

WORLD FOREX: Euro Up Vs Dollar On RBA Rate Hike; May Rise More

By Takashi Mochizuki
Of DOW JONES NEWSWIRES

TOKYO (Dow Jones)--The euro rose against the dollar in Asia on Tuesday due to knock-on effects from the Australian dollar's surge, which was propelled by the Reserve Bank of Australia's surprise interest-rate hike.

The central bank tightened its benchmark cash rate by 25 basis points to 4.75%, a move traders said was a big surprise. Many market participants had believed the RBA would leave rates unchanged.

"The view was widespread that the RBA won't raise its rates at least until December because recent economic data have been weak," said Jun Kato, a senior dealer at Shinkin Asset Management.

While the Australian currency rose sharply, the euro also benefited from the rate hike as the two currencies are closely correlated.

The Australian dollar rose to \$0.9990 from \$0.9881 and to Y80.43 from Y79.63 before the RBA's announcement. The euro was at \$1.3927 and Y112.16 as of 0450 GMT from \$1.3885 and Y111.91 on Monday in New York.

Dealers in Tokyo said the dollar should keep weakening against not only the euro but also the yen, as short-term speculators are decreasing their holdings of the greenback ahead of a two-day Federal Open Market Committee meeting ending Wednesday.

Many investors think the FOMC will take additional easing measures to prop up the economy. This should push down yields on U.S. bonds and make the U.S. currency less attractive.

The U.S. currency was at Y80.52 at 0450GMT from Y80.60, and dealers said it could fall below the all-time low of Y79.75 later in the global day.

"Many investors are hungry for a chance to justify their dollar-selling even before the FOMC," said Kenichi Nishii, a senior dealer at Bank of Tokyo-Mitsubishi UFJ.

Earlier Tuesday, Japanese Finance Minister Yoshihiko Noda reiterated his warning against sharp moves in the currency market, saying the government "will take decisive steps when necessary."

But investors shrugged off the remarks because they think Japan can't take dollar-buying intervention due to possible U.S. discomfort toward such an operation.

The ICE Dollar Index, which tracks the greenback against a trade-weighted basket of currencies, was at 77.090 from 77.294.

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	80.50-52	80.50-54	0.00	80.75	80.49	-13.52
EUR/USD Euro	1.3927-29	1.3891-92	+0.26	1.3932	1.3882	-2.72
GBP/USD Sterling	1.6055-59	1.6036-40	+0.12	1.6065	1.6037	-0.67
USD/CHF Swiss Franc	0.9906-15	0.9919-33	-0.13	0.9932	0.9907	-4.33

USD/CAD Canadian Dlr	1.0114-21	1.0164-70	-0.49	1.0156	1.0117	-3.80
AUD/USD Australian Dlr	0.9980-84	0.9866-71	+1.16	0.9991	0.9861	+11.10
NZD/USD New Zealand Dlr	0.7656-66	0.7667-75	-0.14	0.7673	0.7640	+5.51
EUR/JPY Yen	112.10-17	111.83-88	+0.24	112.21	111.84	-15.88

-By Takashi Mochizuki, Dow Jones Newswires; 813-6269-2782; takashi.mochizuki@dowjones.com