

Dollar Declines Against Most Rivals

Currencies of New Zealand, Australia Show Strength, Buoyed by Commodity Prices

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NEW YORK -- The dollar ended modestly lower against most major currencies in a session devoid of either economic data or market-moving news, while suffering its heaviest losses against the so-called dollar-bloc currencies of Australia and New Zealand.

In fact, the most important development for foreign-exchange markets was the lack of any currency-related statements out of the Asia Pacific Economic Cooperation in Bangkok, which wrapped up Tuesday.

President Bush had promoted the idea of market-based exchange rates when meeting with the leaders of Japan and China over the weekend, while also reiterating the U.S. support for a strong dollar. However, there was no mention of foreign-exchange rates in the communique issued at the conclusion of the APEC summit.

While much of the market has been sidelined during Mr. Bush's six-nation tour of Asia, expectations have also been low for any major achievements in currency policy. The Bush administration's push for China to loosen its currency peg and for Japan to ease up on interventions is seen largely as a political move to shield itself from criticism about job losses, since some U.S. politicians and manufacturers have blamed the strength of the dollar for hurting exports.

"I don't think the Bush administration had high hopes of accomplishing anything concrete," said Jin Saito, vice president and Japan analyst at G7 Group, an advisory group in Washington. "From the get-go, their motive was to appease domestic manufacturers for election purposes."

On Sunday, Mr. Bush and President Hu Jintao agreed to appoint a group of U.S. and Chinese experts to study the effects of floating the yuan, and the Chinese president reiterated Tuesday the government's goal to eventually make the currency fully convertible in the market.

The yuan "has already become convertible under the current account, and what we are doing is to study new ways to gradually realize the free convertibility of the [yuan] under the capital account, under the premise of effectively warding off risks," said Mr. Hu at a news conference in Bangkok following the APEC meeting.

However, the agreement is also being viewed as a political move that isn't expected to lead to changes for some time, said Mr. Saito, who called it a "show" for domestic audiences.

He said the outcome of Bush's trip to Asia shouldn't have come as any surprise to the market, which he sees as being in a consolidation mode after the recent period of heavy dollar selling.

Late Tuesday afternoon, the dollar was at ¥109.55, below ¥110.27 late Monday in New York. The euro was trading at \$1.1653, up from \$1.1639 late Monday in New York. It was also at ¥127.81, down from ¥128.38 the day before.

Against the Swiss franc, the dollar was at 1.3326 francs, up slightly from 1.3324 francs. The pound rose to \$1.6728 from \$1.6722.

Elsewhere, the U.S. currency fell to six-year lows against the Australian dollar and New Zealand dollar.

Rising commodity prices, especially for gold, aided the currencies of countries such as Australia whose economies are heavily dependent on exports of commodities, analysts noted. Another factor cited behind the move is speculation that China and Australia will further cement trade ties during Mr. Hu's visit to Australia later this week, traders said.

Mr. Bush travels to the country Wednesday and Thursday, followed by the Chinese president on Friday.

Late Tuesday in New York, the Australian dollar was trading at 70.02 U.S. cents, up from Tuesday's close in Sydney at 69.47 U.S. cents. The New Zealand dollar was at 60.43 U.S. cents, above 59.69 U.S. cents earlier in Wellington.

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