

## Dollar under pressure

**The greenback struggles as stocks recover and economic concerns continue to curb risk appetite.**

NEW YORK (CNNMoney.com) -- The U.S. dollar may stay mired in a narrow range as concerns about the global economy weigh on the market.

In an op-ed piece published in the *New York Times*, billionaire investor Warren Buffett warned that the "gusher of federal money" the U.S. has unleashed to combat the financial crisis could have dire consequences for the dollar as the economy "appears to be on a slow path to recovery."

"Unchecked greenback emissions will certainly cause the purchasing power of currency to melt," he said. "The dollar's destiny lies with Congress."

Separately, Curtis Mewbourne, a PIMCO managing director, said in a research report on PIMCO's Web site that the global economy has entered a "New Normal" that will mean lower potential growth around the world.

Mewbourne argues that the balance of power between developed and emerging economies is shifting and that large economies such as the United States, Europe and Japan are "nearing the tipping point of global economic impact."

"We are clearly seeing a loss of status for the U.S. dollar as a store of value," he said. "In combination with other factors, that likely means a continuing devaluing of the U.S. dollars versus other currencies, especially the [emerging market] currencies."

**Outlook: More choppy trading ahead.** The dollar was mixed Wednesday afternoon as U.S. stocks headed higher on the back of rising oil prices, which were boosted by government figures showing a larger-than-expected drop in U.S. crude inventories.

But many traders say the broad rally in stocks and higher yielding currencies over the last few months, which has been based on signs of economic stability worldwide, may have been overdone.

"Questions are being raised over the recovery outlook," said Gareth Sylvester, senior currency strategist at HiFX. "The market is paring back some of the over-exuberance that has been priced in recently."

Sylvester said he expects trading in the currency market to be "choppy" as investors grapple with mixed economic news.

**Wednesday's action.** Concerns about the global economy were bolstered earlier Wednesday after Chinese shares tumbled 5% as investors worried the government will tighten its monetary policy. The Shanghai Composite Index has fallen 20% in two weeks.

The dollar was down 0.7% versus the euro to trade at \$1.4236. It fell 0.8% against the Japanese yen to

¥93.92. But the greenback edged up 0.1% against the British pound to \$1.6539.

The U.K. currency was under pressure after the Bank of England released meeting minutes that showed that key members, including Governor Mervyn King, had voted for a more aggressive quantitative easing program.

Earlier this month, the BoE announced plans to expand its purchases of government bonds by 50 billion pounds. King and two other central bank members had pushed for a 75 billion pound expansion.

That highlighted concerns about the British economy and suggested that a recovery in the U.K. may be farther off than previously expected, Sylvester said. ■

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