

# WORLD FOREX: Euro Pares Losses As US Stocks Rally

By Frances McInnis  
Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--The euro recovered most of its losses against the dollar from earlier trading Wednesday, as U.S. stocks rallied and demand for riskier assets increased.

But investors hesitated to bid the euro much higher as they awaited details about upcoming stress tests of European banks, with the Committee of European Banking Supervisors expected to outline its methodology for the tests later in the session.

"If the market has a better sense of the robustness of the stress tests, it might lift some uncertainty among investors," said Marc Chandler, global head of foreign exchange at Brown Brothers Harriman in New York.

Late Wednesday morning, the euro was at \$1.2622 from \$1.2619 late Tuesday, according to EBS via CQG. The dollar was at Y87.25 from Y87.48, while the euro was at Y110.17 from Y110.42. The U.K. pound was at \$1.5202 from \$1.5142. The dollar was at CHF1.0528 from CHF1.0595.

The ICE Dollar Index, which tracks the dollar against a trade-weighted basket of currencies, was at 83.951 from 84.076.

The European Union is testing around 100 of its banks amid market concerns about exposure to sovereign debt in several European countries, including Greece, Spain and Portugal. It plans to publish the results at the end of July.

On Wednesday, the Committee of European Banking Supervisors is expected to provide details about the main features of the methodology, the list of the firms covered and the date the results will be published. The market will be sensitive to any perceived leniency in criteria, said analysts.

"The trade-off facing the regulators is to make the tests tough enough to be credible to the markets but not so stringent as to cause many banks to fail," said analysts at Barclays Capital.

The common currency has gotten some respite recently, hitting a six-week high against the dollar on Tuesday as a recent string of disappointing economic data out of the U.S. fueled concerns about U.S. recovery.

Analysts at BNP Paribas said \$1.2675, last reached in mid-May, remains a key technical level for the common currency, adding that, if the euro can break through that ceiling, it could breach \$1.30 in the coming weeks.

Gains in U.S. stocks helped to buoy assets closely tied to global growth, including the Australian, New Zealand and Canadian dollars. The Dow Jones Industrial Average gained more than 1.2% by late morning trading.

The Canadian dollar managed to hit a session high against the U.S. dollar, even after Canada's Ivey Purchasing Managers Index for June came in at 58.9, well in expansionary territory but below the expected 64.

The commodity-backed dollar bloc had rallied strongly on Tuesday after the Reserve Bank of Australia issued a cautiously optimistic statement. The central bank left key rates unchanged, but noted that global growth--particularly in Asia--is likely to support demand for commodities.

Nevertheless, a recent string of weak U.S. data has led to "shakiness in the market," keeping investors cautious

and choosy, said Phil Streible, senior market strategist at Lind-Waldock in Chicago. That unease has lent strength in the safe-haven yen, even as assets closely tied to global growth were able to gain, Streible said.

-By Frances McInnis, Dow Jones Newswires; 212-416-3417; frances.mcinnis@dowjones.com

(Don Curren in Toronto and Carolyn Henson in Brussels contributed to this article.)

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