

Dollar Drifts Lower to Pound, Euro

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(12-07) 13:17 PST NEW YORK, (AP) --

The dollar fell against the euro and the pound Friday despite a report from Washington showing brisk wage growth and unemployment holding steady.

The 13-nation euro currency bought \$1.4655 in afternoon trading, up from the \$1.4633 it bought late Thursday.

The pound reversed course after falling in the morning, buying \$2.0315, up from \$2.0290.

In other trading, the dollar was higher against the Japanese yen, rising to 111.69 yen from 111.40 late Thursday. The Swiss franc fell to 1.1292 from 1.1300, and the Canadian dollar fell to 1.0045 from 1.0097.

The dollar's fall came as the U.S. Labor Department reported that employers added a solid 94,000 jobs to their payrolls in November, the unemployment rate held steady at 4.7 percent and wages grew briskly — all encouraging signs that the U.S. employment climate is holding up in the face of turbulence in the housing and credit markets.

U.S. employment figures were released a day after the Bank of England cut interest rates to 5.5 percent, from 5.75 percent. Britain's central bank weighed inflation against further evidence that the country's decade-long housing boom is grinding to a halt and consumer confidence is deteriorating.

The European Central Bank kept its benchmark rate unchanged at 4 percent Thursday but appeared to set the stage for a possible rate decrease sometime in early 2008.

Lower interest rates can jump-start an economy, but they can also weaken a currency as investors transfer funds to countries where they can earn higher returns.

The U.S. Federal Reserve meets next week to discuss American interest rates, with many convinced it may lower them by half a percentage point to 3.5 percent.

The mortgage problems in the U.S. that have tripped up borrowers and caused a credit crisis among banks are fueling fears about the health of the U.S. economy.

Concerns over the huge U.S. trade deficit, which leaves more dollars in the hands of non-Americans, have also weighed on the dollar.

<http://sfgate.com/cgi-bin/article.cgi?f=/n/a/2007/12/07/financial/f131718S76.DTL>

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