

## Dollar mixed against major currencies

### **Choppy day of trade for the greenback on Treasury Secretary Geithner's currency comments.**

NEW YORK (CNNMoney.com) -- The dollar was mixed against major currencies at the end of a day of choppy trade punctuated by comments from the Treasury secretary of the United States.

Foreign exchange traders listened closely to Treasury Secretary Timothy Geithner's comments about the Chinese proposal to introduce a new currency basket, called an Special Drawing Right (SDR), to challenge the dominance of the U.S. dollar.

At 4:28 P.M. ET, the euro was trading at \$1.3592, up 0.9% from Tuesday's closing price of \$1.3469. The dollar bought ¥97.57, or 0.3% less than the ¥97.87 it bought at the close of session Tuesday.

Meanwhile, the British pound was trading at \$1.4555, down 0.9% from Tuesday's closing price of \$1.4682.

**Stock market effect loosens:** In recent months, the dollar has been perceived as a safe haven from other riskier parts of the marketplace. As the stock market fell to 12 year lows, the dollar strengthened against foreign currencies.

"That is the correlation that has been ringing true for the last months," said Gareth Sylvester, senior currency strategist at HiFX in San Francisco. "In the last few days, that correlation has decoupled."

For example, Sylvester noted that on Monday, when the Dow surged nearly 500 points, the dollar ended the day mostly mixed. [Wednesday](#), Wall Street zig-zagged, before finally ending the day higher, whereas the dollar was mixed.

U.S. stocks had rallied early in the session on a better than expected read on the manufacturing industry, but the currency markets largely shrugged off a morning report on durable goods. Durable goods orders rose 3.4% in February after sinking 5.2% in the month prior. Economists polled by Briefing.com predicted orders would fall 2.5%.

"The USDs reaction to the durable goods report was muted," said Michael Woolfolk, Senior Currency Strategist at The Bank of New York Mellon, in a daily research note. "The market appears comfortable being net short USDs, selling greenbacks on reduced risk and improving market conditions," wrote Woolfolk.

The pound, however, was losing ground against the dollar Wednesday after an economic report showed "a negative situation for retail sales in March" in the United Kingdom, said Sacha Tihanyi, currency strategist at Scotia Capital.

**Geithner comments elicit choppy trade:** Timothy Geithner's comments about U.S. reaction to China's proposal to introduce a new currency basket, called an Special Drawing Right (SDR) during a question and

answer session in New York caused some volatility in the currency markets.

"Geithner certainly underestimated the impact he could have on the financial markets," said Sylvester.

On Monday People's Bank of China governor Zhou Xiaochuan said that he was interested in expanding the use of an alternate reserve currency.

The International Monetary Fund's SDR is a currency unit, which currently includes the euro, Japanese yen, pound sterling and U.S. dollar.

When asked what he thought of the Chinese government's proposal, Geithner said that while he hadn't read the proposal to potentially increase the use of the IMF's special drawing rates, "we're actually quite open to that suggestion."

Tihanyi said that Geithner's comment "created a quick and volatile weakening move in the U.S. dollar." Later in the session, Geithner was asked to return to the topic in order to quell concerns in the currency market.

"I think the dollar remains the world's dominant reserve currency. I think that's likely to continue for a long period of time," said Geithner.

"And as a country, we will do what's necessary to make sure we're sustaining confidence in our financial markets -- and in the productive capacity of this economy and our long-term fundamentals," he continued. As he did so, the greenback recovered some of the day's loses.

By Catherine Clifford, CNNMoney.com staff writer  
Last Updated: March 25, 2009: 4:41 PM ET