

Dollar gains as dismal European economic data hurts euro

NEW YORK (Reuters) - The dollar edged higher against the euro on Monday after dismal European manufacturing and services data elevated concerns about the state of the euro zone economy, even as U.S. economic data came in mixed.

Euro zone business growth stalled this month, a survey showed on Monday, dragged down by shrinking activity in powerhouse Germany, where a manufacturing recession deepened unexpectedly.

Monday's downbeat survey results come less than two weeks after the European Central Bank pledged indefinite stimulus to revive the 19-country currency bloc's ailing economy.

IHS Markit's Euro Zone Composite Flash Purchasing Managers' Index (PMI), sank to 50.4 in September from 51.9 in August and was below all forecasts in a Reuters poll that had predicted a reading of 51.9.

"The eurozone flash PMI dashed hope that the worst was past and supports those that were calling for bold ECB action," Marc Chandler, chief market strategist at Bannockburn Global Forex, LLC, said in a note.

The euro was 0.22% lower against the greenback at \$1.0993.

The euro zone economy is not showing any convincing sign of a rebound and a persistent downturn in manufacturing risked infecting the rest of the economy, European Central Bank President Mario Draghi said on Monday.

Meanwhile, U.S. employment in the services sector shrank for the first time in 9-1/2 years in September, IHS Markit's Purchasing Manager's Index (PMI) showed.

Data also showed U.S. manufacturing activity rose in September, topping expectations. The dollar has held up well in recent months as investors are attracted to its relatively high yield and the strength of the U.S. economy.

Speculators boosted their net long bets on the U.S. dollar in the latest week to a five-week high, according to calculations by Reuters and Commodity Futures Trading Commission data released on Friday.

The dollar index, which measures the greenback against a basket of currencies, was 0.1% higher at 98.615, its highest since Sept. 12.

Sterling slipped 0.34% to trade close to a one-week low as investors looked for signs of progress in Britain's Brexit talks and awaited a Supreme Court ruling on whether Prime Minister Boris Johnson misled Queen Elizabeth over his reasons for suspending parliament this month.