The euro is going it alone.

After spending much of the past few years trading in lock step with stocks and other risky assets, the euro has been decidedly out of sync lately. On Thursday, the euro rose while stocks and crude oil fell.

In fact, the euro and the stock market have moved in opposite directions for 10 of the past 13 days.

ECB President Mario Draghi’s pledge helped change views on the euro.

The euro's trading patterns have taken a marked turn since late June, when European leaders at a summit agreed on an economic-growth pact and a plan to bail out Spain's banks. Then in July, European Central Bank President Mario Draghi tried to reassure financial markets by saying he would do "whatever it takes" to save the currency.

Those moves diminished the euro's link with the ups-and-downs of global growth. Investors increasingly expect the ECB to take action, such as injecting money into the economy through a bond-buying program or cutting interest rates, that could weaken the currency.

That means the euro is less likely to ride waves of optimism higher along with other risky assets, some investors say.

"You are in the process of a structural shift of how the euro is going to be treated," said John Netto, president of M3 Capital, a proprietary trading fund in New York. "The euro was a currency that investors would go to if they perceived the economic environment was one that was conducive to taking on risk."
Now that has changed, Mr. Netto said he is selling the euro, which he predicts could fall as low as $1.12, and buying gold.

In late afternoon trading in New York, the euro was 0.3% higher on the day against the dollar, at $1.2564, compared with $1.2529 late Wednesday in New York.

The greenback declined amid rising expectations that the Federal Reserve will embark on a fresh round of stimulus. Meanwhile, stocks fell, with the Standard & Poor's 500-stock index sinking 11.41 points, or 0.8%, to 1402.08.

Despite the recent selloff, U.S. stocks are near their highest levels in five years. The Australian dollar, another popular risk barometer, has been on the rise and commodities are pushing higher. And though the euro has risen this week, it is still down 3.1% from where it started 2012 and was recently at a two-year low.

Stocks, the euro and other risky assets typically trade on their own fundamentals and often have no connection. But they tend to move together amid times of high anxiety among global investors. That was the case during the global financial crisis in 2008, and with the resurgence of Greece's debt problems in May 2011. It was also true in June of this year, when worries about Spain's debt troubles sent markets reeling.

The euro's correlation—a mathematical measure of how similarly two assets move—to stocks, other currencies and other markets has shrunk steadily since late June.

The euro and the S&P 500 had a correlation of 0.20 Thursday, down from 0.81 at the end of June, ending a five-month stretch where the connection was growing stronger, according to data provider CQG. A reading of 1 means assets always move in the same direction. A reading of negative-1 suggests they always move in the opposite direction, while 0 indicates they have no correlation at all.

The euro and the Australian dollar, a currency particularly sensitive to the global economic outlook, had a correlation of minus-0.01 on Thursday, down from 0.87 in late June and an average of 0.7 since the financial crisis.

Still, the euro has diverged from stocks and other currencies before, only to snap back when the region's debt problems came to a head. Following a relatively quiet summer, policy discussions in the U.S. and Europe are set to heat up in coming weeks, and could send the euro tumbling along with other asset classes.
Potential flash points include the Federal Reserve's annual symposium next week in Jackson Hole, Wyo., followed by Spain's report on its beleaguered banking sector in mid-September and an Oct. 8 meeting of Greece's international creditors. Spanish and Italian borrowing costs remain elevated, a sign that investors are worried about the health of two of the euro zone's biggest economies.

"These are deep-seated problems that belie easy solutions. I think conditions are going to remain pretty tricky" for investors, said Alan Ruskin, head of foreign-exchange strategy at Deutsche Bank.

The shift away from using the euro as a "risk on" asset can be seen in the trading strategies at C-View, a U.K.-based currency fund managing $360 million. When C-View makes bets on an improving global economic outlook, the firm is increasingly opting for currencies other than the euro, said Paul Chappell, C-View's chief investment officer.

Guido Bergmann/Press Pool

German Chancellor Angela Merkel and Italian Prime Minister Mario Monti at a European summit in June.
Mr. Chappell said he now prefers currencies of countries with faster growth than the euro zone, such as the Korean won and Norwegian krone.

"Our enthusiasm is for the currencies where the fundamentals are good, and we can't pretend to think that the fundamentals are good in Europe," he said. Since Mr. Draghi, the ECB president, pledged on July 26 to take more action to preserve the euro zone, the krone is up 2.5% and the won is up 1.2%, compared with a 1.4% gain for the euro.

The gap between the euro and other markets could widen if the ECB moves ahead with its plans, investors say. Mr. Draghi is proposing to print more euros to buy bonds, and the ECB could cut interest rates again in coming months. The central bank’s goal is to stimulate the economy by lowering borrowing costs and weakening the currency. In the market, that translates to rising stocks and a falling euro.