

# Yen plunges as traders add risk for future with vaccine, Biden

NEW YORK (Reuters) – Traders unloaded Japanese yen and bought riskier currencies and the U.S. dollar on Monday as market confidence in the economy and world trade increased with progress on a COVID-19 vaccine and the prospect of Joe Biden being U.S. president.

The yen, which had become a favored safe-haven, suffered its biggest loss against the U.S. dollar since March, with the greenback rising as much as 2.2%. So-called “risk-on” currencies, such as the Australian dollar and Norwegian krone, strengthened even more.

The moves came after Biden announced his first steps as president and Pfizer Inc’s and its German partner BioNTech SE announced that their experimental COVID-19 vaccine was more than 90% effective in initial trial results in what experts said could be a turning point toward halting the pandemic.

A Biden presidency is expected to shore up international trade through steady policies and the prospect of a successful coronavirus vaccine is seen as a major tailwind.

Much of the move in the yen was an unwinding of earlier trades, said Mazen Issa, senior fx strategist, at TD Securities. “There were a lot of long-yen positions built into the FX markets going into the election,” he said.

But the U.S. dollar also gained 0.41% against the euro as markets became more confident that the vaccine could allow the U.S. economy to grow fast enough to drive up interest rates.

“All of this may be leading to a narrative of U.S. exceptionalism and capital flows into the U.S. returning,” Issa added.

The vaccine news “provided just a tremendous boost for risk appetite,” said Ed Moya, senior market analyst at foreign exchange broker OANDA.

“There was a lot of nervousness in investors’ expectations for these vaccine trial results, and the first one out of the gates had an amazing 90% effective rate, far

exceeding the consensus,” Moya said. “We’re seeing a big reflation trade here.”

Joseph Trevisani, senior analyst, FXStreet.com, said higher interest rates could support the dollar. “Normally, when the U.S. economy does well that supports the dollar. We have not been seeing much of that in the COVID era.”

Bond yields soared in the United States and Europe, and major stock indexes gained as much as 4%.

The U.S. dollar gained 0.57% to 92.695 against a basket of currencies, after last week touching a 10-week low of 92.12.

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Reporting by David Henry in New York and Olga Cotaga in London; Editing by Mark Heinrich and Marguerita Choy

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