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The euro fell below $1.22 for the first time in two years during European trading hours Thursday, while the yen was broadly stronger after the Bank of Japan held off from expanding its asset-purchase program.

That was after an unexpected interest rate cut by the Bank of Korea and dismal Australian jobs data helped in Asian hours to reinforce the downbeat tone which held sway after minutes Wednesday from the Federal Open Market Committee had failed to signal another imminent round of U.S. quantitative easing.

The euro fell to a two-year low as the greenback extended its gains against a range of currencies. The ICE Dollar Index, which tracks the dollar against a basket of currencies, hit a fresh two-year high.

European equities were under pressure, while yields on peripheral euro-zone bonds began to nudge higher again by late-morning trade as worries about the economic outlook in the euro zone and the response of policymakers to the region's crisis continued to nag, despite last week's rate cut from the European Central Bank.

"The markets have been fairly disappointed by central banks' timid policy response," said Ian Stannard, senior currency strategist at Morgan Stanley. "With many questions still surrounding the Greek situation and the German court's decision on the constitutionality of the European Stability Mechanism, we do not see room for the euro to make gains over the next several weeks."

The euro's drift lower came in spite of a surprise rise in euro-zone industrial production data for May, which showed output climbing 0.6% on the month, compared with expectations for a 0.2% fall. However, the year-on-year drop was the biggest since December 2009, highlighting the weakness of the sector.

The euro also failed to get a boost from a sharp fall in Italian borrowing costs at a 12-month treasury bill auction.

The Australian dollar was the biggest loser among the major currencies. After falling sharply on the Australian jobs data to below US$1.02, the Aussie extended its losses in European trading to fall more than a cent on the day.

European emerging-market currencies held broadly steady, but some Asian currencies such as the Singapore dollar and South Korean won were under pressure after the Bank of Korea's surprise rate cut renewed investors' regional concerns ahead of a stream of Chinese economic data due Friday. Chinese second-quarter economic growth and June industrial output are scheduled
In the session ahead, there is the U.S. weekly jobless claims report, which economists expect will show a fall of 4,000 to 370,000. San Francisco Federal Reserve President John Williams speaks at 1940 GMT.

At 1102 GMT, the euro was trading at $1.2178, compared with $1.2240 late Wednesday in New York, according to trading system EBS. The dollar was at Y79.31, compared with Y79.76, while the euro was at Y96.68, compared with Y97.62. Meanwhile, the pound was trading at $1.5456, compared with $1.5503 late Wednesday in New York.

The ICE Dollar Index, which tracks the greenback against a basket of currencies, was at 83.751, compared with 83.487 late Wednesday in New York.

A summary of key levels for chart-watching technical strategists is below:

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(Dow Jones Technical Strategist Francis Bray contributed to this story.)