

Loonie high despite U.S. debt debate

BY KIM COVERT, POSTMEDIA NEWS JULY 27, 2011

The Canadian dollar jumped to its highest point since 2007 on Tuesday, becoming a safe haven for investors as the U.S. greenback faltered and the political impasse in Washington over raising the country's debt ceiling continued.

The dollar rose as high as US\$1.0631 in intraday trading, its highest point since hitting a modern-day peak in November 2007 before falling back somewhat to close Tuesday at \$1.0607 US, a gain of 34 basis points.

Canada's economic health is one reason why the loonie is attractive to those seeking a safe investment, Finance Minister Jim Flaherty said Tuesday, speaking to small-business owners in Burlington, Ont.

"Canada is a fiscally responsible country. Our currency value to some extent represents the stability of our country," Flaherty said.

On the subject of the U.S. debt crisis, a topic that has been weighing on the markets ahead of the Aug. 2 deadline, after which the Obama administration says it will no longer be able to pay its bills, Flaherty says he's "relatively confident" the Republicans and Democrats will be able to come to an agreement in time, though he says he is concerned about the impact on Canada and the world economy if the debt situation deteriorates further.

Mixed economic data did not help the situation on the markets on Tuesday - the Conference Board of Canada reported a drop in consumer confidence in July. As well, Canadian National Railway, Rogers Communications and Inmet Mining all reported disappointing earnings, dragging down their stock prices. CN lost 4.24%, closing at \$72.05, Rogers slipped 3.49%, closing at \$36.50 and Inmet fell 4.86%, to \$66.60.

In the U.S., consumer confidence was up, but home sales fell short of expectations.

"With all of the political back-and-forth dominating the headlines, when a deal does get done . . . we could see some fairly strong initial reversals and sharp trading moves," wrote analyst Colin Cieszynski in an afternoon note.

In Toronto, the benchmark S&P/TSX composite index fell 135.39 points, or 1.01%, to 13,300.56, with nine of the 10 sub-indexes declining. The junior Venture exchange slipped 13.11 points, or 0.64%, to 2,023.52.

The Dow Jones industrial average closed at 12,501.30, a loss of 91.50 points, or 0.73%, and the Nasdaq composite index edged downward by 2.84 points, or 0.10 %, to 2,839.96.

The price of West Texas Intermediate crude oil gained US39¢, closing at US\$99.59 a gallon in New York, while the European benchmark Brent crude was up US36¢ to \$118.30.

Gold gained US\$4.60 to US\$1,616.80 an ounce.

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