

Dollar takes heart from ADP report, jobs data next test
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The US dollar clung onto modest gains early today, having risen broadly on the back of a report that showed solid hiring in the US private sector.

The figures from payrolls processor ADP added to a string of bullish US data ranging from manufacturing to auto sales, supporting the view that the US economy has bounced back smartly after a first-quarter slump.

Benchmark US Treasury yields rose to the highest in over a week at 2.63% in reaction to the data, which in turned helped lift the dollar against a basket of major currencies.

The dollar index was last at 79.956, off an eight-week trough of 79.740 plumbed on Tuesday.

Against the yen, the greenback rose to 101.78 (RM3.20), having only recently hit a six-week low of 101.23. The euro dipped to US\$1.3657 (RM4.38), from Tuesday's six-week high of \$1.3724.

ADP said private employers added 281,000 workers to payrolls last month, the largest since November 2012, offering hopes for a healthy rise in nonfarm payrolls when the data is released later today.

"Our economists agree with market consensus looking for non-farm payrolls to rise by more than 200,000 for a fifth consecutive month," analysts at BNP Paribas wrote in a note to clients.

"If the forecast turns out to be correct, this will mark the first five-month run of above 200,000 prints since January 2000."

But anyone expecting a more hawkish tone from the Federal Reserve were left sorely disappointed after Fed Chair Janet Yellen stuck to her dovish script.

Speaking at an International Monetary Fund event yesterday, Yellen reiterated her view that regulation – not rate policy – needs to play the lead role in combating excessive financial risk-taking.

Analysts said Yellen was pushing back against some Fed officials who believe financial stability should be given a more prominent place in formulating monetary policy.

The modest rebound in the dollar saw its Australian counterpart fall back towards familiar territory, from an eight-month peak above 95 US cents.

The Aussie last traded at US\$0.9440 (RM3.03), well down from Tuesday's peak of US\$0.9505. The market was quick to book profits yesterday in the wake of disappointing trade data.

Further selling could emerge if retail trade and building approvals due at 0130 GMT (9.30am MYT) come in soft. Ahead of that, investors will be keeping a close eye on a speech by Reserve Bank of Australia Governor Glenn Stevens.

Any mention of the local dollar being uncomfortably high could send the Aussie down a few pips.

China's services PMI survey will also feature in Asia this morning although trading is likely to be subdued ahead of big-ticketed events including the European Central Bank (ECB) meeting.

"Although no action is expected from the ECB at its meeting today, we anticipate that it will maintain its dovish tone in the face of weak PMI prints, low inflation, and weak bank lending," said analysts at BNP Paribas. – Reuters, July 3, 2014.

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