

BUSINESS & FINANCIAL OVERVIEW

Dollar lower after Apple warning sparks twilight hours 'flash crash' versus yen

The U.S. dollar traded lower versus most major rivals Thursday after Apple Inc.'s warning on weak sales in China sparked a haven-related surge by the Japanese yen in thin trading conditions late Wednesday.

The U.S. dollar traded at ¥107.79 versus the Japanese yen USDJPY, -0.17% in recent action, down from ¥108.88 around 5 p.m. Eastern in New York on Wednesday. Later Wednesday, the dollar plunged suddenly, falling as low as ¥104.79 in what analysts described as a "flash crash" before taking back some of the lost ground.

The moves came after Apple Inc. AAPL, +0.62% said it would report much lower sales than previously expected, due largely to slowing iPhone sales and weakness in China.

Opinion: Apple lives up to Wall Street's fears with massive revenue shortfall

"Apple blamed its decision to cut its revenue forecast on the trade conflict and weakness in China, lending weight to the soft Chinese PMI data and feeding fears of slower global growth and further risk aversion as elevated asset values correct," said Kit Juckes, global macro strategist at Société Générale, in a note.

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The yen soared, posting an 8% rise versus the Turkish lira JPYTRY, +0.453459% with analysts noting the outsize moves, which occurred around 6:30 a.m. Hong Kong Time Thursday or 5:30 p.m. in New York, came during one of the most thinly traded periods of the day when U.S. traders are heading home but market hubs in Singapore and Hong Kong aren't fully operating.

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"The lack of market liquidity—Tokyo has been on holiday all week and does not return until this evening—and some assertive short-yen positioning, has helped to push some aggressive currency moves in what is known as the 'twilight zone,' as trading shifted from the North American session to the open of the Australasian markets," said Dean Popplewell, vice president of market analysis at Oanda, in a note. "Also, various algorithmic programs exacerbated the moves."

Excess volatility aside, fundamentals underline the haven-fueled interest in the yen, analysts said.

"Our end-year USD/JPY forecast is ¥102 and while we won't get there in a straight line, we still think we'll get there in due course," Juckes wrote. "As the U.S. economic cycle rolls over, we'll see USD/JPY make a series of lower lows and lower highs, as the Abenomics-inspired move from below ¥80 to above ¥125 is gradually unwound."

The ICE U.S. Dollar Index DXY, -0.13% a measure of the greenback against a basket of six major rivals, traded at 96.570 versus 96.773 late Wednesday.

The Australian dollar AUDUSD, +0.0698% popular as a vehicle for betting on the Chinese economy, was off 0.1% versus the greenback to fetch 69.8 U.S. cents after falling below 70 cents for the first time since January 2016.

The euro EURUSD, +0.1848% traded at \$1.1364, up from \$1.1344 late Wednesday. The British pound GBPUSD, -0.0311% changed hands at \$1.2591 versus \$1.2611 late Wednesday.

