

# Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Data not likely to be supportive. Drifting lower
USD	FOMC hold, solid payrolls to lift USD
JPY	BoJ to underdeliver. JPY to give back some recent gains
GBP	BoE cut to undermine GBP

## Overnight comment – JPY softens ahead of the BoJ meeting

Asian equities were mainly lower after a lacklustre US session. UST yields were little changed in Asian trade. Brent crude futures sit near a 7-week low, just below \$80/barrel, amid fears of weak global demand, especially out of China. This is despite fears of the conflict in the Middle East escalating. The DXY index was a little higher in Asian trade primarily driven by a weaker yen.

The BoJ's 2-day policy meeting kicks off today and concludes tomorrow. In addition to the interest rate decision, the BoJ will begin the QT process as well as producing new forecasts. We see the policy rate unchanged, an initial reduction in Rinban in the region of ¥1.0~1.5trn and the CPI forecasts broadly unchanged as near-term GDP is revised lower. Japan's unemployment rate dipped to 2.5%, but the job offers/applicants ratio dipped to 1.23x. JGB yields nudged a little lower through the session, implying expectations that the BoJ meeting will be a little dovish. **USD/JPY was little changed early in the session but pushed higher late in the session to sit around 155.00.**

French Q2 GDP topped expectations, rising 0.3%QoQ (vs 0.2%QoQ expected). External demand was a significant contributor to the quarterly gain, leaving domestic demand soft. French consumer spending in June was soft potentially implying a weak carry over into Q3. **EUR/USD was virtually flat during Asian trade and sits around 1.0820 as Europe opens.**

Yesterday, Chancellor Reeves announced the UK budget would be held on 30 October. She also noted that the fiscal inheritance was weaker than expected. This potentially means slightly higher taxes in the budget, which is in line with expectations. **GBP/USD was little changed through Asian trade, sitting around 1.2850.**

## Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – GDP (%QoQ, Q2)	0.2/0.3
EZ – EU Commission Econ confidence (DI, Jul)	95.3/95.9
US – House prices (%YoY, May)	6.3/7.1
US – JOLTS openings (k, Jun)	8055/8140
US – Consumer confidence (DI, Jul)	99.5/100.4

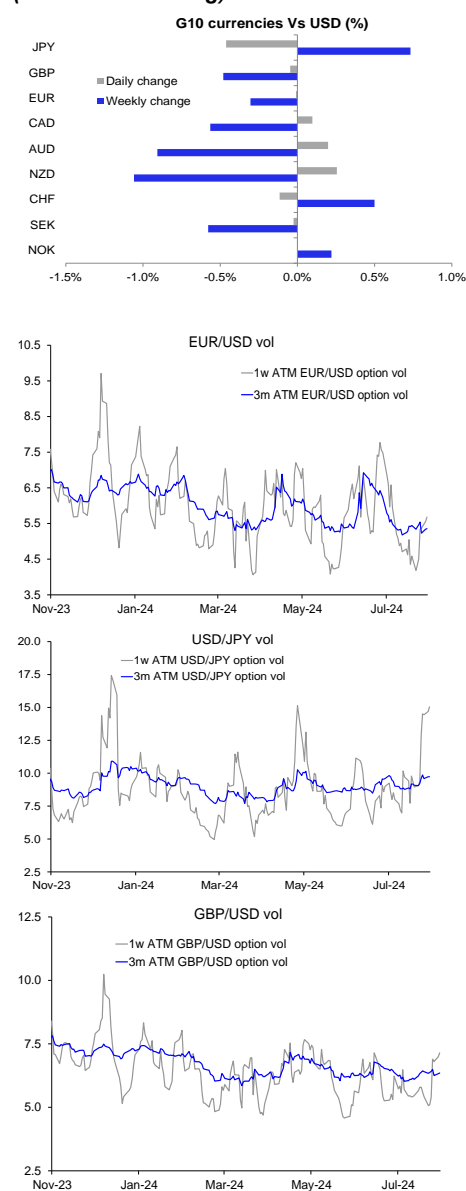
Source: Bloomberg

**Europe.** It will be a very busy session for data, with the national GDP figures out through the morning starting with France (06.30 BST) before the eurozone figure at 10.00 BST. Activity in the eurozone is likely to slow in Q2, after an upbeat Q1. The gap between the fast growing South and the slow-growing North looks set to narrow. The EU Commission confidence data for July are due. The text of the report contains an index on labour hoarding, which shows it is slowly becoming less of a thing for companies to maintain access to excess labour. In addition, the Spanish and German national CPI data are due ahead of the eurozone release on Wednesday. The national CPI data are likely to be mixed, leaving the eurozone measure little changed in July.

**US.** Today's data are not top tier. JOLTS was briefly a top-tier release early in the pandemic but concerns about the response rate have knocked it off its perch. The ratio of job openings to unemployment currently sits at 1.22x, which is in line with the pre-Covid ratio. Note that the ratio through most of 2019 is itself a reflection of a strong labour market. July consumer confidence is also due.

## Market data

(Source: Bloomberg)



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