



Loonie passes US\$1.10 mark in morning trading

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The Canadian dollar continued its meteoric rise Wednesday, breaking through the US\$1.10 barrier.

The loonie traded above US\$1.10 in both overseas and morning trading Wednesday.

It then settled around 109.15 cents US at 10:40 a.m. ET.

"Put together the falling U.S. dollar, the rising crude oil prices and the rising gold prices and you have got a supercharged loonie," BNN's Linda Sims said Wednesday.

"I can't find anybody who says this is going to slow down anytime soon."

On Tuesday, the dollar rose 1.34 cents, closing at 108.52 cents -- a modern-era record close.

The Canadian dollar is just one of many currencies benefiting from a weak U.S. greenback.

"The U.S. dollar is undergoing a... structural downgrading on world markets where it may no longer be the only reserve currency for the world -- it may have to share that with the euro," said Sims.

Meanwhile, the loonie, often considered a 'petro-currency,' has benefited from the huge jump in oil prices. Oil traded at a new record level Wednesday of more than US\$98 a barrel.

The rise of oil prices has occurred because of expectations of declining U.S. supplies and reports of an attack on an oil pipeline in Yemen, say analysts.

On Tuesday, Bank of Canada senior deputy governor Paul Jenkins warned in a speech in New York that there was a downside to the rising dollar.

"The magnitude of the (loonie's) recent appreciation appears to be stronger than historical experience would have suggested," he said.

"The combined effect of a weaker U.S. outlook and a higher assumed level for the Canadian dollar implies that net exports will exert a significant drag on the Canadian economy."

The soaring loonie smashed a 50-year record last Wednesday after it topped the high of 106.14 cents US. The old record was reached on Aug. 21, 1957.

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