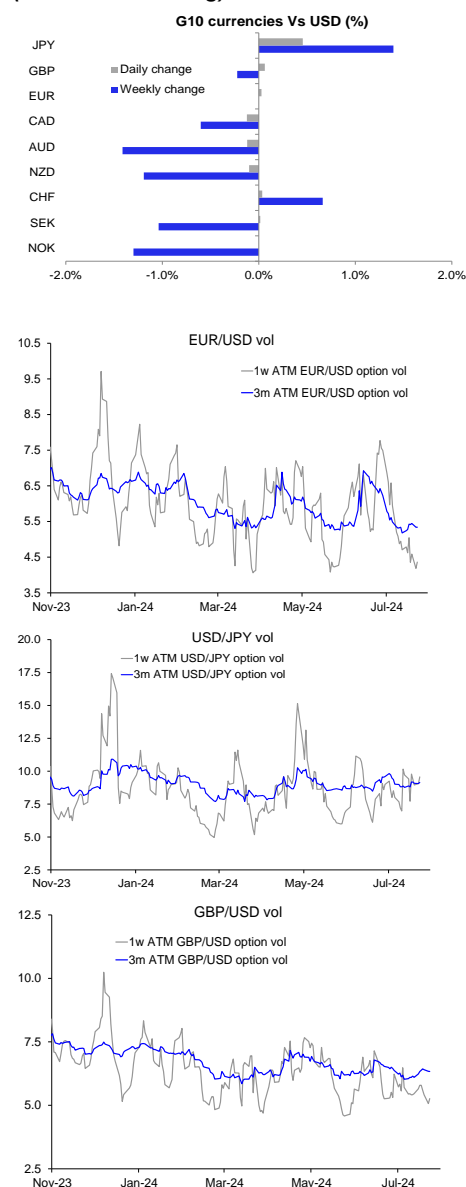
Source: Bloomberg

Europe. ECB Chief Economist Lane is set to give the opening remarks at a joint ECM/IMF/IMFER on "Global challenges and channels for fiscal and monetary policy". A 2yr Schatz will be issued this morning.

US. 2yr supply may see some additional pressure on front end UST yields, with 5yrs and 7yrs on Wednesday and Thursday, respectively. It also a session with a heavy earnings schedule. On the data front its only existing home sales due.

Market data

(Source: Bloomberg)



This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author(s). It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605 promulgated pursuant to the U.S. Commodity Exchange Act and is not intended to provide information upon which to base a decision to enter into a derivatives transaction regulated by the CFTC. Any discussion in this publication of derivatives is limited to commentary on economic, political, or market conditions and statistical summaries of multiple companies' financial data, which may include lists of current ratings.

This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Brazilian, Japanese, Singapore or any other applicable securities laws. This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. These materials and the content of any related presentation are confidential and proprietary and may not be passed on to any third party and are provided for informational purposes only. As a general rule you will not have a right to terminate early any transaction entered into – if you wish to do so, losses may be incurred by you Mizuho shall have no liability for any losses you may incur as a result of relying on the information herein or in any related presentation.

The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This Publication has not been nor will be submitted to, or reviewed by, any regulatory authority. Without limiting the generality of the foregoing, nothing contained herein is in any way intended by Mizuho to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. A recipient must complete its own independent analysis of the financial instrument, product or service and receive all information it requires to make its own decision, investment or otherwise, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such item. The information contained in this Publication has been obtained from public sources and such information is believed to be correct and reliable but has not been independently verified.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

Brazil: Banco Mizuho do Brasil S.A. is authorized to operate and regulated by the Brazilian Central Bank.

This publication is available free of charge to clients. However, if you no longer wish to receive it then please specifically request to unsubscribe from the distribution list.

© 2018 Mizuho Bank Ltd