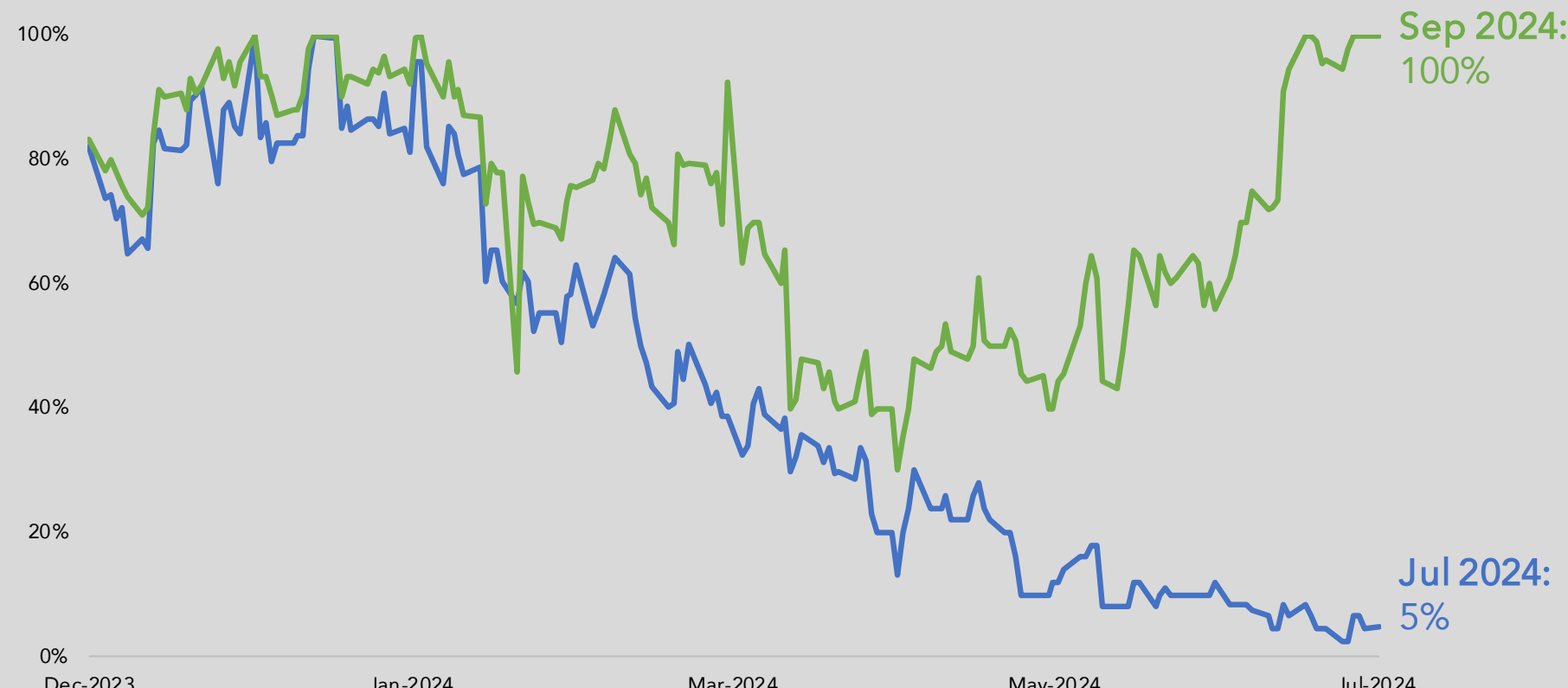


# Chart of the Day



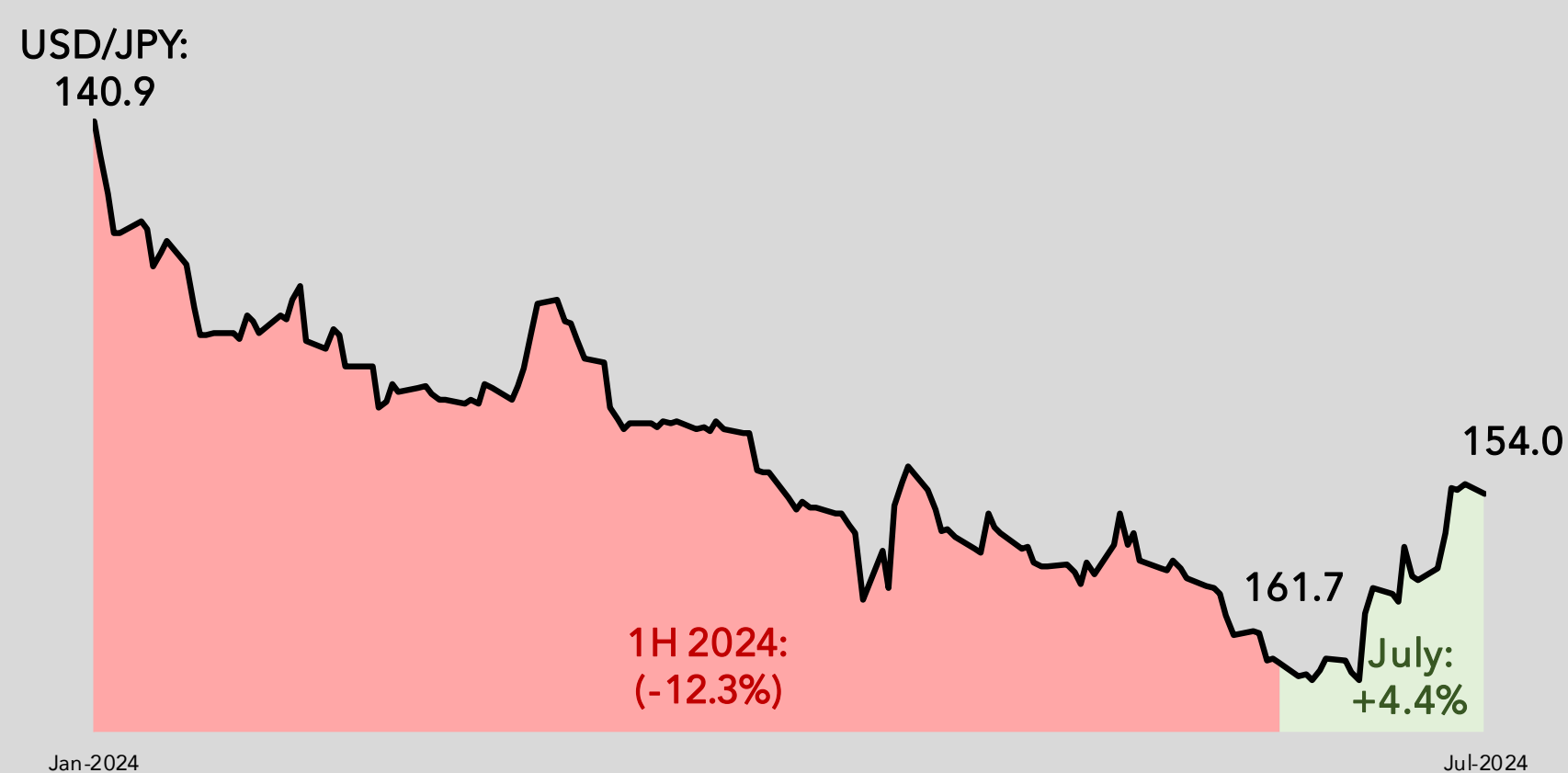
Markets will focus this week on a series of important central bank meetings including the Fed, BOJ and BOE. On Wednesday, the Fed will commence its 5th meeting of the year, with markets pricing virtually no probability of a policy pivot. Markets are expecting the first full Fed policy cut in the cycle to occur in September, 14 months after the last Fed hike, and a total of 2-3 rate cuts (67 bps) of policy easing by the end of the year. Close attention should be paid to the Fed's press conference for guidance on September and year-end.

## Market implied probability of at least 1 rate cut at upcoming Fed meetings



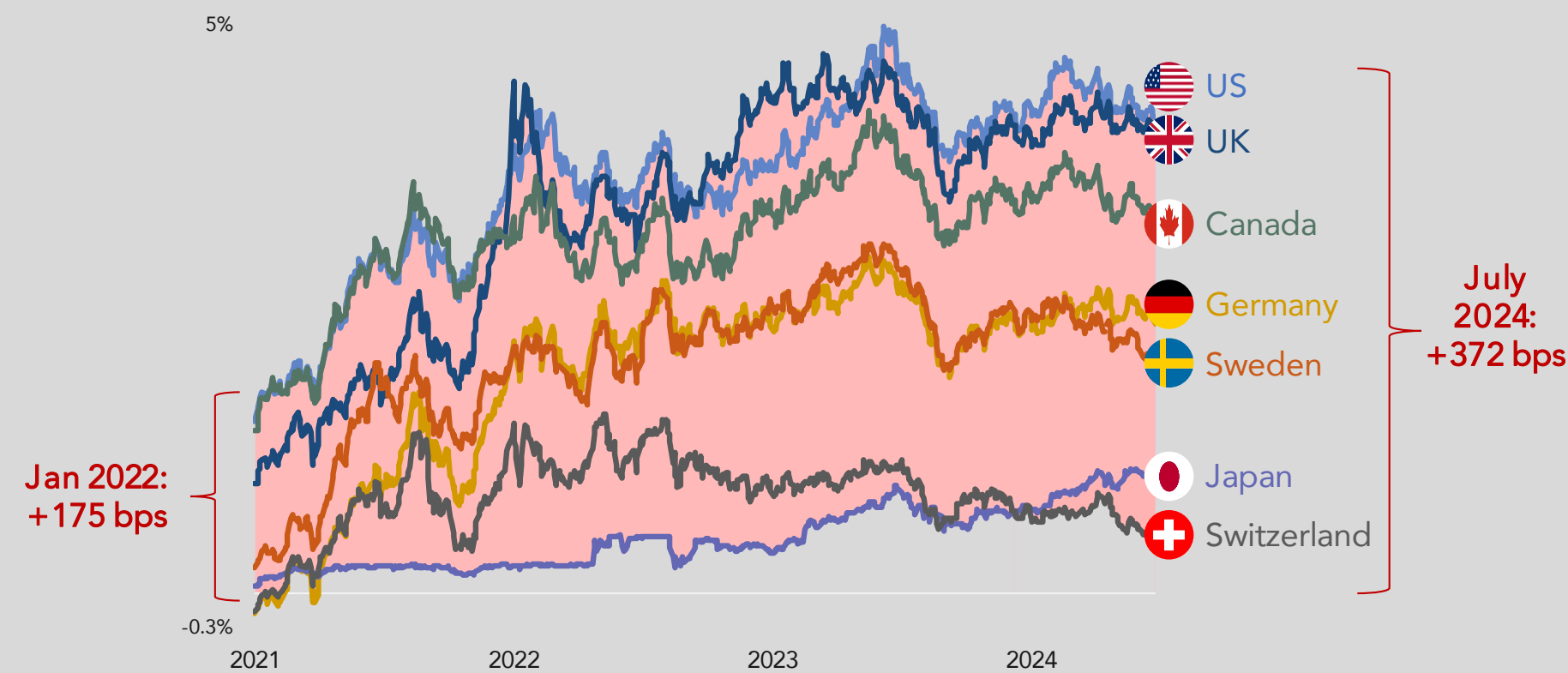
After depreciating more than 12% in the 1H 2024, the Yen had its strongest performance of the year in July, up nearly 5% on the month vs. USD, following a strong rally from a low of ~162 a few weeks ago. Softer US inflation data, suspected BOJ intervention and Trump currency commentary contributed to the rally and an unwind of the "carry trade" that has rippled through global markets. MUFG is expecting a 15 bps rate hike at Wednesday's BOJ meeting, alongside communication on plans to slowdown the pace of JGB purchases. Should the BOJ disappoint on policy tightening at this week's meeting, look for Yen to depreciate rapidly through 155-160 thresholds.

## Yen vs. USD performance



UK bonds are offering higher yields than most other G10 currencies, thereby providing support for the GBP. MUFG expects a 25 bps cut at Thursday's BOE meeting, likely accompanied by initial GBP weakness, though stabilizing as the dust settles on more detailed BOE guidance for the year. To the extent the BOE holds, look for GBP strengthening to follow. In either case, UK rates should remain higher than most G10 economies.

## Global 10 year government bond yields



Source: (1-3) Bloomberg. Data as of July 29, 2024. Yen graph is JPYUSD to show appreciation / depreciation in currency.

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"Macro stability isn't everything, but without it, you have nothing."