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Asian Currencies Trade Near 3-Week High on Regional Recovery
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By Patricia Lui

July 12 (Bloomberg) -- Asian currencies traded near a three-week high after China reported record exports for June and South Korea's central bank raised its 2010 economic growth forecast, bolstering demand for regional assets.

The Bloomberg-JPMorgan Asia Dollar Index, which tracks the region's 10 most-traded currencies excluding the yen, advanced in all but one of the last five weeks as interest-rate increases in India, South Korea, Malaysia and Taiwan helped attract funds from yield-hungry investors. Benchmark rates are near-zero in the U.S. and 1 percent in the euro region, compared with at least 4 percent in India and 2.75 percent in Malaysia.

"Policy makers have been more positive on their economic outlooks in the past weeks," said Brian Jackson, an emerging- markets strategist at Royal Bank of Canada in Hong Kong. "The mood in most Asian currencies should be more positive on this."

India's rupee traded at 46.65 per dollar as of 10:15 a.m. in Mumbai, from 46.67 at the end of last week, according to data compiled by Bloomberg. It earlier touched a one-week high of 46.60. Taiwan's dollar rose 0.3 percent to NT\$32.04, after appreciating on all but one of the last six trading days. The Asia Dollar Index was little changed near a three-week high.

The MSCI Asia-Pacific Index of shares added 0.1 percent to 116.31, headed for its best close since June 24.

'Really Strong'

China's exports surged 43.9 percent from a year earlier in June to \$137.4 billion and the trade surplus more than doubled to \$20 billion, the most in eight months, according to data released July 10. The Bank of Korea today raised its 2010 economic growth forecast to 5.9 percent, from an April projection of 5.2 percent, and doubled its prediction for this year's current-account surplus to \$21 billion.

"Fundamentals are really strong and that's a positive," said Hur Sang Hoon, a currency analyst at Korea Exchange Bank. "That's led to higher interest rates, which will attract capital flows looking to take advantage of higher yields."

Taiwan's dollar rose for a third day on speculation that the island's economic recovery and a trade accord with China will attract overseas funds. Gross domestic product may expand as much as 8 percent this year, the Ministry of Economic Affairs Affairs said July 8, more than the 6.14 percent predicted by the statistics bureau in May.

"The Taiwan dollar doesn't have room to depreciate," said Tommy Huang, a fixed-income trader at Taiwan International Securities Corp. in Taipei. "The economy is doing well, and some funds from overseas are being parked in short-term debt."

Yuan Pressure

Twelve-month Chinese yuan forwards rose for a third day to 6.6569 per dollar, reflecting bets the currency will strengthen 1.7 percent from the spot rate of 6.7717. The U.S. government stopped short of branding China a currency manipulator on July 8 and said the yuan "remains undervalued" after the nation relaxed a two-year peg of about 6.83 per dollar on June 19.

"China's trade number was pretty positive and there might be a bit of pressure from Washington for the yuan to appreciate at a faster pace," Jackson of Royal Bank of Canada said. Yuan forwards "should see a bit of that" appreciation pressure this week, he added.

Malaysia's ringgit was little changed at 3.1990 per dollar, after strengthening on all but one of the last six trading days. Traders speculated that the central bank will stop raising interest rates after three increases this year. The country doesn't want excessive currency volatility, Bank Negara Malaysia Assistant Governor Sukhdave Singh said on July 9.

"The appreciation of the ringgit from here should be limited as borrowing costs may not increase further," said Minori Uchida, senior analyst in Tokyo at Bank of Tokyo- Mitsubishi UFJ Ltd. "Resistance to a stronger ringgit is relatively weak in Malaysia's case, but they don't like big fluctuations. Any sharp gain may fuel concern of intervention."

Elsewhere, Indonesia's rupiah slipped 0.1 percent to 9,050 per dollar and Singapore's dollar fell 0.2 percent to S\$1.3806. South Korea's won declined 0.3 percent to 1,199.30, after touching a two-week high of 1,193.75.

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