

### 03Aug09 -FOREX-U.S. dollar slides to lowest since Sept vs basket

- \* Dollar hits lowest in 10 months vs currency basket
- \* Risk appetite rises after manufacturing data worldwide
- \* Euro trades more than 1 percent higher, above \$1.44
- \* Sterling, Aussie, kiwi hit multi-month highs

By Wanfeng Zhou

NEW YORK, Aug 3 (Reuters) - The U.S. dollar on Monday fell against a basket of currencies to its lowest since September as a rally in stocks and encouraging economic data from around the world eroded the greenback's safe-haven appeal. On Wall Street, the broader S&P 500 Index <.SPX> rose 1.5 percent to its highest in nine months, above the psychologically important 1,000 level. European shares <.FTEU3> ended at nine-month highs and oil <.CLC1> rallied to trade around \$72 a barrel.

Positive manufacturing reports from the United States, Europe and China lifted hopes about the global economy and boosted risk appetite. That lifted the euro to a 2009 high and sterling and the Australian and New Zealand dollars to their highest since autumn versus the U.S. currency

"The bulls in the equity markets are winning the war so far and that's really determined the direction for the U.S. dollar," Gareth Sylvester, senior currency Strategist at HiFX in San Francisco.

"So long as equity market interest remains positive, then I think the U.S. dollar is going to remain on the back foot."

In early afternoon trading in New York, the ICE Futures dollar index <.DXY>, a gauge of the U.S. currency's performance against six other major currencies, fell 1 percent to 77.540, having fallen to 77.451, its lowest in about 10 months.

The euro <.EUR=> hit its highest this year at \$1.4445 and was last at \$1.4426, up 1.3 percent on the day, according to Reuters data. The dollar rose 0.6 percent to 95.25 yen <.JPY=>, while the euro advanced 1.9 percent to 137.45 yen <.EURJPY=R>.

The U.S. currency has come under heavy pressure in recent weeks as growing optimism about the global economic outlook dried up safe-haven demand and fueled a rally in stocks, commodities and higher-yielding currencies.

#### RECOVERY HOPES

U.S. manufacturing shrink again in July but slower than in June. The Institute for Supply Management said its index of factory activity rose to 48.9 in July from 44.8 in the prior month. That was above economists' expectations. A reading below 50 indicates contraction. For more see [ID:nN03512275].

"It's full steam ahead for the recovery," said Alan Ruskin, chief international strategist at RBS Global Banking and Markets, in Greenwich, Connecticut.

"The July ISM data is very much in keeping with a recovery picking up some momentum, even if the overall index has yet to make its way out of the contraction zone (below 50)."

Earlier, UK purchasing managers' index for manufacturing moved into positive territory for the first time since March 2008, while an equivalent survey on the euro zone was also better than expected. [ID:nL3668821]

Adding to the positive sentiment was data out of China showing a measure of manufacturing rose to a one-year high, powered by domestic spending that helped offset anemic exports. [ID:nPEK3605441] Sterling rose as high as \$1.6986 <.GBP=> after earnings news from HSBC <.HSBA.L>, and Barclays <.BARC.L> boosted bank shares.

Among commodity-linked currencies, the Australian dollar climbed to a peak of \$0.8440 <.AUD=> while the New Zealand dollar rose to \$0.6687 <.NZD=>. The Canadian dollar rose as high as C\$1.0644 per U.S. dollar <.CAD=>.

Traders said the Aussie was being supported by expectations that the Reserve Bank of Australia may drop a key reference on monetary policy easing at its meeting on Tuesday while keeping the cash rate unchanged at 3 percent.

Markets are also awaiting policy meetings from the Bank of England and the European Central Bank this week. Additional reporting by Vivianne Rodrigues; Editing by James Dalglish) ((wanfeng.zhou@thomsonreuters.com; Tel: +1 646 223 6304; Reuters Messaging: wanfeng.zhou.reuters.com@reuters.net)) ((Multimedia versions of Reuters Top News are now available for: \* 3000 Xtra: visit <http://topnews.session.rservices.com> \* BridgeStation: view story .134 For more information on Top News: <http://topnews.reuters.com>))