

Yen still friendless, euro firms ahead of central bank
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The beleaguered yen found little reprieve in Asia early today, the only major currency showing a clear trend as risk appetite stayed buoyant and investors continued to bet on more stimulus from China and perhaps even Japan.

The dollar bought 103.66, having hit a 3-1/2 week peak of 103.71 as US stocks rose to a record closing high. A break above the March 7 peak of 103.77 will take it back to highs not seen since late January.

The euro hovered near a three-week high of 143.07, while the Australian dollar was not far off a 10-month peak of 95.97 set yesterday.

The New Zealand dollar fetched 89.42 yen, having scaled a 6-1/2 year peak of 89.91.

"The combination of rising global equity markets with rising US Treasury yields is a catalyst for USD/JPY to move higher," said Kit Juckes, analyst at Societe Generale.

Juckes added that this week's hike in Japan's sales tax to 8% from 5% also poses a big challenge to Prime Minister Shinzo Abe's recipe of hyper-easy monetary policy, fiscal spending and promised reforms.

"As the prospect of further BoJ easing gets closer, now is the time for USD/JPY to head towards and quite probably through 105 in the coming weeks," he added.

Meanwhile, the euro drifted up to US\$1.3794 (RM4.50), continuing to recover from a one-month low of US\$1.3704 plumbed Friday. That saw the dollar index dip slightly to 80.085, but still stuck in a slim 79.800-80.300 range seen in the past week.

Euro bulls are betting the European Central Bank (ECB) will stand pat on policy at its review on Thursday even as the threat of deflation has mounted.

Data today was encouraging with German unemployment falling for a fourth month, while a business survey showed an across-the-board rise in factory output that suggested a more entrenched recovery for the euro zone.

In contrast, a recent string of disappointing Chinese data has investors speculating on more action from Beijing. Just this week, two surveys highlighted persistent weakness in China's manufacturing sector.

Such stimulus hopes have in part helped support demand for commodity currencies. The Australian dollar hit a four-month high of US\$0.9310 yesterday and last traded at \$0.9241. Its New Zealand counterpart reached a 2-1/2 year high of US\$0.8702, before consolidating at US\$0.8617.

There is no major economic data due out of Asia today, leaving many investors waiting for Friday's release of US non-farm payrolls. – Reuters, April 2, 2014.

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