

Mizuho Daily Currency Watch

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Currency	Main focus of the week (S-T view)
EUR	Mild profit taking in prospect. Drifting lower
USD	Rebound in UST yields likely to lift USD
JPY	JPY set to run into profit taking
GBP	Risk rebound to lift GBP

Overnight comment – Risk appetite continues to recover

If you just look at weekly changes you would struggle to say that this has been one of the most volatile weeks in financial markets for decades. Much of the carnage early in the week has been mostly reversed. US equities put in their best performance since late 2022 on Thursday in the wake of the solid jobless claims data and subsequently Asian tech shares led the region higher today. The Topix is down ~2.0% on the week, while the Taiex is down less than 1.0% on the week. The Vix, which peaked at 65 on Monday is now back below 25. FX volatility is also easing after spiking early in the week. Both the Japanese yen and the Swiss franc are down slightly on the week vs the US dollar. Overnight UST yields edged a fraction lower in a quiet Asian session for data. Chinese CPI was higher than expected but driven by higher food prices rather than any strength in demand. The DXY index nudged lower as well in the Asian session.

Ahead of Monday's holiday, Japanese shares pushed higher with the Topix up around 1.0% on the day. Front end JGB yields underperformed, even as yields in the 30yr sector declined, seeing the curve flatten. **USD/JPY was little changed in the Asian session.** Liquidity will be thin next week as it's the Obon holidays, which many people take off, even if it is not a market holiday.

French unemployment dropped more than expected, falling to 7.3% in Q2, down from 7.5% in Q1, in a boost for the President. That said, France remains without a PM, leaving the government to drift in the wake of recent elections. **EUR/USD pushed a little higher in Asian trade to sit around 1.0930 as Europe opens.**

It was a quiet start to European trade in UK markets. **GBP/USD rose alongside a pick up in risk appetite and sits around 1.2765 as European markets open.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
No major data released today	--

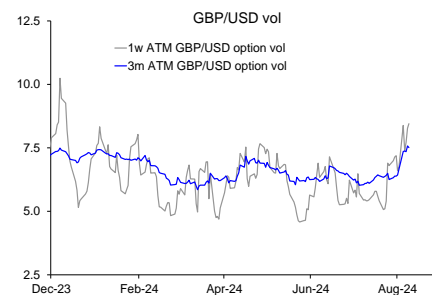
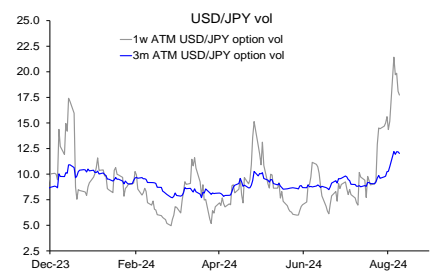
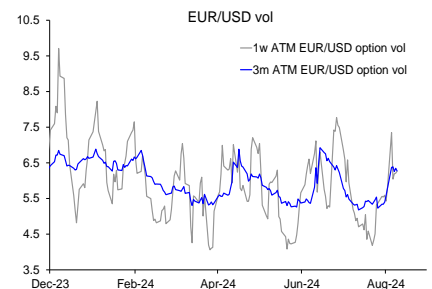
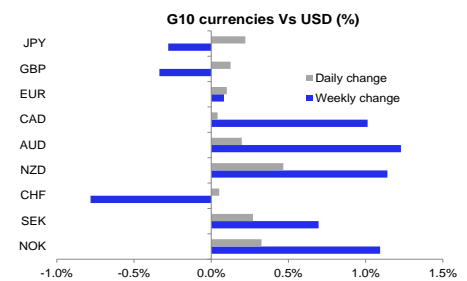
Source: Bloomberg

Europe. It will be a quiet session for data in both the Eurozone and the UK. There are no scheduled central bank speakers either.

US. It is a very quiet end to the week for data but next week will be very different with the CPI, retail sales, NAHB index, Philly Fed and Empire state index, and industrial production all due with politics also a focus. Candidate Trump made some interesting comments overnight, suggesting that Presidents (ie him) should have more say over Fed policy. He said his experience as a business man means he would be better placed than "many people that would be on the Federal Reserve of the Chairman". There is little doubt that he will be pushing the Fed for lower rates if he becomes president.

Market data

(Source: Bloomberg)



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