

Dollar Rises, Oil Slides after Bin Laden's Death

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Earlier, investors had a taste of how vulnerable overbought assets can be to a sudden sell-off when silver dropped 10 percent after hitting a record high last week and the Australian dollar slumped nearly a full cent after reaching a post-float peak of \$1.1011.

President Barack Obama said the Al-Qaeda leader was killed in a firefight with US forces and his body was recovered.

US stock index futures added to gains, Japan's Nikkei average .N225 rose 1.4 percent on the day, while US Treasury prices fell.

Many Asian markets including China, Hong Kong, Singapore and Thailand were shut for public holidays, leaving MSCI's gauge of Asian stocks excluding Japan .MIAPJ0000PUS up a mere 0.2 percent.

"By lowering national security risks overall, this is likely to bolster equity markets and lower US Treasury prices in a reverse flight to quality movement," said Mohamed El-Erian, chief executive officer and co-chief investment officer at PIMCO, which oversees \$1.2 trillion in assets.

"Oil markets are likely to be the most volatile given their higher sensitivity to the tug of war between lower risk overall and the possibility of isolated disturbances in some parts of the Middle East and central Asia," he said.

US crude fell more than 1 percent to a session low of \$112.21, retreating from a 31-month peak of \$114.18 set on Friday.

The dollar index .DXY, which tracks its performance against a basket of major currencies, jumped from a three-year low of 72.813 to 73.227.

US Treasury yields pushed higher across the curve with the 10-year rising to 3.308 percent from a six-week trough of 3.273 percent.

Meanwhile, silver was nursing heavy losses after skidding about 10 percent to a low of \$42.58. It last stood at \$44.64, off a record high of \$49.51 set last week. Gold fell to \$1,548 from an all-time high of \$1,575.79.

Still, once the dust settles, analysts expect the recent trends including a weak US dollar and higher commodity prices to resume, especially given that the US Federal Reserve in no hurry to tighten its ultra-loose monetary policy.

"The economic data in the US is still going to be on the soft side and the market is going to keep a lid on yields and that is going to help push down the dollar," said Joseph Capurso, strategist at Commonwealth Bank.

Some were also skeptical of whether bin Laden death would reduce the security risks facing the United States.

"It doesn't change much about the energy situation and doesn't change much about the ongoing battle with radical Islamists," said Chip Hanlon, president of Delta Global Advisors in California.

"It's sort of like the news when we heard Saddam (Hussein) was caught, in the end it didn't change much fundamentally and I don't think this will either."

Source: bdnews24.com