

Jack Lew's first act once he becomes U.S. Treasury secretary will be to tell a lie.

On Day One as Timothy Geithner's successor, Lew is bound to say "I support a strong dollar" to reassure markets that there will be no change in long-standing U.S. policy. Nothing could be further from the truth, though, as the yen trades at 2 1/2-year lows and the world considers a response to Japan's blitz on money markets.

Get ready for the Currency Wars 2.0. In a world in which growth is harder to come by, policy making verges on becoming a zero-sum game. Officials in the U.S. and China were caught flatfooted by how quickly Japanese Prime Minister Shinzo Abe turned the tables in currency markets with a few vague pledges of change. Rest assured that some big responses are on the way.

"Japan has restarted the currency war by its open policy goal of a weaker yen, which has surprised everyone by its success," says Simon Grose-Hodge, head of investment strategy for South Asia at LGT Group in Singapore. "No country wants to be priced out of an already challenging export environment."

Take China's incoming President Xi Jinping, who is walking into a positively treacherous situation in Beijing. He must act fast to rein in corruption, grapple with an unruly local media and tackle the pollution that obscures the sun and threatens public health. The last thing Xi needs is a plunge in exports as exchange rates move against him. The same goes for South Korean President-elect Park Geun Hye. Expect policy makers throughout Asia to act, too.

Fuente: Bloomberg by William Pesek

# **'Strong Dollar' Is Lie Told in New Currency War**

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