

Won Rises to Highest Since January on Inflows; Bonds Advance  
2013-09-23 07:21:07.35 GMT

By Yewon Kang

Sept. 23 (Bloomberg) -- South Korea's won rose to the strongest level in almost eight months as the Federal Reserve's unexpected decision last week to maintain its record stimulus fueled inflows to local markets. Government bonds climbed.

Overseas funds bought more local equities than they sold for the 19th straight session as South Korean markets reopened after a three-day holiday. The Fed on Sept. 18 said it will keep buying \$85 billion of bonds each month. Economists surveyed by Bloomberg News had predicted a \$5 billion reduction. The won has gained 6.3 percent this quarter, Asia's best performance, as foreigners added to \$5.9 billion of net purchases of shares this month through Sept. 17, stock exchange data show.

"After the Fed's surprise, we expect foreign investors to keep buying South Korean shares," said Jeon Seung Ji, a currency analyst at Samsung Futures Inc. in Seoul. "As the won is expected to strengthen further, traders are wary of possible intervention by authorities to slow the pace of its gains."

The won advanced 0.9 percent from Sept. 17 to 1,074.15 per dollar in onshore trading in Seoul, according to data compiled by Bloomberg. It touched 1,074.13, the strongest level since Jan. 25. Local markets were shut Sept. 18-20 for public holidays. One-month implied volatility, a measure of expected moves in the exchange rate used to price options, rose eight basis points, or 0.08 percentage point, from Sept. 20 to 6.74 percent.

#### Monitor Flows

South Korea will continue to monitor capital flows and external risks to its financial markets after the Fed's decision, Vice Finance Minister Choo Kyung Ho said yesterday in Seoul. The U.S. central bank's move may have a limited impact on Asia's fourth largest economy, which will maintain its fiscal health and current-account surplus, Choo said.

The yield on South Korea's 2.75 percent bonds due June 2016 fell four basis points to 2.8 percent, the lowest level since June 18, Korea Exchange Inc. prices show.

The government sold 741 billion won (\$690 million) of the 20-year sovereign notes at a yield of 3.63 percent, the finance ministry said on its website today.

South Korea aims to diversify the number of central banks that hold its bonds, Gwak Bum Gook, director general at the finance ministry's treasury bureau, said in an interview in Sejong today. Monetary authorities in advanced economies of Northern Europe have been increasing purchases of the nation's Treasury bonds and tend to hold longer maturities such as 10-year notes, Gwak said.

For Related News and Information:

Top Korea stories: [TOP KR <GO>](#)

Top Bond News: [TOP BON <GO>](#)

Currency Forecasts: [FXFC <GO>](#)

--With assistance from Cynthia Kim and Kyung-Jin Kim in Seoul.

Editors: Amit Prakash, Simon Harvey

To contact the reporter on this story:

Yewon Kang in Seoul at +82-2-3702-1677 or [ykang51@bloomberg.net](mailto:ykang51@bloomberg.net)

To contact the editor responsible for this story:

James Regan at +852-2977-6620 or  
[jregan19@bloomberg.net](mailto:jregan19@bloomberg.net)