

3 Sep 10 -Dollar slips on return to risk

NEW YORK (CNNMoney.com) -- As better-than-expected economic data boosted investor morale this week, the greenback lost some of its luster, falling against a basket of currencies.

Friday's closely-watched employment report from the government, showing that the economy lost **fewer jobs** than expected last month, on top of reports indicating improving consumer confidence, home sales and manufacturing, have all reduced the appeal of the safe-haven dollar.

On Friday, the dollar index -- which tracks the dollar against a handful of other currencies -- edged down 0.4%, looking to end the week in the red.

But traders aren't convinced that this week's wave of improving data will continue, said Gareth Sylvester, a senior currency strategist at Klarify FX.

Another slew of economic reports due next week, including readings on retail sales and consumer sentiment, will be scrutinized for signs that a recovery is in fact taking hold, he said.

Mixed signals: "The data we're getting month to month and even week to week is still conflicting and sending lots of mixed signals," said Sylvester.

Because of these mixed signals, traders are wary about taking long positions, and are becoming increasingly likely to trade based on day-to-day economic reports.

"There's a general reluctance to want to buy and hold for a particular position at the moment," he said. "Traders have a very short-term mentality right now and are looking to get in and out of positions as quickly as possible, trading on daily data points."

And until consistency is seen, trading is likely to continue to be volatile.

"The dollar will probably see choppy trading in the next few weeks with an overall direction lacking," said Sylvester. "Until we see more economic data suggesting we're firmly on the road to recovery, it's very difficult for an overall direction to be found." ■