

Yen Slides as Economy Grows Faster Than Forecast; Aussie Rises  
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By John Detrixhe and David Goodman

Sept. 9 (Bloomberg) -- The yen fell as a report showed the nation's economy expanded faster than initially estimated, adding to signs Japanese Prime Minister Shinzo Abe's package of fiscal and monetary policies are giving the nation momentum.

Japan's currency dropped against all of its 16 major peers as Tokyo's winning bid to host the 2020 Olympics boosted optimism in the government's policies. Australia's dollar touched a three-week high and the South Korean won climbed to the highest level since May after a report showed China's exports increased, boosting demand for higher-yielding assets. The Canadian dollar extended gains after building permits rose to a record in July.

"Underlying sentiment is the idea that it's part of the Japan-is-back story of Abenomics," Marc Chandler, the global head of currency strategy in New York at Brown Brothers Harriman & Co., said of Japan hosting the Olympics. "That area just above 100 yen is proving to be more a more formidable cap than people expected."

The yen depreciated 0.4 percent to 99.52 per U.S. dollar at 10:03 a.m. New York time. It reached 100.23 on Sept. 6, the weakest level since July 25. Japan's currency dropped 0.7 percent to 131.49 per euro. The dollar fell 0.3 percent to \$1.3213 per euro, after advancing 0.3 percent last week.

### Dollar Falls

The U.S. currency weakened against all of its 16 most-traded peers except the yen as yields on Treasury two-year notes fell for a second day, dampening the dollar's allure. Interest rates have climbed on speculation lower-than-forecast job growth may prompt the Federal Reserve to be less aggressive when reducing monetary stimulus at this month's policy meeting.

South Korea's currency gained the most against the dollar of its 17 most-traded peers amid signs that economic growth in China, the nation's biggest export market, is rebounding after a two-quarter slowdown. The won advanced 0.6 percent to 1,086.80 against the greenback, touching a four-month high.

Malaysia's currency rallied the most in more than two months. The ringgit advanced 1.1 percent, the most since June 25, to 3.2915 per dollar.

The loonie, as the Canadian dollar is known for the image of aquatic bird on the C\$1 coin, rose 0.3 percent to C\$1.0371 per U.S. dollar.

## Options Trade

Trading in over-the-counter foreign-exchange options totaled \$10 billion, compared with \$19 billion on Sept. 6, according to data reported by U.S. banks to the Depository Trust Clearing Corp. and tracked by Bloomberg. Volume in options on the Australian-dollar versus U.S.-currency exchange rate amounted to \$3 billion, the largest share of trades at 31 percent. Options on the U.S. dollar-yen rate totaled \$2.8 billion, or 28 percent.

Aussie-U.S. dollar options trading was 182 percent more than the average for the past five Mondays at a similar time in the day, according to Bloomberg analysis. Greenback-yen options trading was 31 percent more than average.

Japan's capital, which staged the 1964 Summer Games, beat Madrid and Istanbul to win the 2020 host role, the International Olympic Committee said Sept. 7 in Buenos Aires.

Abe said yesterday in a televised press conference that the games would have "good effects on a wide range of areas such as infrastructure and tourism." For Abe, who inherited the Olympic bid when he won a landslide election in December, the games may bolster his effort to drive the economic recovery by taming deflation and boosting consumer confidence.

## Olympic Reaction

"There's been a lot of talk about the Olympics, the Chinese trade numbers and the better growth data for Japan," said Jane Foley, senior currency strategist at Rabobank International in London. "However, before we can expect the yen to hold a move above 100, we are going to need to see a bit more dollar strength."

The yen will trade at 105 per dollar in 12 months, Rabobank's Foley said.

The yen tends to strengthen during periods of financial and economic turmoil because Japan isn't reliant on foreign capital to fund its deficits, making it a haven. Conversely, the currency often weakens amid positive economic news on expectations investors will shift to higher-yielding assets.

The MSCI Asia Pacific Index of shares rose for an eighth day, climbing 1.4 percent today, and Japan's Topix Index jumped 2.2 percent.

## Abe Boost

"Victory for Tokyo's Olympics bid is seen as helping to renew faith in Abe and his efforts to reflate the economy,"

said Mike Jones, a currency strategist in Wellington at Bank of New Zealand Ltd. "That's weighing on the yen."

Japan's gross domestic product rose an annualized 3.8 percent in the second quarter from the previous three months, compared with a preliminary estimate of 2.6 percent, the Cabinet Office said in Tokyo today.

The yen has depreciated 9.9 percent this year, according to Bloomberg Correlation-Weighted Indexes. The dollar is up 4.8 percent and the euro has gained 5 percent.

Australia's dollar, which is down 8.3 percent this year, strengthened after data showed exports rose more than expected in China, its biggest trading partner. Overseas shipments rose 7.2 percent in August from a year earlier, the General Administration of Customs said in Beijing yesterday. That compares with the 5.5 percent median estimate of economists surveyed by Bloomberg and July's 5.1 percent gain.

### China Prices

China's consumer prices rose 2.6 percent last month from a year earlier, the Beijing-based National Bureau of Statistics said today, matching the median economist estimate in a Bloomberg poll. Premier Li Keqiang is seeking to keep price gains within 3.5 percent this year.

"Modest inflation pressure leaves ample room for policy makers to continue focusing on fine-tuning measures to maintain steady growth," HSBC Holdings Plc China economists Qu Hongbin and Ma Xiaoping wrote in a research note.

The Aussie dollar rose 0.3 percent to 92.11 U.S. cents after touching the strongest since Aug. 19.

The Fed will taper its monthly bond purchases to \$75 billion from the current \$85 billion pace at its Sept. 17-18 meeting, according to the median estimate of 34 economists surveyed by Bloomberg News on Sept. 6.

The U.S. central bank will keep purchases of mortgage-backed securities at the current \$40 billion per month pace, while cutting Treasury bond buying to \$35 billion per month, from \$45 billion, economists said. Last month, analysts estimated the Fed would reduce purchases to \$35 billion in MBS and \$40 billion in Treasuries.

U.S. payrolls rose by 169,000 last month, less than the 180,000 estimate in a Bloomberg survey, Labor Department figures showed on Sept. 6. That followed a revised 104,000 increase in July that was smaller than initially estimated.

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