Dollar finds footing after skid on Trump policy worries

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By

**[WILLIAMWATTS](http://www.marketwatch.com/topics/journalists/william-watts%22%20%5Co%20%22William%20Watts)**

**DEPUTY MARKETS EDITOR**

**HIROYUKIKACHI**

The dollar bounced back from fresh multiweek lows against the yen and euro inspired by lingering concerns about Donald Trump’s trade policies and stance toward the U.S. currency.

The dollar [**USDJPY, -0.38%**](http://www.marketwatch.com/investing/currency/usdjpy?mod=MW_story_quote)  slipped briefly to ¥112.52 in early morning trade, its lowest since Nov. 30, before bouncing back to ¥113.80, up from ¥112.70 late Monday in New York.

The euro [**EURUSD, +0.1211%**](http://www.marketwatch.com/investing/currency/eurusd?mod=MW_story_quote)  rose to $1.0774, its highest since Dec. 8, also in early morning trade but then lost altitude, changing hands in recent action at $1.0744—down from $1.0762 late Monday.

The ICE U.S. dollar index [**DXY, -0.35%**](http://www.marketwatch.com/investing/index/dxy?mod=MW_story_quote) which measures the currency against six major rivals, traded at 100.27 in recent action, up from 99.966 late Monday.The WSJ Dollar Index [**BUXX, -0.30%**](http://www.marketwatch.com/investing/index/buxx?countrycode=xx&mod=MW_story_quote) a measure of the U.S. dollar against a wider basket, rose 0.4% to 91.09.

The catalyst pulling the greenback down in early Asian trade was comments by Trump’s Treasury secretary nominee Steven Mnuchin, who, [according to media reports](https://www.bloomberg.com/news/articles/2017-01-23/mnuchin-says-excessively-strong-dollar-may-have-negative-impact-iyanz0cm), told a Senate panel that a hypothetical 25% rise in the value of the dollar could have negative “short-term implications” for the economy.

“That a 25% appreciation isn’t good for the economy in the short-run is hardly ‘news’ but it feeds the sentiment behind the dollar’s correction, as does President Trump’s commitment to leave TPP [Trans-Pacific Partnership] and renegotiate Nafta [North American Free Trade Agreement],” said Kit Juckes, global macro strategist at Société Générale, in a note. “It’s tempting to think that the reaction to Mr. Mnuchin’s comments represents a final flurry, but we’ll be looking for is an upturn in U.S. real yields first.”

Although short covering subsequently sent the dollar higher, the U.S. currency still faces pressure from Trump’s protectionist stance and a lack of specifics on lowering taxes and stimulating the economy, said Mizuho Securities FX strategist Kenji Yoshii.

Trump said Monday the U.S. would impose a “very major” border tax on companies that move some operations overseas. He also withdrew the U.S. from the Trans-Pacific Partnership, a trade deal he attacked during the campaign.

The British pound [**GBPUSD, +0.8546%**](http://www.marketwatch.com/investing/currency/gbpusd?mod=MW_story_quote)  fell to $1.2514 versus a level of $1.2536 late Monday. Britain’s Supreme Court, as expected, [upheld a ruling](http://www.marketwatch.com/story/uk-supreme-court-rules-theresa-may-must-get-lawmakers-approval-for-brexit-plan-2017-01-24) that Prime Minister Theresa May can’t start the Brexit process without parliamentary approval.

Sterling’s weakness in the wake of the ruling marks a shift in the currency’s relationship with political news, said Jane Foley, senior FX strategist at Rabobank, in a note.

After the prime minister, in early October, signaled that the U.K. was headed toward a “hard Brexit,” the pound tended to move higher on news that was seen as weakening the government’s hand, Foley noted.

“Moving the power from the government to parliament was originally viewed as lessening the chances of a hard exit from the EU’s single market and viewed as GBP positive. However, now that a course toward a hard Brexit has been set in motion, the loss for the government brought extra ambiguity and encouraged a few GBP sellers,” she said.