

# Mizuho Daily Currency Watch

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MIZUHO

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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 – EUR shrugs off German elections

Asian equities were mixed. Chinese shares were the main decliners while elsewhere shares were mainly higher. China's official PMI data over the weekend showed activity close to stagnant, with the PMI dropping from 50.2 to 50.1, with manufacturing weak and services marginally firmer. Other Asian PMI data were a little soft vs last month. Brent crude futures gapped lower at the open falling to ~\$76.40/barrel, with fears of increased OPEC+ supply and weak China demand more than countering worries about geopolitics. The Libyan situation remains volatile. With US markets closed today, there was no UST trading in the Asian session, while the DXY index was almost unchanged.

Friday's CTFC data, covering the week to 27 August, reflect the recent volatility in FX markets. Positioning has swung sharply against the US dollar not only among speculative investors but amongst asset managers too. Investors haven't been this negative on the US dollar since February, when US rate cut expectations were also elevated.

Japan capex's data for Q2 showed a 1.9%QoQ rise. The data were a little softer than expected at the headline level but firmer in ex software terms. The impact on Q2 GDP looks muted. **USD/JPY was little changed in Asian trade and sits around 146.22 as Europe opens.**

German state elections in Saxony and Thuringia were as awful as expected for the governing coalition, with AfD first in Thuringia and almost equal with the CDU in Saxony. For now all other parties continue to refuse to work with them. In France, Macron has a series of meetings lined up today with the meeting with Bernard Cazeneuve the most noteworthy. **EUR/USD was little changed in the Asian session and trades around 1.1055.** Over the weekend, the UK's Institute of Directors reported that its economic confidence index had dropped sharply from a 3yr high of +7 in July to -12 amid expectations of higher taxes in the budget. **GBP/USD is also little changed and trades around 1.3130 as Europe opens.**

## Today's Major Events and Data Releases

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

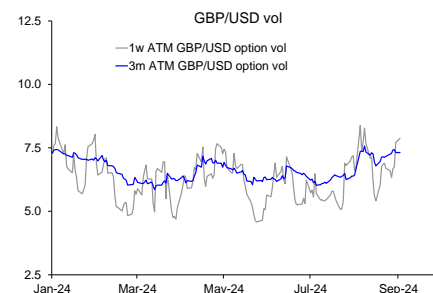
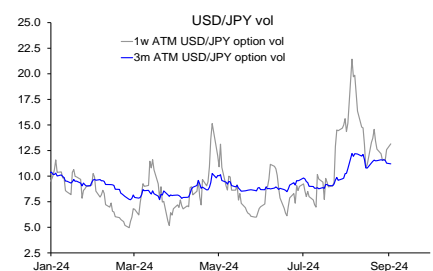
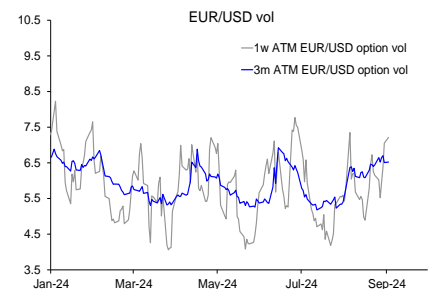
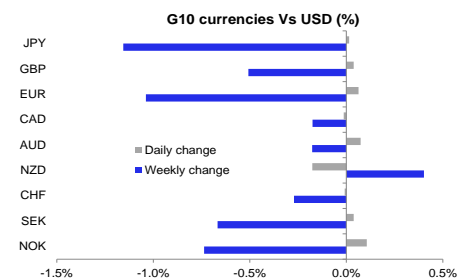
Source: Bloomberg

**Europe.** The final manufacturing PMI in both the eurozone and the UK are due. Neither are likely to have much market impact

**US.** US markets are closed for Labour Day.

## Market data

(Source: Bloomberg)



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