

## FOREX-Dollar climbs to 1-month high vs yen, euro

Wed, Nov 10 2010

\* Dollar hits one-month highs vs euro, yen as yields rise

\* Sterling gains on BoE inflation outlook

\* U.S. data adds to upward pressure on dollar, yields (Updates prices, adds comment, details)

NEW YORK, Nov 10 (Reuters) - The dollar hit a one-month peak against the euro and yen on Wednesday as higher U.S. bond yields prompted traders to cut bets against the greenback.

Fear about Ireland's high debt burden left investors seeking shelter in German bunds, which also kept the euro weak against the dollar for a fourth straight day though it was well off the session low in volatile trading after a U.S. Treasury bond auction.

Strong U.S. economic data, including a decline in initial jobless claims, even had some analysts suggesting the U.S. economy was gaining traction after months of frustratingly slow growth. For details, see [ID:nN10164638]

Investors had sold dollars in recent months and bet that the Federal Reserve plans to pump more money into the economy to boost growth would drive already low U.S. rates even lower. So far, those expectations have been frustrated.

"The U.S. yield curve has steepened, and since the whole world has had the same position on, we've got a lot of end-of-the-year, risk management going on," said Sebastien Galy, senior currency strategist at BNP Paribas.

The euro fell as low as \$1.3671 and was last changing hands at \$1.3771 [EUR=](#), little changed on the day.

"We had that drop real strong, then saw Asian central banks and Middle East names buying the euro and keeping it above \$1.3750," said Dean Malone, a currency director at Compass FX in Dallas, Texas.

The 1.3650 level is the 38.2 percent retracement of the low from September 10 to the November 4 high and it seems investors are defending it, Malone said.

BNP Paribas said it could fall as far as \$1.3435 as it retraces a multi-month rally that peaked last month at \$1.4281, a 9-1/2-month high.

### YEN FALLS

The dollar climbed as high as 82.79 yen [JPY=](#), up more than 1 percent, as U.S. yields rose relative to Japanese ones though some trading on Wednesday may be technical as it last traded at 82.31 yen.

At the session peak of 82.79, dollar/yen broke through the 50-day simple moving average of 82.77 though it failed to hold. It was the first breach of that average since it last traded above that level on September 21.

Dollar/yen also broke through the 50-day exponential moving average of 82.69 for the first time since it last traded above that measure on September 17.

Those levels may provide resistance to further dollar gains. Using the 14-day relative strength index, dollar/yen has gone into overbought territory for the first time since April 5, another sign that the dollar may struggle against the yen.

The dollar briefly extended gains against the euro and yen, climbing to a session peak against the yen on electronic trading platform EBS in a kneejerk reaction to the 30-year Treasury bond auction.

The prices of U.S. Treasury securities fell on Wednesday with bond yields moving higher following a weak \$16 billion sale of 30-year bonds by the U.S. Treasury Department. [ID:nNYD003727]

But the dollar then gave up gains against the euro in what analysts said was position adjustment after the auction.

### FUNDING CURRENCY QUESTIONS

Elsewhere, sterling rose 0.8 percent to \$1.6113 [GBP=D4](#) after a Bank of England inflation report made further monetary easing in the UK look less likely [ID:nLDE6A91AO]. The euro fell 0.8 percent to 85.48 pence [EURGBP=](#).

The euro struggled after Portugal was forced to pay a higher premium than previously at a bond auction and after Ireland's central banker said Irish bond yields were at "crisis levels." The gap between benchmark Irish and German bond yields expanded to a euro lifetime high. [GVD/EUR]

[Graphic on Ireland's bailout challenge](#) [r.reuters.com/wuv48p](#)

(Reporting by [Nick Olivari](#) and Steven C Johnson; Editing by Andrew Hay)

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