

**US dollar inches higher after weak US GDP showing**  
**Malaysian Insider**  
**May 1, 2014**

The dollar crawled slightly higher against a basket of major currencies today but stayed close to a three-week low hit in the previous session, when data showed the US economy all but stalled in the first quarter.

With much of Asia shut for public holidays, and ahead of the key US jobs report tomorrow, major currencies mostly stuck to their recent ranges.

This light activity muted the impact of economic data from China that fell slightly short of forecasts. China's official Purchasing Managers' Index showed factory activity increased marginally in April but export orders fell sharply, raising fresh doubts about whether the world's second-largest economy was stabilising.

"On days like this, you get a lot people playing the range, and if it breaks to either side, you can get a big stop-fest," said Bart Wakabayashi, head of forex at State Street Global Markets in Tokyo.

Against the yen, the dollar traded at 102.29 yen, up about 0.1% on the day after suffering a 0.4 tumble in the previous session. Many stop-loss orders were placed around 102.80 yen to 103 yen on the upside, and 101.90 yen to 101.70 yen on the downside, market participants said.

The dollar index added about 0.1% to 79.519, after skidding 0.4% yesterday after data showed the United States grew at an annualised pace of just 0.1% in the first quarter.

While the result was well below even the most pessimistic forecast, it did not deter the Federal Reserve from reducing its bond-buying support by another US\$10 billion a month as expected.

"The statement issued after the FOMC meeting had only minimal changes," analysts at Nomura wrote in a note to clients.

"The committee noted that growth slowed 'sharply' over the winter, acknowledging implicitly the GDP report. But the committee also noted that economic activity 'picked up recently'."

The Fed's relatively upbeat outlook helped calm the forex market somewhat, and gave stock investors a reason to drive the Dow to a record closing high.

Pressure on the greenback helped the euro bounce from a three-week trough of US\$1.3770 on Wednesday, to buy US\$1.3870 in Asia, steady on the day.

The euro's overnight rebound came even after eurozone price data missed expectations. Data showed inflation picked up slightly to 0.7% in April from 0.5%, undershooting the 0.8% consensus.

Analysts said the result was probably not enough to spur a reluctant European Central Bank to ease policy at next week's meeting, although many suspect the ECB will eventually have to act to counter the threat of deflation.

"The modest downside surprise does not materially change the outlook for ECB in the May or June meetings," JPMorgan analysts wrote in a note to clients.

"The possibility of some action in these meetings is perhaps only modestly higher, but the action, if any, will be incremental and thus still slightly bearish for EUR/USD heading into ECB next week." – Reuters, May 1, 2014.

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Source: <http://www.themalaysianinsider.com/business/article/us-dollar-inches-higher-after-weak-us-gdp-showing>