Korea Won Falls Most in Two Months on U.S. Budget Concern

By Jiyeun Lee

South Korea’s won weakened the most in almost two months as investors awaited President Barack Obama’s meeting today with lawmakers to gauge progress on the U.S. budget deadlock. Government bonds were little changed.

The U.S. presidential elections this month set up a budget showdown, pushing the nation closer to a so-called fiscal cliff of $607 billion in spending cuts and tax increases that threaten to hurt the world’s biggest economy. The Kospi (KOSPI) stock index fell 0.5 percent today to close at the lowest level since Aug. 3. Global funds sold $454 million more local shares than they bought this week through yesterday, exchange data show.

The won fell 0.5 percent to 1,092.23 per dollar in Seoul, according to data compiled by Bloomberg. The currency touched 1,092.38 earlier, the weakest since Nov. 9. It declined 0.4 percent for the week, the biggest drop since the five days ending July 13.

“The U.S. fiscal cliff is a continuous concern in the currency market, triggering stock declines and a weakening of the won,” said Jeon Seung Ji, a Seoul-based currency analyst for Samsung Future inc.

One-month implied volatility for the won, a measure of exchange-rate swings used to price options, rose 17 basis points, or 0.17 percentage point, to 5.57 percent.

Earlier this week, “losses in the won were limited despite declines in the Kospi index and ongoing fiscal-cliff concerns because of exporters selling the greenback,” said Kim Dong Young, a Seoul-based currency dealer at Industrial Bank of Korea.

The yield on the governmentcurrent’s 2.75 percent bonds due September 2017 was steady at 2.84 percent today, Korea Exchange Inc. prices show. The one-year interest-rate swap was unchanged at 2.77 percent.