Foreign exchange dollar falls vs yen

The dollar retreated against the yen but barely budged against major European currencies in thin trading ahead of the Federal Reserve's Open Market Committee meeting today. With Tokyo closed for the Vernal Equinox holiday and traders awaiting today's Fed meeting and the release of new Japanese trade data late yesterday, dealers said dollar-yen trading was particularly light. A flurry of dollar-buying helped the U. S. currency make a brief break out of its 106-yen range as trading kicked off in New York. But the dollar had barely exceeded the 107-yen mark when it was beaten back by strong chart resistance.

After struggling to stay above the intraday low of 106. 28 yen midway through the New York session, the dollar was at 106. 45 yen late yesterday, down from 106. 66 yen at the start of the session and 106. 79 yen late Friday. Japan was slated to release its January business-activity index and February trade surplus just before midnight. Analysts expect an increase in both. The euro had nudged up to 97. 29 cents from 97. 20 cents late Friday. The pound was trading at $1. 5690, down from $1. 5735 late Friday in New York.

Sterling has slipped nearly 3% against the dollar since the start of the year. The release today of the 2000-2001 United Kingdom budget is not expected to have much effect on the currency. While a projected interest-rate hike by the Fed should provide support in the longer term for the dollar, it is unlikely to have a noticeable effect on intraday spot trading unless it exceeds 0. 25 of a percentage point. Analysts said a change of that proportion has already been priced into the market.

If any currency is likely to register much reaction to a U. S. rate increase it is the Canadian dollar. The Canadian currency has tended to jump after recent Fed actions on expectations he Bank of Canada will follow with similar increases. The Canadian dollar could use the boost. It ended last week at its lowest levels of the year. It was trading slightly higher yesterday, with the U. S. dollar buying 1. 4696 Canadian dollars compared with 1. 4710 late Friday. After dropping nearly 1% against the U. S. currency this month, analysts say the Canadian dollar may finally turn the corner this week.

Canada’s January trade surplus, due out today, is expected to have expanded by at least C$200 million from the month before, to C$2. 9 billion from C$2. 7 billion for December. Though Canada’s consumer-price index, released last week, revealed a slight increase — to a 1. 6% yearly pace from 1. 4% in January — that figure still is at the bottom of the Bank of Canada’s 1% to 3% target range. Nonetheless, while many analysts say a rate increase is not needed, they believe the BOC will approve one if the Fed moves today, in order to prevent a widening gap between U. S. nd Canadian yields.

There is continued speculation that the European Central Bank might also raise rates again next week, particularly after new euro-zone consumer-price-index data released late last eek showed inflation in the region for February reached 2% year-over-year growth-the ECB’s ceiling for price stability. Still, talk has subsided somewhat after comments by ECB president Wim Duisenberg. Mr. Duisenberg said that after the ECB’s 0. 25 percentage-point raise Thursday, euro-zone interest rates are “ appropriate for the present situation” despite continued price pressure.

He emphasized that the ECB's enemy is inflation rather than a weak currency, and that the exchange rate is not a direct target of the ECB's actions Foreign Exchange Dollar Rises Against Yen as Japan's Central Bank Acts to Weaken Currency By Jennifer Barrett 03/09/2000 The Wall Street Journal Page C21 (Copyright (c) 2000, Dow Jones & Company, Inc.) New York — The dollar jumped more than one yen after the Bank of Japan intervened to weaken the Japanese currency early in the Asian trading day. Traders estimated Japan's central bank bought between $1 billion and $3 billion in two interventions overnight.

The actions pushed the dollar as high as 107. 50 yen early in the trading day. Japanese corporate repatriation ahead of the fiscal year end may partly explain the yen's current popularity, but it isn't likely the driving force. Dealers said the currency also has attracted sustained interest from speculators, portfolio managers as well as corporate buyers. With the Nikkei 225-stock index trading at around 20000, and Japanese officials predicting economic expansion, Asia is looking increasingly attractive to foreign investors, they said.

The Bank of Japan intervention was seen more as a buying opportunity than the start of a weakening trend for the yen, with the market dumping euros in droves to buy yen after the bank's action. The euro plunged to a record just below 101 yen before it rebounded in New York. Euro/yen is the playground of speculators and does not represent economic fundamentals," said Jeremy Fand, chief foreign-exchange strategist at Fleet Global Markets in Boston. Nonetheless, the euro/yen sell-off shows few signs of slowing.

John Cholakis, a dealer at Dai-Ichi Kangyo Bank in New York, said the euro could drop to 100 yen by week's end, as the European currency comes under continued pressure from the dollar and pound in addition to the yen. Late in New York, the dollar was trading at 107. 20 yen, up from 106. 17 yen late Tuesday. The euro was at 96. 08 cents, up from 95. 95 cents late Tuesday. Rumors of European Central Bank intervention around the 95-cent level may have sparked some interest in the European currency, but the market still seems divided on the currency's direction.

This is a pivotal point," said a currency options dealer. " Some say we could go to 90 cents, others say we can go to parity. The market is still very nervous. " Widening differentials are likely to hurt the euro further. Analysts expect another U. S. interest-rate increase by month's end, particularly after the Federal Reserve's latest beige book reported " appreciable expansion" in the U. S. economy from January through February. Early last week, Europe's common currency plunged to a record of 93. 0 cents after it became apparent that the European Central Bank wouldn't raise interest rates at its midweek meeting.

Although the euro was trading yesterday two cents above its all-time lows, analysts aren't ruling out the possibility of a return to those earlier levels — especially if the Fed raises rates as expected in late March. The Australian dollar rose to 60. 92 cents late in New York from 60. 50 cents late Tuesday. The Australian Reserve Bank said yesterday that it had opted to leave interest rates unchanged. The South African rand retraced earlier losses against the dollar.

It ended the New York session at 6. 4685 rand to the dollar, compared with 6. 5315 rand late Tuesday. Steven Leach, chief economist for Citibank's foreign-exchange desk in New York, wasn't surprised by the rand's reversal. He said the South African currency, which is still down more than 5% against the dollar for the year, has been undervalued at recent levels. The dollar also slipped further against the Mexican peso, as the Mexican stock market surged more than 3. 6%. Late yesterday, the dollar was buying 9. 269 pesos, compared with 9. 28 pesos late Tuesday.