

## US Dollar

### Trump sends dollar down with warning it is 'too strong'

President attributes rise to confidence in his tenure and makes U-turn on China



APRIL 13, 2017 by: Sam Fleming and Shawn Donnan in Washington

President Donald Trump triggered a slide in the [US dollar](#) on Wednesday after he complained the currency has risen too high — in part because of what he said was confidence in his own presidency.

Commenting just days before gatherings of finance ministers from around the world in Washington, [Mr Trump](#) also revealed a major policy U-turn as he said that the US government would not label China a currency manipulator.

In an [interview with the Wall Street Journal](#), Mr Trump declined to shut down the possibility of re-nominating [Janet Yellen](#) as chair of the Federal Reserve despite campaign pledges not to offer her a second term.

The [US currency stabilised](#) in morning London trading, but the dollar index, which compares the greenback to its major rivals, fell as much as 0.8 per cent in the wake of Mr Trump's remarks and set its low during Asia trading on Thursday. It was still well below levels before Mr Trump's comments.

Sterling was a shade under its highest point of the day at \$1.2555, while the euro was also edging lower at \$1.0655.

Alan Ruskin, strategist at Deutsche Bank said efforts to talk down the dollar were constrained by a Federal Reserve looking to tighten policy this year. “If the Fed is more hawkish than the market expects, jawboning will very quickly become less effective.”

Mr Trump has previously expressed [concern](#) about the level of the dollar as he discusses measures aimed at tackling the US trade deficit and bolstering manufacturing within the US. His blunt words on the currency have clashed with America’s traditional “strong dollar” policy and triggered concerns that the US could pursue a more aggressive approach to foreign exchange diplomacy.

In the interview Mr Trump said: “I think our dollar is getting too strong, and partially that’s my fault because people have confidence in me. But that’s hurting — that will hurt ultimately.”

He added: “Look, there’s some very good things about a strong dollar, but usually speaking the best thing about it is that it sounds good . . . It’s very, very hard to compete when you have a strong dollar and other countries are devaluing their currency.”

Mr Trump added that he had changed his mind on China’s management of the [renminbi](#), despite saying just weeks ago that Beijing was the “grand champion” of currency manipulation. He also threatened throughout his campaign to officially label China a manipulator on day one of his presidency.

“They’re not currency manipulators,” he said.

The stark change in his language comes just days before the US Treasury is expected to come out with the first twice-yearly currency report of his administration.

The president said he had changed his mind on China because it had not been manipulating its currency for months and because he did not want to hurt discussions over [North Korea](#).

But David Dollar, a former US Treasury representative in China, said Mr Trump also seemed to be conceding that the case simply was not there.

“I think it’s a very positive development because a lot of analysts have been pointing out that China has not been intervening to keep their currency down. China has actually been intervening to keep their currency high,” he said.

“There was not really a good factual basis for calling China a currency manipulator. So this seems like a recognition of reality.”

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DONALD TRUMP

Eswar Prasad, a senior fellow at the Brookings Institution, said: "Mr Trump is bowing to economic reality by holding back on invoking the currency manipulation charge against China. At the same time, he is putting China and America's other major trading partners on notice that he will take them to task if their bilateral trade surpluses with the US don't shrink over time."

He added: "It is rather extraordinary for an American president to explicitly link the value of the dollar to his administration's policies and to indicate what direction he'd like the dollar to move in."

Mr Trump said during the campaign that he would not reappoint Ms Yellen to a second term. But the president said on Wednesday that "it's very early" and that she was "not toast". He said he would "most likely" not offer her a second term, adding that he liked a "low-interest rate policy, I must be honest with you".

The comments on the Fed and rates may dampen speculation that Mr Trump is set upon appointing interest rate hawks to the US central bank. During the campaign he was highly critical of Ms Yellen's low-rate policies, but since the election his administration has dropped its criticisms of the Fed.

The dollar was down by [0.37 per cent against the yen to Y109.20](#) after the interview with Mr Trump was published, having traded flat earlier. The euro initially jumped 0.4 per cent to \$1.0647.

The [yield on the 10-year Treasury](#) dropped as much as 4 basis points to 2.257 per cent, before paring its advance to 2.268 per cent. It marked the lowest yield on the 10-year note since the immediate aftermath of the US election in November. Yields fall as bond prices climb.

Shorter-maturing Treasuries also advanced, with the yield on the two-year note falling 1bp to 1.23 per cent and the yield on the five-year falling 2bp to 1.81 per cent.

*Additional reporting by Katie Martin and Michael MacKenzie in London*

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