

Asian Currencies Drop to Nine-Month Low on Fed, China Concerns 2013-06-10 09:15:00.204 GMT

By Fion Li and Liao Y-Sing

June 10 (Bloomberg) -- Asian currencies fell to the lowest level in nine months after U.S. jobs data fanned speculation the Federal Reserve will rein in stimulus and as signs of a slowdown in China dimmed the outlook for regional trade.

The Bloomberg-JPMorgan Asia Dollar Index dropped as much as 0.5 percent to 116.40, the lowest level since Sept. 14. India's rupee slumped 1.4 percent to 57.875 per dollar as of 2:38 p.m. in Mumbai, earlier touching a record low of 57.88, according to data compiled by Bloomberg. The Philippine peso dropped 1.2 percent to 42.785, Malaysia's ringgit slipped 1.1 percent to 3.1285 and South Korea's won fell 1 percent to 1127.47.

U.S. non-farm payrolls rose more than economists forecast in May, a June 7 report showed, two weeks after Fed Chairman Ben S. Bernanke said \$85 billion of monthly bond purchases may be reined in if there is sustained improvement in the jobs market.

China's manufacturing and trade expanded less than estimated last month and Barclays Plc cut its 2013 growth forecast for Asia's biggest economy to 7.4 percent from 7.9 percent.

"We know the Fed is watching the labor market very closely and the data could be a trigger that they will eventually taper down QE3," said Gundy Cahyadi, an economist at Oversea-Chinese Banking Corp. in Singapore. "The China data continue to point towards weaker global growth."

China's industrial output climbed 9.2 percent from a year earlier in May, less than the 9.4 percent growth forecast in a Bloomberg survey of economists, exports rose the least in 10 months and factory-gate prices fell for a 15th month, weekend reports showed. Malaysia's overseas shipments contracted 3.3 percent in April, a third straight decline, according to official figures released June 7.

Fund Flows

Global funds pulled \$3.1 billion last week from equities in Indonesia, the Philippines, South Korea, Taiwan and Thailand, exchange data show. The Asia Dollar Index, which tracks the region's 10 most-used currencies excluding the yen, slid 1.3 percent in the past month.

One-month non-deliverable forwards on the rupiah declined 2.1 percent to 10,343 per dollar and earlier touched 10,408, the weakest level since August 2009, data compiled by Bloomberg show. They were at a 5.1 percent discount to the exchange rate quoted by banks in Indonesia, the biggest gap since September

2011. The spot rate fell 0.1 percent to 9,814 in Jakarta, according to prices from local lenders. Indonesia has recorded six consecutive quarterly current-account deficits and it is becoming difficult to get the greenback onshore, according to Herdi Wibowo, head of fixed income at PT BCA Sekuritas. "It's all about the supply of U.S. dollars," Jakarta-based Wibowo said today. "Bank Indonesia is keeping the spot rate from breaching the 10,000 level for now."

India's Outlook

India's rupee dropped the most in seven months as the Dollar Index, which tracks the greenback against the currencies of six major trading partners, rose for a second day. The shortfall in the nation's current account, the broadest measure of trade, widened to an unprecedented 5 percent of gross domestic product in the year ended March 31, the government estimates.

"We seem to be set for a weakening rupee all this week," said Nick Verdi, a strategist at Barclays in Singapore. "One reason is the strengthening dollar and the other is India's fundamentals."

Elsewhere, the Thai baht fell 0.5 percent to 30.78 per dollar and Vietnam's dong was steady at 21,018. China's financial markets were shut today through June 12 for the Dragon Boat Festival Holiday. In Hong Kong's offshore market, the yuan fell 0.1 percent to 6.1453 per dollar.

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