

Dollar mixed against rivals

NEW YORK (CNNMoney.com) -- The dollar was mixed against major currencies late Wednesday on speculation that the Bank of England will raise interest rates and after the Federal Reserve said economic activity is weak but improving.

What prices are doing: The dollar was down 0.2% against the euro at \$1.451 and fell 0.7% versus the British pound to \$1.628. The greenback edged up 0.5% against the yen to ¥91.44.

On Tuesday, the dollar firmed on investor concern about tighter monetary policy in China.

What's driving prices: Andrew Sentance, a member of the Bank of England's monetary policy committee, was quoted as saying the United Kingdom may need to raise rates this year.

"That's probably the most hawkish we've heard out of a Bank of England member," said Jacob Oubina, a currency strategist at Forex.com. "That put upward pressure on the pound and downward pressure on the dollar."

Separately, the Federal Reserve's reading on the economy, known as the Beige Book, said that while economic activity remained at a low level at the beginning of 2010, conditions are improving.

This put slight downward pressure on the dollar, said Gareth Sylvester, a senior currency strategist at HFIX in San Francisco.

But the market will likely remain neutral until the Department of Commerce releases its retail sales report on Thursday, he said.

Economists are expecting that December retail sales rose 0.5% in December, according to a consensus estimate from Briefing.com.

What analysts are saying: "For the rest of the week, the dollar should outperform," said Oubina. "I'm looking for a better-than-expected retail sales number."

Going into the year, Oubina said the dollar is likely to continue outperforming the pound, euro and yen as he expects the Federal Reserve will raise interest rates sooner than Japan, the United Kingdom or the euro zone. ■

By Blake Ellis, contributing writer January 13, 2010: 3:56 PM ET