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NEW YORK -- A potential war in Iraq has been the paramount weight on the dollar for months, but the market consensus holds that the currency is poised for a rebound once a war actually begins. Yet, investors in the foreign-exchange options market are positioning themselves for a more messy scenario on the ground in Iraq than are many other U.S. asset markets, which would weigh further on the dollar.

After hitting fresh four-year lows against the euro, the dollar ended mostly higher yesterday as confusion surrounding the outcome of a United Nations vote on a second Iraq resolution complicated market direction.

In late dealings, the dollar was at 117.14 yen, down from a session high of 117.29 yen, but up from 116.85 yen in late New York trading Monday. The euro was at \$1.1038, down from an intraday four-year high of \$1.1084 and from \$1.1058 late Monday in New York. Against the Swiss franc, the dollar was at 1.3293 francs, up from 1.3250 francs, while sterling was at \$1.6069, compared with \$1.6019 late Monday in New York.

Clearly, the removal of uncertainty over the timing of a war should help the dollar initially. **"Once the bombs start going off, maybe the euro could fall three or four cents [against the dollar] in less than three days,"** said David Leaver, senior trader of Gain Capital in Warren, N.J. Still, this may be a rose-tinted view of the instant effects of U.S.-led action, with market participants setting up for a dollar rally too early.

The chief historical precedent for this is when the dollar rebounded against the Swiss franc -- a classic refuge currency in times of war -- during the Persian Gulf War of 1991, once it became clear the coalition partners were gaining the upper hand. However, that rally didn't take place in earnest until some three weeks after the air campaign started on Jan. 17, 1991. Once the war ended, the dollar got much more of an enduring lift.

But few strategists expect a dollar rebound comparable to that of 1991, given the relative isolation of the U.S. in pressing for confrontation. And the U.S. will likely be footing the lion's share of the bill, unlike in 1991.

If war erupts, those betting on dollar resurgence will be impatient for results. "The first 72 hours will be important," said Thomas Rogers, senior currency analyst with IFR Forex Watch at Thomson Financial in New York.

If Saddam Hussein neither flees nor perishes during the opening salvo, "then he will come out with some very nasty stuff that would be very bad for the dollar," Mr. Rogers said.