

(BN) Euro Falls Most in Month Against Dollar; U.S. Futures Decline

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2010-01-15 13:05:52.435 GMT

By Justin Carrigan

Jan. 15 (Bloomberg) -- The euro dropped the most in almost a month against the dollar on concern Greece's struggles to reduce its budget deficit will damage confidence in the region.

U.S. stock-index futures and commodities fell.

"The sharpening internal strains illustrate that the euro zone is far from being an optimal currency union," Michael Hart, a foreign-exchange strategist at Citigroup Inc. in London, wrote in a report. "This will ultimately make itself felt in the value of the euro."

The common currency weakened versus 15 of its 16 most-traded peers at 12:55 p.m. in London, sliding as much as 0.8 percent compared with the dollar, the biggest decline since Dec.

17. Greek bonds slipped for a fourth day. Futures on the Standard & Poor's 500 Index fell 0.5 percent after JPMorgan Chase & Co., reporting fourth-quarter earnings, said its retail bank posted a loss. Oil retreated for a fifth day, its longest losing streak in five weeks, leading declines in commodities.

European Central Bank President Jean-Claude Trichet's warning yesterday that no member nation can expect "special treatment" fueled concern Greece's debt won't be eligible as collateral at the central bank, sending the cost of insuring Greek bonds against default to a record. As companies from Intel Corp. to JPMorgan Chase & Co. see improved profits, the S&P 500 is trading at 24.9 times earnings, the highest level since 2002.

Greek Bonds

The euro dropped as much as 1.1 percent against the yen and 0.5 percent versus the pound. The yield on the benchmark Greek two-year note jumped 16 basis points to 3.72 percent, the highest level in almost a year. Rating downgrades sparked a rout in Greece's bonds in December as the budget deficit headed for

12.7 percent of gross domestic product, more than four times the European Union limit. Greece will present proposals to the European Commission today to lower the deficit to 8.7 percent by year-end.

Credit-default swaps on Greek debt rose to 340, matching a record reached yesterday, according to CMA DataVision prices.

Treasuries advanced, with the yield on the 10-year note falling 3 basis points to 3.71 percent.

U.S. stock-index futures declined after JPMorgan's earnings report, the first from the biggest U.S. banks.

Europe's Dow Jones Stoxx 600 Index fell 0.1 percent. The MSCI Asia Pacific Index gained 0.5 percent to its highest level since August 2008. Commonwealth Bank of Australia, the nation's biggest lender, jumped 2.3 percent in Sydney after saying first-half profit rose.

U.S. Economy

Industrial production in the U.S. probably rose in December for the fifth time in the past six months, economists said before a report due at 9:15 a.m. in Washington. The New York Fed is scheduled to release its January general economic index today at 8:30 a.m. local time. A separate report due by 10 a.m. New York time may show the Reuters/University of Michigan index of consumer sentiment for January rose to 74, the highest level in two years, economists said.

The MSCI Emerging Markets Index was little changed. The Shanghai Composite Index advanced 0.3 percent as China's foreign-exchange reserves increased to a record.

Oil fell for a fifth day, its longest losing streak in five weeks, as the dollar's advance against the euro curbed demand for commodities as a currency hedge. February crude fell 0.6 percent to \$78.86 a barrel on the New York Mercantile Exchange.

The S&P GSCI Index of commodities fell for a fifth day, the longest losing streak in a month. Corn declined 0.9 percent to \$3.7775 a bushel in Chicago trading. Wheat and soybeans also declined. Copper fell 0.5 percent to \$7,455.50 a metric ton on the London Metal Exchange, leading a drop in industrial metals.

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