Dollar Extends Post-Jobs Retreat; Aussie Gains After China Data

By Kevin Buckland and Netty Ismail - Nov 10, 2014

The dollar fell for a second day after U.S. October payrolls growth was weaker than economists forecast and traders reduced bets for an early Federal Reserve interest-rate increase.

The U.S. currency weakened against the yen after reaching a seven-year high last week as Bank of Japan Governor Haruhiko Kuroda said there was no limit to easing measures the bank could take to tackle deflation. The yuan and Australian dollar gained after data showed exports rose more than expected in China. New Zealand’s kiwi dollar also climbed.

“The question the market is asking itself is: Are we too far ahead of the trend for U.S. dollar strength?” said Sam Tuck, a senior currency strategist at ANZ Bank New Zealand Ltd. in Auckland. “The market is relatively happy that China is moderating its growth rate in a sustainable fashion,” and that is providing support for the Aussie and kiwi dollars, he said.

The Bloomberg Dollar Spot Index, which tracks the currency against 10 major peers, slid 0.2 percent to 1,089.17 at 6:56 a.m. in London from Nov. 7, when it declined 0.6 percent.

The dollar fell 0.4 percent to 114.17 yen, after gaining a third week to 114.60 and touching 115.59 on Nov. 7, the highest since November 2007. It declined 0.2 percent to $1.2474 versus the euro. The 18-nation currency slipped 0.2 percent to 142.42 yen.

National Australia Bank Ltd. raised its quarterly forecasts for the dollar against major currencies, analysts, including Ray Attrill, the global co-head of currency strategy in Sydney, wrote in a report today. The revisions include a cut in its year-end target for the euro to $1.22 from $1.26 previously, and an increase in the dollar projection against the Japanese currency to 123 yen from 117 yen at the end of 2015, according to the report.

‘Dollar Appreciation’

“Relative economic growth and monetary policy divergence argue strongly for further U.S. dollar appreciation,” the strategists wrote.

Traders saw a 62 percent chance as of Nov. 7 that the Fed will raise its benchmark target rate by October 2015, according to data compiled by Bloomberg based on federal funds futures. That’s down from a probability of 67 percent a day earlier.
U.S. employers added 214,000 jobs in October, the Labor Department said on Nov. 7. The median forecast in a Bloomberg News survey of economists called for a 235,000 advance in payrolls.

“The disappointing nonfarm payrolls data have given the market an opportunity -- especially for a lot of investors in Asia -- to take profits off the table from the dollar's strength,” said Desmond Chua, a strategist at CMC Markets in Singapore. “I'm still a dollar bull.”

The dollar has risen 1.7 percent in the past month, the most among 10 developed-market currencies tracked by Bloomberg Correlation-Weighted Indexes. The yen is the biggest decliner with a 4.7 percent slide, while the euro has added 0.3 percent.

**Kuroda, Draghi**

The yen weakened versus most of its 31 major counterparts last week as Kuroda said the BOJ has an “unwavering commitment” to defeating deflation. “As for measures for additional easing, I don’t think there is a limit, including on bond purchases,” he said.

The euro tumbled Nov. 6 after European Central Bank President Mario Draghi said ECB policymakers are unanimous in their commitment to expand stimulus should subdued inflation make it necessary.

**Euro Shorts**

Hedge funds and other large speculators increased bets on a decline in the euro against the dollar to the most since June 2012. The difference in the number of wagers on a drop compared with those on a gain -- net shorts -- was 179,021 on Nov. 4, from 165,707 a week earlier, according to data from the Washington-based Commodity Futures Trading Commission.

Investors boosted bets on the dollar versus eight of its major peers to a record 366,737, the data show.

The Australian and New Zealand dollars strengthened after China’s statistics bureau said Nov. 8 the trade surplus expanded to $45.4 billion in October, outstripping the median estimate for a $42 billion surplus among economists surveyed by Bloomberg.

Australia’s currency rose 0.3 percent to 86.65 U.S. cents. New Zealand’s dollar added 0.4 percent to 77.88 U.S. cents.

Prime Minister Tony Abbott said the Australian dollar is at a more “comfortable level” after its recent decline against the U.S. currency.

“I think the dollar at $1.05 did impose certain strains on our economy,” Abbott said in an interview in Beijing today, where he’s attending the Asia-Pacific Economic Cooperation summit. “The levels that we’ve seen it at in recent months are probably more comfortable for more people.”
The yuan advanced 0.1 percent to 6.1146 per dollar, set for the biggest gain in a month, China
Foreign Exchange Trade System prices show. The central bank raised its reference rate by 0.37
percent to 6.1377 per dollar, the most since the end of a de-facto peg to the greenback in 2010. The
currency was also boosted by the announcement that a Shanghai-Hong Kong stock exchange link
will start on Nov. 17.

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