

Tempest Asset's Melendez Comments on the U.S. Dollar, Hussein
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Dec. 14 (Bloomberg) -- Chris Melendez, president of Tempest Asset Management, a hedge fund in Irvine, California, comments on the outlook for the U.S. dollar after the capture of former Iraqi leader Saddam Hussein. The dollar ended Friday at \$1.2276 per euro in New York, and at 107.90 yen.

The dollar will "rally for a little bit" and may test the \$1.2090 per euro level, "then the party stops" and investors will go "back to euro buying against the dollar," he said. "It's a good headline for Bush and company, but it is not the answer to the dollar's decline. We will look at this as dollar selling opportunities," Melendez said. "It's really the herd mentality. There will be euphoria that Saddam has been captured," he said. Still, "this really hasn't changed the complexity of things as far as the dollar's woes. We still have a current account deficit that's just very bad." The U.S. economy isn't in "such good shape as everyone thinks it is," Melendez said. "Despite the employment figures coming out that we have seen in the past couple of months, our unemployment rate is still too high. Those two factors right there are very dollar negative. If people are not working, they can't service their own debt" even with low interest rates.

Over the next couple of weeks, the dollar will weaken to about \$1.2350 and \$1.24 per euro, Melendez said.

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