

Dollar firms on manufacturing strength

NEW YORK (CNNMoney.com) -- The dollar strengthened against other currencies Wednesday after a report on manufacturing in the Chicago-area showed that conditions improved in December.

The Institute of Supply Management index of Chicago-area manufacturing activity rose to 60 from 56.1 in November. It was the highest level since January 2006 and far stronger than economists' expectations of a decline to 55.1.

"This gave [the dollar] a short-term stimulus, but given the nature of the time of year, I wouldn't expect any sort of price action to be sustainable until we get into the new year," said Gareth Sylvester, a senior currency strategist at HIFX in San Francisco.

"There's a very noticeable absence of liquidity in the market, and this is obvious by how quickly market is moving in either direction," said Sylvester.

Thursday, the day before New Year's, is expected to be quiet as well, said Antonio Sousa, a chief strategist at DailyFX.com.

"No one will be trading, some people will be moving the market up and down a little, but unless you have a geopolitical risk, I don't see anything with the potential to really move the markets," he said.

Looking forward, the dollar is likely to rise because "investors are counting on a higher probability that the Federal Reserve will hike interest rates in 2010," said Sousa.

Sylvester said he has a positive outlook for the coming year as well.

"The new driving theme for 2010 is really about interest rates and central bank expectations," he said. "It is looking increasingly likely that a double-dip recession has been nullified, and now we can focus on a global economic recovery."

The dollar rose 0.05% against the euro to \$1.433 on Wednesday. The greenback edged up 0.04% versus the yen to ¥92.44 and was up 0.02% against the British pound at \$1.607.

On Tuesday, the dollar rebounded against major currencies after a report showed consumer confidence rose in December. ■