

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 to be soft
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	Wage dip to keep BoE easing hopes alive. GBP to soften

Overnight comment – Lacklustre

Despite solid gains in US equities, Asian shares were mixed with modest gains in Japan whilst China and South Korea led the decliners. Chinese trade data showed weak imports suggesting domestic demand remains sluggish, while Australian confidence data were soft. UST yields were little changed in Asian trade, while the DXY index eased off early highs.

Money supply data in Japan were soft with M2 expanding just 1.3%YoY, the slowest pace of expansion since 2007. Today's 5yr auction met with solid demand leaving JGB yields little changed on the day. **USD/JPY was little changed with the pair sitting around 143.25 as Europe opens.**

Germany dismissed plans for joint issuance in Draghi's report on EU competitiveness, underscoring the difficulty of agreement with so many stakeholders. **It was a quiet start to trade in the eurozone, with EUR/USD little changed in Asian trade. The pair sits around 1.1035 as Europe opens.** The labour market data were mixed. Headline wages were a touch softer than expected, while in line on an ex-bonus basis. Private sector wages dropped to 4.9%YoY. The employment data showed a large gain in the 3 months to July but payrolled employment for August dropped sharply. The ONS notes "Increased volatility of Labour Force Survey (LFS) estimates, resulting from smaller achieved sample sizes, means that estimates of change should be treated with additional caution". The UK labour market continues to soften but slowly. **Sterling was little changed in the wake of the data and sits around 1.3080 as Europe opens.**

Today's Major Events and Data Releases

Events over coming 24 hours	Survey/Prev
UK – Unemployment (3m%, Jul)	4.1/4.2
UK – Average weekly earnings (3m% YoY, Jul)	4.1/4.5
UK – Payrolled employees (k, Aug)	25/24
US – Small business confidence, (DI, Aug)	93.7/93.7

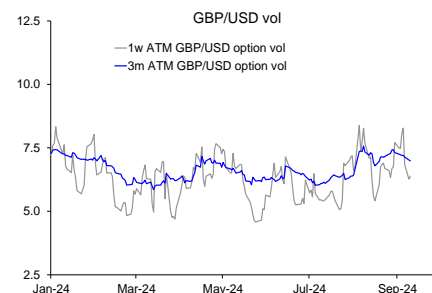
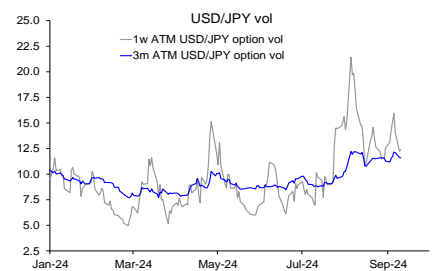
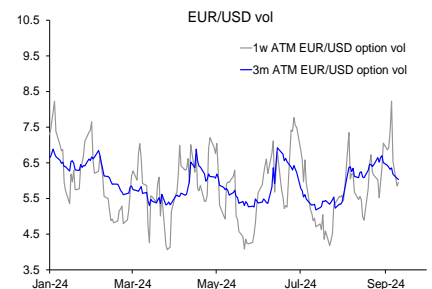
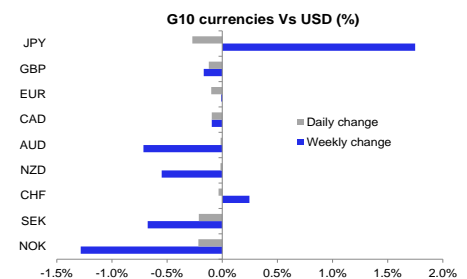
Source: Bloomberg

Europe. The UK labour market report is due.

US. In the US, the focus will switch to politics. The presidential debate, the first between Harris and Trump, takes place in the evening. Trump is now ahead in the betting odds and some of the most recent polls suggest that Harris is losing some of her shine. She does not seem to have had much of a bump in the wake of her confirmation as the Democratic Convention and momentum seems to be running out of steam. Most polls in the key swing states are within the margin of error. Poll suggest that many voters feel they know little about Harris but they know plenty about Trump. Thus the debate is likely to focus mainly on Harris and who makes the effort to define her/her policies. The debate starts at 9.00pm ET. On the data front the employment sub-index will be a focus of the NFIB small business sentiment data in the wake of the soft payrolls report.

Market data

(Source: Bloomberg)



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