

Currencies attempt rebound against Fed-driven dollar

The dollar slipped on Thursday, a day after surging to a two-year peak after the Federal Reserve rocked markets by signalling a much slower pace of rate cuts in 2025, while the yen slid after the Bank of Japan (BOJ) stood pat on rates.

Currencies around the world tumbled on Wednesday after the Fed decision boosted the dollar, although many rebounded on Thursday in choppy trading conditions with thin volumes ahead of the holiday period.

The BOJ kept interest rates steady as expected, but the yen fell sharply as Governor Kazuo Ueda gave little away in a post-meeting press conference.

The dollar rose 1.4% against the yen to 157.16, its highest since July.

Investors had been looking out for hints of imminent BOJ tightening, particularly after the Federal Reserve struck a hawkish tone at its meeting a day earlier.

But the governor reiterated that policymakers would need more time to assess incoming economic data and the implications of U.S. President-elect Donald Trump's policies.

"I think the market was anticipating that the furthest they would go today would be a hawkish hold," Jane Foley, head of FX strategy at Rabobank, said.

"But some of the comments Ueda has made could perhaps be interpreted as not being very hawkish. For example that he's waiting to see data on the momentum of wages in the spring wage talks."

In the broader market, the fallout from the Fed continued to ripple across markets after traders heavily dialled back on easing expectations next year.

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