

Search

NewsMax.com

Web

Powered by 

Dollar Weakens as Investors Cash Out of U.S. Stocks

MoneyNews

Thursday, Oct. 18, 2007

NEW YORK -- The dollar dropped to a record low against a basket of currencies and the euro Thursday after Bank of America's third-quarter earnings results missed estimates and renewed concerns of a U.S. economic slowdown.

Weak earnings from the second-largest U.S. bank on the back of mounting credit losses sent U.S. stock indexes lower and U.S. Treasury prices higher on expectations slowing activity might prompt the U.S. Federal Reserve to cut interest rates.

The yen gained against the dollar as investors became more risk-averse and unwound carry trades in which they buy high-yielding currencies funded by borrowing low-yielders such as the yen.

It was the yen's fourth straight day of gains against the dollar , the longest streak of gains since the four days leading up to the Fed's surprise 50 basis point cut of the discount rate, at which it lends to banks, on Aug. 17.

"Bank of America earnings play up concerns about the health of the financial sector and suggest we are likely to see fall out from market volatility, with the yen being the main beneficiary," said Omer Esiner, foreign exchange analyst at Ruesch International in Washington.

Story Continues Below

Late morning in New York, the euro was up around 0.6 percent on the day at \$1.4287 , after climbing to a lifetime peak at \$1.4310 in the opening hours of the New York session, according to Reuters data.

The euro fell 0.3 percent against the yen to 165.20 yen , while the dollar was 0.8 percent weaker at

TOP NEWS

- Four Major Banks Borrow From Fed
- Banks' Problem Mortgages Up 36 Percent
- Mortgage Crisis Widens at Lenders, Banks
- FDIC Keeping Close Eyes on Markets, Banks

Related Stories

- Stocks Finish Flat After BofA Earnings Report
- U.S. Mortgage Risk Up But Not Evenly
- Fed's Bank Merger Rule Changes May Come by Year-End
- Oil Extends Record Rally Over \$89

TOOLS

-  [Print Friendly Version](#)
 [Forward this Page](#)
 [E-mail NewsMax](#)
 [RSS Feed](#)

115.65 yen , near an earlier two-week low.

The dollar index, a measure of the dollar 's value against six major currencies, was down 0.6 percent at 77.620 . Earlier in the session it fell to 77.478, the lowest since its post-Bretton Woods inception more than 30 years ago. It was the largest one-day percentage drop on the index since Sept 28.

The dollar was already weak prior to the release of Bank of America earnings after dire U.S. housing data Wednesday bolstered the case for the Fed to cut rates this month from 4.75 percent to cushion a slowing economy.

"Concerns about the outlook for the U.S. economy have increased in the last few days with the weaker-than-expected housing market," said Matthew Strauss, senior currency strategist with RBC Capital Markets in Toronto. "Bank of America earnings have highlighted financial problems are not over yet, all of which is putting downward pressure on the dollar ."

U.S. short-term rate futures on Thursday showed around a 68 percent chance of a rate cut at the Fed's October meeting. Futures now price fully 50 basis points of easing by mid-2008.

Sterling had earlier got a boost from above-forecast British retail sales data while the Swiss franc rose after Swiss National Bank Chairman Jean-Pierre Roth said on Wednesday markets were wrong to assume there would be no further rate hikes.

Sterling rose 0.3 percent against the dollar to \$2.0463, earlier trading above 2.05 for the first time since July, while the dollar fell 0.8 percent versus the Swiss franc to 1.1702.

Foreign exchange investors are also cautious ahead of a Group of Seven meeting at the weekend. European businesses on Thursday called for France, Germany and Italy to push for a clear commitment from the G7 against further euro appreciation.

Some investors were also nervous about selling the yen before the meeting amid concerns policy-makers could highlight the weakness of the Japanese currency.

Analysts said though that the G7's focus is more likely to be on the tightly controlled Chinese yuan.

The dollar did manage gains against the Canadian dollar , extending its advance after the Bank of Canada projected no changes in interest rates through the end of 2009. The U.S. dollar last changed hands at C\$0.9758, up 0.1 percent.

© Reuters 2007. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters.



Editor's note:

- [4 Foreign Currency Plays to Beat the Falling Dollar.](#)
- [Cash and Banks at Risk? Protect Your Wealth Now.](#)
- [Commodities Are Still in a Bull Market. Get Our Top 6 Recos for the Coming Year.](#)

[Home](#)

[MoneyNews Archives](#)

[Special Reports](#)

[Shop](#)

[Contact Us](#)

[RSS](#)

© 2007 NewsMax Media Inc.
All Rights Reserved