

Dollar edges higher on trade tensions, Swedish crown rises after vote

- The Swedish crown strengthened after an election in the country on Sunday that saw support for the nationalist Sweden Democrats surge.
- An emerging market currency index dipped more than 0.4 percent on Monday after booking its biggest weekly loss in three weeks last week.
- The Australian dollar edged lower, last trading at \$0.7100, pinned near a 2-1/2-year low of \$0.7097 touched earlier in the day.

The dollar traded higher against a basket of currencies on Monday amid fears of a potentially major escalation in the China-U.S. trade conflict, while Sweden's crown rose following the previous day's election.

U.S. President Donald Trump warned on Friday that he was ready to slap tariffs on virtually all Chinese imports into the United States, threatening duties on another \$267 billion of goods in addition to the \$200 billion already facing the risk of duties.

"If there are any signs that the U.S. economy is finally hit by its own protectionist moves, then I think that's the start of full-blown risk aversion," said Masafumi Yamamoto, chief currency strategist at Mizuho Securities.

"This will at least lead to the weakness of the dollar against the yen,"

Yamamoto said. He warned markets didn't yet fully price in the impact of U.S. tariffs on virtually all imports from China.

The dollar index, which measures the greenback against a basket of six currencies, traded about 0.1 percent higher at 95.472, not far off a three-week high of 95.737 hit on Tuesday last week.

The index also found support after data showed U.S. jobs growth accelerated in August and wages notched their largest annual increase in more than nine years, boosting the prospect of faster interest rate rises by the Federal Reserve.

Still, markets remained on edge about a possible new round of U.S. tariffs on imports from China.

Investors have been waiting for a fresh salvo to be fired in the Sino-U.S. trade war after a public comment period for proposed U.S. tariffs on a list of \$200 billion worth of Chinese imports, which includes some consumer products, ended late last week.

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“Further tariffs are likely to lead to a weaker Chinese yuan and stronger dollar, and I think emerging market currencies will fall in response,” said Minori Uchida, chief currency strategist at MUFG Bank.

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One of the negative drivers for the Swedish crown before the election has been hedging activity against a strong showing by the Sweden Democrats, but the outcome avoided the worst of the market’s fears even as the nation headed for a hung parliament.

The Swedish crown rose about 0.6 percent against the euro to 10.43 crowns.

The pound was flat at \$1.2915 after Steve Baker, a former junior Brexit minister told the Press Association that British Prime Minister Theresa May’s Conservative Party faces a “catastrophic split” if she persists with her so-called Chequers proposals on Brexit.

The euro was 0.1 percent lower at \$1.1544 after falling more than half a percent during the previous session in the wake of the U.S. job data.

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Source: <https://www.cnbc.com/2018/09/10/forex-markets-us-dollar-china-us-trade-in-focus.html>

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