

Mizuho Daily Currency Watch

12 August, 2024

MIZUHO

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Currency	Main focus of the week (S-T view)
EUR	Limited data. Drift
USD	Benign CPI inflation to weigh on USD but recession not visible in the data
JPY	Obon drift. Strong GDP a mild +ve for JPY
GBP	Mixed data in prospect. On balance mildly GBP supportive

Overnight comment – Calm

Over the weekend, the Fed's Bowman said she still sees upside risks for inflation and that she will remain cautious hinting that she may not be on board with a September cut. Should she vote to leave policy unchanged in September, we suspect she will likely be outvoted by a wide margin. The tech sector led Asian shares higher, although Chinese shares lagged. Brent prices are back close to \$80/barrel as tensions in the Middle east remain elevated. It was a very different trading session from last Monday!

Japan's markets are closed for Mountain Day and will be somewhat illiquid for the remainder of the week, which covers the Obon festival, which many people take as holidays. The IMM data, released in the afternoon US time on Friday covering the period to end of day 6 August, showed heavy short JPY position liquidation as expected. The weekly move was the biggest since 2011 and short JPY positions are a little over 90% smaller than they were just four weeks ago and how sit very close to neutral. Narrowly defined, the short yen carry trade appears mostly done. It is possible that JPY positioning will head from max short to max long, which likely means believing in a deep US recession and aggressive Fed rate cuts. That currently involves deeply negative carry. **USD/JPY pushed higher through the Asian session to sit around 147.20 as Europe opens.**

Bloomberg's monthly survey shows respondents expecting the ECB's Depo rate to hit 2.25% by end 2025. German wholesale prices are now close to flat in YoY terms after rising 0.3%MoM in July. They hint at an end to the downside price pressures on the good side of the economy. **EUR/USD was little changed in Asia trade and sits around 1.0920 as Europe opens.** FX investors have marked down GBP's prospects sharply over the last few weeks. Speculative long GBP positioning has almost halved having been at a record high just 2 week ago, while asset managers' positioning has turned negative again. The coming week's GDP data should show a very strong H1 for the UK, as well as an uptick in the CPI, mainly driven by energy sector base effects, while the rate of wage growth should sharply, as the bump in the minimum wage drops out of the 3m%YoY calculation. Over the weekend, the BoE's Mann spoke suggesting that she continues to see wages as an upside inflation risks and will not be joining her colleagues in voting for cuts anytime soon. **GBP/USD dipped in early Asian trade but ends the session little changed around 1.2770.**

Today's Major Events and Data Releases

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

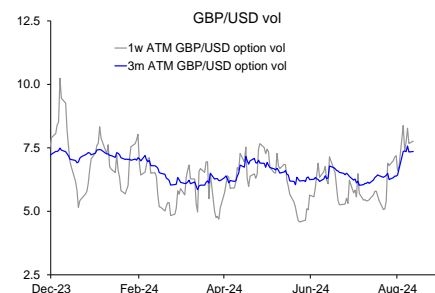
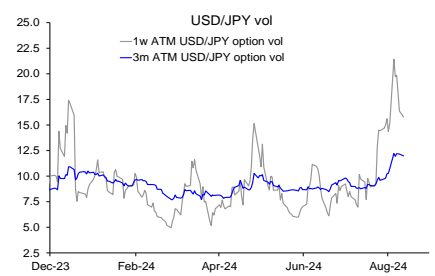
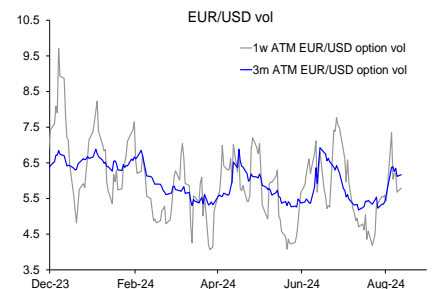
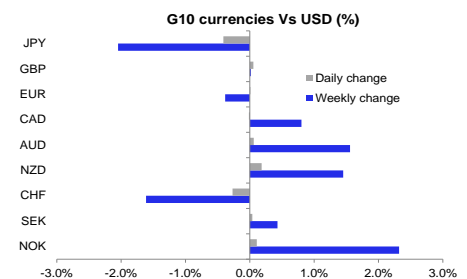
Source: Bloomberg

Europe. It is a very quiet start to the week for data and central bank speak.

US. It is a quiet start to a heavy data week in the US.

Market data

(Source: Bloomberg)



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