

## Dollar falls against rivals

### Currency market responds to the government's 'public-private' plan to stabilize the financial system.

NEW YORK (CNNMoney.com) -- The dollar was mixed against rival currencies Monday after the U.S. government officially announced plans to buy troubled assets in an effort to stabilize the banking system.

Under the new "[Public-Private Investment Program](#)," taxpayer funds will be used to seed partnerships with private investors that will buy up toxic assets backed by mortgages and other loans.

The program aims to buy at least \$500 billion of existing assets and loans, such as subprime mortgages that are now in danger of default. Over time, it could potentially expand to \$1 trillion.

The goal is to cleanse the balance sheets of many of the nation's largest banks, which continue to suffer billions of dollars in losses, and to get credit flowing again. The government will oversee auctions of the assets, hoping to effectively create a market for these assets.

Stocks [soared](#), with the major indexes gaining nearly 4%, as investors cheered the long-awaited announcement. Asian and European markets also advanced.

But the reaction in the currency market was muted, said Gareth Sylvester, senior currency strategist at currency brokerage HiFX in San Francisco.

"We're seeing limited price action on the FX markets," Sylvester said. "Analysts and economists are still trying to digest the implications of the plan."

The dollar was down 0.2% against the euro at \$1.3614, after trading higher versus 15-nation currency earlier in the session. The dollar fell 0.5% versus the pound to \$1.4541. Against the yen, the dollar rose 0.9% to ¥96.98.

Meanwhile, the currency market is also responding the Federal Reserve's plan to purchase more than \$1 trillion in debt-related assets to help increase liquidity in the credit markets.

The plan, announced last week, boosted stock and bond prices but weighed heavily on the greenback since the purchases would increase the money supply and undermine the value of the dollar.

At the same time, the market was responding to a better-than-expected report on U.S. existing home sales.

The National Association of Realtors said that [existing home sales](#) rose last month to a seasonally adjusted annual rate of 4.72 million million units, up 5.1% from a rate of 4.49 million in January.

While analysts warned that February's rebound does not signal a long-term recovery in home sales, the report helped bolster guarded optimism about the overall economy.

The housing data came after better-than-expected reports on retail sales, initial jobless claims and housing starts were released over the last few weeks.

"People are cautiously optimistic," said Sacha Tihanyi, currency strategist at Scotia Capital in Toronto. "The currency market is reflecting that in the form of increased tolerance for risk."

The dollar often falls when stock prices rise as investors favor more risky assets. Many investors view the greenback as a safe-haven, while the euro and the pound are considered higher yielding.

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