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Dollar, Yen Rise Versus Euro as U.S. Job Cuts Pare Yield Demand

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By Yoshiaki Nohara and Ron Harui

July 3 (Bloomberg) -- The dollar and the yen rose for a second day against the euro after a U.S. government report showed employers cut more jobs last month than economists forecast, boosting demand for the safety of the two currencies.

The euro headed for a weekly loss versus the dollar after European Central Bank President **Jean-Claude Trichet** refused to rule out the option of further interest-rate cuts. The dollar climbed versus the Swiss franc after China renewed its call for a stable greenback and damped speculation the nation will discuss a new international currency at next week's Group of Eight meeting.

"The markets are getting a dose of reality after becoming over-optimistic on the worldwide recovery," said **Yuji Saito**, head of the foreign-exchange group in Tokyo at Societe Generale SA, France's third-largest bank. "Risk aversion is back, and the bias is for the yen and the dollar to be bought."

The dollar climbed to $1.3952 per euro as of 8:25 a.m. in Tokyo from $1.4003 in New York yesterday, after earlier rising to $1.3929, the highest level since June 25. The yen advanced to 133.86 per euro from 134.34. The U.S. currency was at 95.93 yen from 95.94 yen.

The British pound declined 0.4 percent to $1.6335, and the franc weakened 0.3 percent to 1.0879 against the dollar.

The greenback gained for a second day against the pound as U.S. employers cut 467,000 jobs in June after a revised decrease of 322,000 in the previous month, the Labor Department reported yesterday in Washington. The median forecast economists surveyed by Bloomberg News was for a reduction of 365,000. The unemployment rate rose to 9.5 percent from 9.4 percent.

G-8 Meeting

The U.S. currency strengthened yesterday versus the euro as China's Vice Foreign Minister **He Yafei** renewed a call for a "stable" dollar and said in Beijing he's "not aware" of any effort by China to challenge the dollar's status as the world's main reserve currency at next week's G-8 meeting.

The ECB left its benchmark interest rate unchanged at 1 percent yesterday. The central bank lent financial institutions last week a record 442 billion euros ($617 billion) for 12 months to encourage them to extend cheaper credit to companies and households.

Europe's 16-nation currency may fall to $1.33 by the end of September as global economic data will strengthen arguments for a weaker recovery, according to **Lauren Rosborough**, a foreign- exchange strategist at Westpac Banking Corp. in London.

"We all know the euro should weaken," said Rosborough, citing Westpac's forecast for no growth in the euro area in 2010. "We are not talking about a rapid recovery and certainly not a strong one."

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