

# WORLD FOREX: Fed Fears Pressure Dollar; Euro Up A Little

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Of DOW JONESNEWSWIRES

LONDON (Dow Jones)--The dollar was under pressure again Wednesday after Chicago Federal Reserve President Charles Evans suggested that the Federal Reserve could be more accommodative.

This once again raised expectations that the Fed will expand its quantitative easing program at the next policy meeting early in November.

However, the dollar's losses against most other major currencies were limited.

In the case of the euro, investors were reluctant to push the single currency too much closer to \$1.40 ahead of the European Central Bank meeting Thursday as well as the meeting of finance ministers from the Group of Seven leading industrial nations in Washington this weekend.

See how the euro has bounced around just under \$1.40:

<http://www.dowjoneswebservices.com/chart/view/4689>

Although the ECB is expected to remain hawkish, as members of its governing council debate exit strategies from the unconventional monetary easing introduced the year before last, some at the central bank may express concern about the risk that euro strength could pose to the currency bloc's recovery.

There is also some concern about what G-7 ministers might say about the growing trend for competitive devaluations as most major economies attempt to export themselves out of recession. The International Monetary Fund issued its own warning about a "currency war" if countries continue to use exchange rates to solve domestic problems.

In the meantime, investors are also probably wary of buying the euro too much ahead of the latest bond offering from Portugal, a EUR1 billion auction of three-month and 12-month paper later Wednesday.

The dollar also slipped a little against the yen but this time losses were limited by the continued threat of more Japanese intervention. There had been talk in New York late Tuesday that Japanese agencies close to the government were active buyers of the dollar against the yen.

However, there is still no indication that the Ministry of Finance has launched a new intervention exercise through the Bank of Japan.

The prospect of new unemployment data from the U.S. Friday is also hanging over the dollar, especially as a disappointing number will only increase speculation about the possibility of more quantitative easing next month.

Later Wednesday, attention will center on the latest private-sector employment figures from ADP, which are expected to show a 20,000 increase last month after a 10,000 fall in August.

A rally in the pound, meanwhile, ran out of steam after hitting resistance at \$1.5938. Analysts said that pound supporters were also getting nervous ahead of the Bank of England's latest policy meeting, also Thursday, in which dovish members of the central bank's monetary policy committee could raise expectations of further quantitative easing in the U.K.

By midmorning, the euro has risen to \$1.3858 from \$1.3835 late Tuesday in New York, according to EBS.

The single currency also managed to rise to Y115.13 from Y115.11 while the dollar slipped to Y83.07 from Y83.18.

The dollar fell back a little to CHF0.9664 from CHF0.9671, while the pound reversed much of its earlier gains but was still up at \$1.5912 from \$1.5896.

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