

WORLD FOREX: Dollar Weakens As China Bond News Boosts Sentiment

8 Oct 2010, 07:35

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TOKYO (Dow Jones)--The dollar weakened across the board in Asia Friday as a possible rating upgrade on Chinese sovereign debt and hawkish comments from an Australian central bank official prompted investors to dump the greenback for higher-yielding units.

Moody's Investors Services Inc. said earlier in the day that it's reviewing China's sovereign bond rating for a possible upgrade from the current A1.

Meanwhile, Reserve Bank of Australia Deputy Gov. Ric Battellino said "higher interest rates will be required" if "economic conditions evolve as currently expected," suggesting the RBA remains in a tightening cycle despite its decision to hold monetary policy steady earlier this week.

The developments gave a boost to the outlook for global economies other than the U.S., dealers said, leading investors to sell the greenback and buy the risk-sensitive euro. As of 0450 GMT, the euro was \$1.3950 from \$1.3912 in New York Thursday. Against the yen, the dollar was at Y82.36 from Y82.40 overnight.

Despite the yen's already-low interest rates, investors are increasing their holdings of the Japanese currency because they think the Federal Reserve will take aggressive monetary easing measures while the Bank of Japan's room for further policy moves is limited, dealers said.

To better gauge when the Fed will act, investors will pay attention to non-farm payrolls data for September, investors said. The data, due at 1230 GMT, are likely to show a 10,000 decline in jobs from August, when jobs fell by 54,000, according to a Dow Jones poll of economists.

If the result shows the U.S. labor market is worsening, investors will likely push the dollar down to Y81.00, said Kenichi Nishii, a senior dealer at Bank of Tokyo-Mitsubishi UFJ. Even at that level, Japan's intervention to curb the yen's rise is unlikely, he added.

Other dealers in Tokyo echoed that view.

"Many investors have given up portfolios constructed to make profits on intervention when the dollar fell clearly below Y82.50," said Satoshi Tate, a senior dealer at Mizuho Corporate Bank.

Because the Japanese government's intervention in September was conducted around Y82.90, markets had speculated the Y82.50-Y82.90 range to be the "danger zone", he added.

Japan's Finance Minister Yoshihiko Noda said earlier Friday that Japan would take action when necessary, adding that the policy would not change before or after this weekend's meeting of financial chiefs and central bankers from the Group of Seven industrialized nations.

But few Tokyo dealers were taking the comment seriously, and even if Japan does take action, "we would punch it back with large yen-buying," said a hedge fund manager in Tokyo.

The yen was weaker against the euro, though, due to increasingly positive views over global economies. Against the euro, the Japanese currency was at Y114.88 from Y114.65 Thursday.

The ICE Dollar Index, which tracks the dollar against a trade-weighted basket of currencies, was at 77.308 from 77.464.

Interbank Foreign Exchange Rates At 00:50 EDT / 0450 GMT

	Latest	Previous	%Chg	Daily	Daily	%Chg
Dollar Rates		2150 GMT		High	Low	12/31
USD/JPY Yen	82.35-38	82.40-43	-0.06	82.51	82.16	-11.53
EUR/USD Euro	1.3948-52	1.3918-23	+0.22	1.3962	1.3904	-2.57
GBP/USD Sterling	1.5889-93	1.5872-76	+0.11	1.5899	1.5861	-1.70
USD/CHF Swiss Franc	0.9661-66	0.9660-64	+0.01	0.9676	0.9650	-6.69
USD/CAD Canadian Dlr	1.0158-64	1.0174-80	-0.16	1.0193	1.0157	-3.38
AUD/USD Australian Dlr	0.9827-30	0.9821-26	+0.06	0.9846	0.9793	+9.40
NZD/USD New Zealand Dlr	0.7523-33	0.7497-07	+0.35	0.7539	0.7493	+3.68
EUR/JPY Yen	114.88-95	114.70-75	+0.16	114.91	114.54-13.79	

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October 08, 2010 01:35 ET (05:35 GMT)

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