

Mizuho Daily Currency Watch

29 August, 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	EUR macro backdrop softening. EUR upside capped
USD	Higher front-end UST yields, as 50bp cut is priced out, should prove USD supportive
JPY	BoJ hiking cycle intact. JPY to remain firm
GBP	Lack of data to leave GBP tracking higher

Overnight comment – Elevated expectations

US tech sector earnings after the bell were strongly positive but the outlook wasn't sufficient to satisfy elevated expectations and US shares dropped in after-hours trading. Asian shares opened lower but broadly pared the declines through the session to end only a little lower. UST yields were little changed in the Asian session, with the DXY index a little lower. NZD performed on the back of a strongly positive business confidence survey. Recall that the RBNZ surprised markets with a rate cut at its last meeting.

MoF's weekly portfolio flow data showed Japanese investors continuing to buy overseas bonds as markets gear up for Fed cuts. Japanese investors have shrugged off the market volatility at the start of the month – no sign of any repatriation here. Indeed, outflows on the bond side have picked up sharply and were at ¥1542bn in the week to 23 August, the third consecutive week of hefty net purchases. Consumer confidence was unchanged in August at 36.7. The index remains below its long-run average which is around the 40 level. The BoJ would like to see some improvement to be confident that the benign wage/price spiral it expects is coming to fruition. Today's 2yr JGB auction saw the highest bid/cover ratio since 2019 at 5.54x vs 4.19x last month. 2yr JGB yields were last around these levels in 2009. The curve twist steepened with the long end remaining soft. **The yen was stable in Asian trade and sits around USD/JPY 144.50 as European trader gets underway.**

Eurozone car sales were soft, up just 0.4%YoY driven by weakness in EVs Germany. Polls in the Eastern German states of Saxony and Thuringia ahead of elections at the weekend look grim for the government with the extreme left and right polling well. **EUR/USD nudged off yesterday's lows and sit around 1.1130 as Europe opens.** It was a quiet start to trade in the UK. **GBP/USD tracked EUR/USD higher and the pair sits around 1.3220 as European trade gets underway.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
EZ – Economic confidence (DI, Aug)	96.0/95.8
EZ – New auto registrations (%YoY, Aug)	--/4.3
US – Weekly jobless claims (k)	232/232
US – GDP, 2 nd est (%SAAR, Q2)	2.8/2.8 (p)

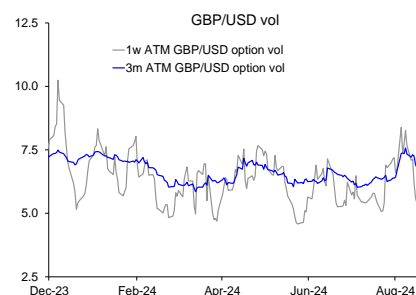
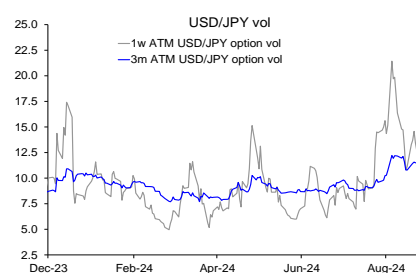
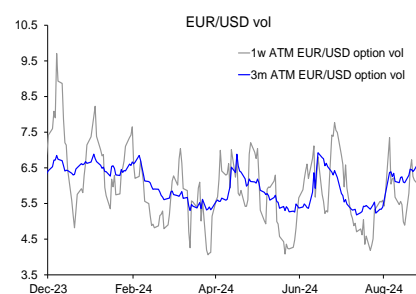
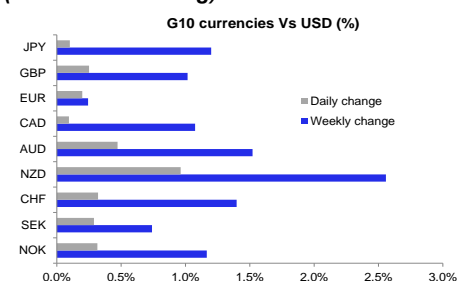
Source: Bloomberg

Europe. The first of the monthly national CPI releases, Spain (8.00am BST) and Germany/German states, are due this morning ahead of the Eurozone CPI figure tomorrow. Both Spain and Germany are expected to see quite a sharp drop in headline CPI, driven by energy prices. Spain publishes a core figure early but Germany doesn't. Core CPI is expected to be falling a lot more slowly. The text of the EU Commission confidence report contains a chart of economic sentiment vs employment expectations – a proxy for labour hoarding. The post-Covid gap has been declining but employment is still a little more robust relative to activity than it was pre-Covid. It will also be interesting to see if French conditions are boosted by the Olympics as appeared to be the case in the PMI data. Lane and Nagel speak at the same conference in Frankfurt.

US. Jobless claims will likely be more important than the backward looking revisions to Q2 GDP. Jobless claims are one of the most timely labour market indicators. After spiking in late July, possibly due to weather-related factors, claims are now lower again, around June levels. For the Fed, Bostic speaks. The US Treasury auctions US\$ 44bn of 7yr notes, as well as 4-week and 8-week T-bills.

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