



No change to US dollar policy ‘as of now’ , says Treasury chief



US Treasury secretary Steven Mnuchin on Thursday said there was “no change” to Washington’ s stance on the dollar “as of now” , amid mounting speculation over whether the Trump administration will act to weaken the dollar.

Mr Mnuchin said the US “could consider” a change to its dollar policy “in the future” but there was no change at present.



His comments, made to Bloomberg on the sidelines of a G7 financial meeting in France, come as Wall Street has grown anxious over the risk the Trump administration might intervene in the currency markets in a bid to weaken the greenback.

President Donald Trump has previously said he wanted a weaker dollar that would make goods exported from the US cheaper and would support the economic expansion.

“The door is somewhat more wide open than ever before for intervention,” said Steven Englander, strategist at Standard Chartered. “When you say something is off the table for now, it means it could be on the table for lunch.”

Mr Mnuchin’s comments brings closer scrutiny to the two-day meeting of the G7 finance ministers and central bank governors that concludes on Thursday.

“If the group fails to reaffirm its previous G7 commitment to not target the exchange rate, it will significantly raise



market concerns about near-term US Treasury FX intervention risk,” said analysts at Nomura. “However, even if the group reaffirms its previous G7 commitment to not target the exchange rate, the risk of US FX intervention should remain under the current leadership of President Trump.”

The threat of currency wars came into focus following a speech from Mario Draghi, European Central Bank president, in June that hinted at the possibility of more stimulus in the eurozone.

Mr Trump responded by accusing Europe, alongside China, of manipulating their currencies in a bid to gain unfair advantage over the US, where the dollar has been appreciating steadily since the Federal Reserve started raising rates in 2015. In May, the US Treasury added Ireland and Italy to its currency manipulator watch list, despite both countries being part of the eurozone.

Mr Trump has long held China in his sights on the currency front, accusing Beijing of keeping the renminbi artificially low for decades. Despite his promise during the presidential



election to brand China a currency manipulator, the Treasury has thus far stopped short of such a step.

The US has intervened in currency markets only three times since 1995, and on each of those occasions the move was coordinated with other major central banks. Still, intervention has been a regular policy tool between the breakdown of the Bretton Woods system and the early 1990s, and analysts say the Treasury could decide to abandon the non-interventionist approach it adopted over the past two decades.

“Intervention only really works when you have a lot of countries getting involved and trying to achieve the same goal,” said David Woo, strategist at Bank of America Merrill Lynch. “If others are trying to weaken their currencies and you are trying to weaken yours, it’s a zero-sum game.”

On Wednesday, central bankers in South Africa, South Korea and Indonesia slashed interest rates, in a move that could put more downward pressure on their currencies versus the dollar.



Mr Woo said the Treasury department would need support from the Fed to either slash interest rates beyond the nearly three cuts the market is already pricing in by year-end, or to increase the global supply of dollars.

“No Treasury secretary will embark on intervention unless he or she is absolutely certain it will lead to a weaker dollar,” he added.

Still, according to Michael Cahill at Goldman Sachs, US intervention is “a low but rising risk”.

The dollar index, a gauge of the greenback against a weighted basket of peers, was flat at pixel time but had already been trimming losses before Mr Mnuchin’ s comments.