

Dollar Up, Recovers from Omicron Shock but Volatility Remains

The dollar was up on Monday morning in Asia, with investors slowly regaining their risk appetite after the discovery of the omicron COVID-19 variant. However, caution remained as research continues on this new strain.

The U.S. Dollar Index that tracks the greenback against a basket of other currencies edged up after falling to a one-week low on Friday. Although the safe-haven U.S. currency is poised to benefit from the uncertainty, the outlook for when the U.S. Federal Reserve and other key central banks will hike interest rates is now uncertain.

The USD/JPY pair was up. The yen has been the biggest beneficiary of the flight to safety, surging up on Friday.

The AUD/USD pair was up, with the Australian dollar recovering after a 1% tumble on Friday.

The discovery of the omicron variant in South Africa last week prompted some countries to implement border controls. However, cases have already been reported in places such as Australia, the U.K., Canada, Germany and Hong Kong.

Although still under study, the mutations in omicron's spike protein suggest it could be resistant to current vaccines. BioNTech SE said on Friday it could know within two weeks if the vaccine it developed with Pfizer Inc. needs to be reworked, while Moderna Inc chief medical officer Paul Burton said a reworked shot could be available in early 2022.

"Until then, market volatility is likely to remain elevated. Markets have been forced to reassess the global growth outlook until we know more," National Australia Bank senior FX strategist Rodrigo Catril said in a note.

Other investors echoed the note's sentiment.

"We expect currencies to be volatile this week. It will not take much negative news about omicron to push the Australian dollar down" Commonwealth Bank of Australia strategist Joseph Capurso told Reuters.

U.S. President Joe Biden will give an update later in the day on his country's response to the omicron variant.

Source: Investing.com

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