

MARKET UPDATE

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Dollar Soars as Putin Ramps Up Tensions; Fed Meeting Looms

The U.S. dollar rose in early European trading Wednesday, climbing near a 20-year high as Russian President Vladimir Putin raised tensions over Ukraine, and traders awaited another substantial Federal Reserve interest rate hike.

At 03:00 ET (07:00 GMT), the Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.5% higher at 110.457, close to the two-decade peak of 110.79 reached earlier this month.

Russian President Vladimir Putin declared mobilization of the country's 2 million strong military reserve in a recorded video address earlier Wednesday, confirming his intention to annex those parts of Ukraine currently under Russian occupation.

Asia FX Plumbs Multi-Year Lows Ahead of Fed Rate Decision

Most Asian currencies sank to multi-year lows on Wednesday as investors awaited an interest rate hike and more hawkish signals from the U.S. Federal Reserve later in the day.

The Philippine peso was among the worst performers, down 0.6% to a record low, while the Malaysian ringgit fell 0.2% to its weakest level in 25 years.

The Japanese yen hovered just below a 24-year low, while the Indian rupee briefly crossed 80 to the dollar, coming close to a record low.

U.S. Treasury yields and the dollar were buoyant as markets anticipated an at least 75 basis point hike by the Fed at the conclusion of a two-day meeting later in the day. Hotter-than-expected U.S. inflation data last week also saw traders begin pricing in the slim possibility of a 100 basis point hike.



Stocks sink, havens sought as Russia worries combine with Fed jitters

Stock markets fell and havens including U.S. Treasuries and the Japanese yen saw demand as Russian President Vladimir Putin's announcement of a partial military mobilisation hurt sentiment in a market already jittery about aggressive Federal Reserve policy tightening.

European equity markets were set to fall at the open with EuroStoxx50 futures dropping as much as 1% to their lowest level since mid-July.

U.S. emini stock futures pointed 0.11% lower, following a sell-off on Wall Street overnight that already knocked 1.13% off the S&P 500.

European currencies tumbled, with the euro dropping 0.65% to \$0.9903 and sterling sliding 0.38% to \$1.1338 after touching a new 37-year low at \$1.1304.

The dollar index, which measures the currency against six major peers, rallied 0.61% to 110.84, and marking a new two-decade high at 110.87.

The dollar was slightly weaker against fellow safe-haven currency the yen, though, at 143.615.

"The Russia headlines have the euro and sterling selling off hard, while the dollar is stronger against those European currencies, but the yen is even stronger, so those are typical safe-haven-type flows," said Shinichiro Kadota, a senior FX strategist at Barclays (LON:BARC) in Tokyo.

Putin said he had signed a decree on partial mobilisation beginning on Wednesday, saying he was defending Russian territories and that the West wanted to destroy the country.

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