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Asia Currencies Complete Best January Since 2006 on Fund Inflows
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By Yumi Teso

Jan. 31 (Bloomberg) -- Asian currencies had the best start to a year since 2006 after investors poured money into the region to take advantage of higher interest rates and a faster pace of economic growth than in developed nations.

Five-year benchmark bonds in Taiwan, Thailand and South Korea yielded 0.94 percent, 3.07 percent and 3.49 percent, respectively, compared with 0.74 percent for similar-maturity Treasuries. Malaysia's central bank will probably leave borrowing costs at 3 percent later today, according to all 15 economists surveyed by Bloomberg, more than the near-zero rates available in the U.S.

"Funds are flowing into stocks and bonds amid some improvement in liquidity," said Shigehisa Shiroki, chief trader on the Asian and emerging-markets team at Mizuho Corporate Bank Ltd. in Tokyo. "There's yield advantage as the Federal Reserve is likely to keep its rate near zero for a while."

The Bloomberg-JPMorgan Asia Dollar Index, which tracks the region's 10 most-active currencies excluding the yen, climbed
1.8 percent this month to 117.23 as of 4:22 p.m. in Hong Kong.
India's rupee jumped 7.2 percent in January to 49.4788 per dollar, leading gains in the region, and South Korea's won rose
2.6 percent to 1,123.26, according to data compiled by Bloomberg.

Overseas investors purchased $9.1 billion more South Korean, Indian and Taiwanese equities than they sold this month, according to exchange data.

IMF Outlook

The Fed signaled last week it will keep interest rates near zero through late 2014. That compares with benchmark rates of
8.5 percent in India and 6 percent in Indonesia.

Foreign funds boosted holdings of Indonesia's government debt by 7.6 trillion rupiah ($844 million) to 230.4 trillion rupiah this month through Jan. 27, a four-month high, after Southeast Asia's largest economy won an investment-grade rating of Baa3 from Moody's Investors Service on Jan. 18.

Developing Asia may expand 7.3 percent this year, compared with 1.8 percent in the U.S. and a contraction of 0.5 percent in the euro area, according to estimates by the International Monetary Fund on Jan. 24.

Malaysia's ringgit advanced 4.2 percent in January to
3.0465 per dollar, the best month in almost two years. The central bank said yesterday it would relax rules on interest- rate derivatives, debt and foreign-exchange trading.

"The decision to further liberalize the foreign-exchange market is positive for the currency," said Enrico Tanuwidjaja, a senior currency analyst in Singapore at Malayan Banking Bhd.
"Foreign interest in Malaysian assets is quite healthy."

China Manufacturing

The yuan had a monthly decline on speculation China will limit gains to protect exporters as global economic growth falters. The currency fell 0.23 percent to 6.3085 per dollar in Shanghai, according to the China Foreign Exchange Trade System.

China is scheduled to release a manufacturing purchasing managers' index for January tomorrow. Economists surveyed by Bloomberg estimate the gauge will be at 49.6, compared with 50.3 in December. Fifty is the dividing line between contraction and expansion. People's Bank of China adviser Li Daokui said there are signs the yuan is near its equilibrium level, Xinhua News Agency reported last week.

"Investors are worried about China's export outlook as the European debt crisis lingers," said Banny Lam, a Hong Kong- based economist at CCB International Securities Ltd., a unit of China's second-largest bank. "Possible capital outflows also add to the concern."

Elsewhere, the Philippine peso appreciated 2.3 percent this month to 42.875 per dollar, Thailand's baht climbed 2.1 percent to 30.92 and Indonesia's rupiah rose 0.7 percent to 9,008. Taiwan's dollar strengthened 2.3 percent to NT$29.62.

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