

Dollar teeters near one-year low; euro climbs to 17-month peak

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The dollar wobbled near an over one-year low against its major peers on Tuesday, 18 July as investors awaited fresh catalysts to gauge if the greenback has further downside in the wake of last week's cooler-than-expected US inflation report.



Source: Reuters.

The US dollar index, which measures the greenback against a basket of six currencies, fell 0.15% to 99.753 in Asia trade, languishing near Friday's trough of 99.574, its lowest since April 2022.

The index had clocked its worst week of 2023 last week, after data showed US inflation subsided further with consumer prices registering their smallest annual increase in more than two years, taking pressure off the Federal Reserve to continue raising interest rates.

"I think the dollar can stay under selling pressure," said Carol Kong, a currency strategist at Commonwealth Bank of Australia. "Markets are focused on the end of the FOMC tightening cycle."

Against the greenback, the euro hit a fresh 17-month high of \$1.1256, while sterling gained 0.16% to \$1.30945, not far

from last week's top of \$1.3144, also its highest since April 2022.

Money markets have largely priced in a 25-basis-point (bps) rate hike from the Fed at its policy meeting later this month, though see rates coming down as early as December.

Conversely, investors expect the European Central Bank and the Bank of England to have further to go in their rate-hike cycle.

Japanese yen strengthens

Elsewhere, the Japanese yen rose about 0.2% to 138.46 per dollar, as investors look to the Bank of Japan's (BOJ) monetary policy meeting next week for clues on whether the central bank will begin phasing out its ultra-dovish policy stance.

"More market participants have priced in chances of BOJ widening its yield curve control policy's trading band by 25 bps in the next meeting," said Ryota Abe, an economist at Sumitomo Mitsui Banking Corporation (SMBC).



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In other currencies, the Australian dollar was last 0.21% higher at \$0.6831 after minutes of the Reserve Bank of Australia's (RBA) July policy meeting released on Tuesday provided no major surprises on the rate outlook.

"The RBA minutes... did not contain much new information from Governor Lowe's recent speech, where he seemed less definitive on the need for further rises and more attuned to potential growth risks," said Tapas Strickland, head of market economics at National Australia Bank.

"This tone was arguably reflected in the minutes, though there was a strong case presented for further tightening."

New Zealand dollar gains

The New Zealand dollar rose 0.27% to \$0.63425, with both Antipodean currencies nursing losses from the previous session after China's second-quarter gross domestic product data on Monday showed the economy growing at a frail pace as demand weakened at home and abroad.

"Everyone is just waiting for the (Chinese) authorities to come out with concrete measures," said Khoon Goh, head of Asia research at ANZ.

"The rhetoric coming out from the government has been, in a sense, saying they want to support growth, but I think for the markets, they actually want to see the follow up, concrete action, to back up those words."

China's top economic planner pledged on Tuesday that it would roll out policies to "restore and expand" consumption without delay as consumers' purchasing power remained weak.

The onshore yuan eked out a small gain and last bought 7.1696 per dollar, after the People's Bank of China set a firmer-than-expected daily mid-point.

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