

Mizuho Daily Currency Watch

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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 – Mixed UK data

US equities were close to flat ahead of this week's heavy data schedule, which kicks off today with the PPI report. Asian equities, outside of Japan, were similarly lacklustre. UST yields were little changed as was the DXY index. Brent crude futures eased a little during the Asian session, down slightly after topping \$82 late yesterday amid fears of increased conflict in the Middle East.

Japanese equity markets played catch up after Monday's holiday. Despite the Topix being up over 14% over the past 5 sessions, it is still down ~9% in the month to date. The PPI was a fraction softer than expected but remains elevated at 3.0%. JGB yields edged higher at the front end, while USD/JPY pushed higher too but remained below yesterday's high. **The pair sits around 147.85.**

It was a quiet start to EUR trade with EUR/USD little changed in Asian trade around 1.0935. UK labour market data were mixed. The unemployment rate (ILO measure) for the 3 months to June, dropped sharply from 4.4% to 4.2%, against expectations of a rise to 4.5%. However, the claimant count unemployment rate for July jumped to 4.7% from 4.4%. Recall that these data are among the most impacted by the declining response rate and the ONS is expected to release a new survey in the autumn. Payrolled employees in July were up 24k, implying the labour market is doing OK. Average earnings dropped a little more than expected, from 5.7%3mYoY to 4.5%3mYoY, with public sector pay turning negative in YoY terms in June due to base effects in NHS bonus pay. Private sector pay actually nudged a little higher in YoY terms in June. The surge in jobless claims is due to survey change. **GBP/USD edged higher in the wake of the data to sit around 1.2805.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
GE – ZEW survey, expectations (DI, Aug)	34.0/41.8
UK – Unemployment (3m%, Jun)	4.5/4.4
UK – Average earnings (%3mYoY, Jun)	4.6/5.7
UK – Payrolled employees (k, Jul)	10/16
US – NFIB small business sentiment (DI, Jul)	91.5/91.5
US – PPI (%MoM, Jul)	0.2/0.2
US – Core PPI (%MoM, Jul)	0.2/0.4

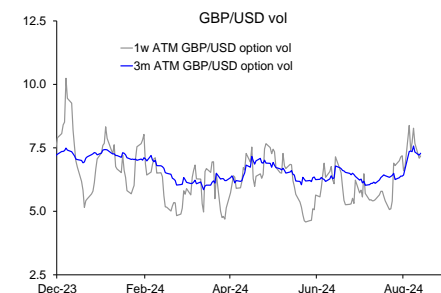
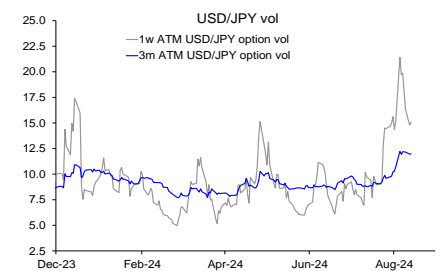
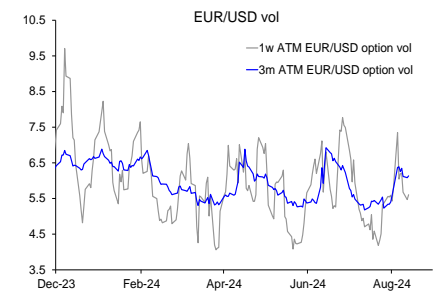
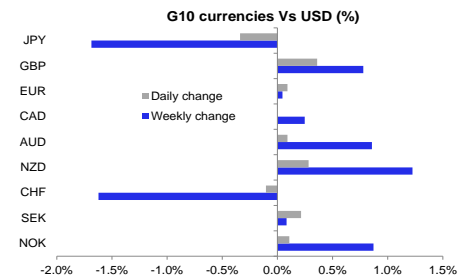
Source: Bloomberg

Europe. In the UK the jobs data expected to show a sharp drop in the 3m%YoY measure (which is how the average earning data are usually reported) and the jump in the minimum wage back in March drops out of the 3m calculation. The section of the report that spits out the unemployment rate remains under a cloud. Payrolled employment, is a newer series and can be subject to heavy revisions. Nonetheless, it is a more timely index.

US. The US PPI, which has a better relationship with goods rather than service prices, seemed to bottom out in 2023 and looks to be flatlining in 2024 just above 2.0%. Generally goods prices are more volatile than service prices and tend to run lower on average. The fact that there hasn't been a significant dip in goods prices is one reason why headline CPI looks elevated. Today's PPI data are seen as benign on the surface but there is a chance that the components that feed into the PCE will be a little less soft.

Market data

(Source: Bloomberg)



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