

WORLD FOREX: Dollar Falls Gradually Vs Yen, Euro After FOMC

By Andrew Monahan
Of DOW JONES NEWSWIRES

TOKYO (Dow Jones)--The dollar fell against the yen and the euro in Asia Thursday, as investors sold the U.S. unit following the Federal Reserve's announcement overnight of a second round of quantitative easing.

The Fed's policy-setting Open Market Committee decided Wednesday to buy \$600 billion of U.S. Treasurys over the next eight months. While the result was roughly in line with market expectations, limiting the market impact, the move is expected to continue weighing on Treasury yields, keeping downward pressure on the dollar, dealers said.

"As long as U.S. Treasury yields are pressured down, the downward trend for the dollar-yen won't change," said Motonari Ogawa, a senior FX dealer at Barclays Bank.

The benchmark 10-year treasury yield was down 1.5 basis point at 2.577% after the FOMC outcome.

At 0450 GMT, the U.S. currency was down at Y80.84 compared with Y81.13 late Wednesday in New York. It could fall to around Y80.70 later in the global day, Ogawa said.

Dealers said that in the coming weeks, expectations for further falls in U.S. Treasury yields could gradually push the dollar down again toward its record low of Y79.75.

"It's a matter of time" before the dollar falls below the psychologically key Y80.00 mark, said Kenichi Nishii, senior dealer at Bank of Tokyo-Mitsubishi UFJ. But such a fall looks unlikely for now as investors will probably refrain from major bets before the outcome of the Bank of Japan's two-day policy board meeting Friday, Nishii said.

The Fed's move will likely drag on the dollar against other currencies ahead, analysts said.

Quantitative easing "is consistent with further orderly broad dollar depreciation in the short run," Barclays Capital wrote in a research report. But the currency's decline will likely come "in an orderly manner," as the Fed more or less met market expectations, the report said.

At 0450 GMT, the ICE Dollar Index, which tracks the greenback against a trade-weighted basket of currencies including the euro, was at 76.315, down from 76.396 late Wednesday in New York after the FOMC outcome.

The euro was up slightly at \$1.4136 compared with \$1.4122, due to the dollar's weakness. But against the yen, the common currency was down a tad at Y114.28 from Y114.59, as Japanese exporters took advantage of its rise following the FOMC to sell, dealers said.

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

Dollar Rates	Latest	Previous 2150 GMT	%Chg	Daily High	Daily Low	%Chg 12/31
USD/JPY Yen	80.79-84	81.12-16	-0.41	81.21	80.76	-13.21
EUR/USD Euro	1.4136-42	1.4133-35	+0.02	1.4142	1.4103	-1.26
GBP/USD Sterling	1.6122-25	1.6094-95	+0.17	1.6134	1.6087	-0.25
USD/CHF Swiss Franc	0.9715-25	0.9710-14	+0.05	0.9737	0.9708	-6.17
USD/CAD Canadian Dlr	1.0073-79	1.0050-56	+0.23	1.0119	1.0050	-4.19

AUD/USD Australian Dlr	1.0058-60	1.0054-59	+0.04	1.0063	1.0023	+11.97
NZD/USD New Zealand Dlr	0.7850-60	0.7791-01	+0.76	0.7885	0.7831	+8.19
EUR/JPY Yen	114.26-30	114.66-70	-0.35	114.75	114.10	-14.26

-By Andrew Monahan, Dow Jones Newswires; 81-3-6269-2783; andrew.monahan@dowjones.com

(Kosaku Narioka and Takashi Mochizuki contributed to this article.)