For the first time in 7 years, El Niño conditions have developed with official confirmation.

This signal of climate change is believed to lead to severe consequences across Central America, northern South America, Australia, Indonesia, and parts of southern Asia. Most of the consequences would end up with high temperatures, floods or devastating drought. We may need to worry about slashed agricultural and fishing production and infrastructure damage in some of the areas mentioned above.

Also, El Niño rises the monetary policy risk stemming from the weather pattern in Latin America. Things are just looking up for this area where inflation begins to show sign of slow, short-run inflationary pressures from climate change adds on uncertainty to the governments which just get soaring consumer prices back under control.

El Niño’s effects are also likely to have global repercussions. Predominated in agricultural and mining, any supply shocks in Latin American resulted from El Niño will influence global commodity prices. Also, taken up 6% weight of maritime trade, drier weather in Panama would temporarily upend international trade.

Lighter Non-Farm Payroll numbers in US adds on noisy behavior on Friday USD/JPY market. The announcement came out at 209k as opposed to the 225k expected, together with the downside revise on previous months, but it’s still too to bet on the change of trajectory, the little changed priced-in probability also proves this assertion.

140 level would be the bottom of the overall pullback.

Short-term reaction

Yen would continue to decline until the BOJ tightens policy. Facing intervention risk, Yen won’t weaken to 160 even before the pivot point of its monetary policy.