

Emerging Markets Currencies - the traders' views (14-April-2017)

Please find below views on Emerging Markets FX directly from our traders. The views include short-term (2wk), intermediate (3mth) and long-term (12mth) outlook on EM FX.

| EM | Macroeconomic/Fundamental Analysis | Views (Bearish/Bullish) 2 week Time Frame | Intermediate & Long-term Views (3mth & 12mth Time Frame) |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------|
| SGD | USDAsia reversed most of the move higher last week as the market struggled to find a dominant theme. Given a strong weekly US dollar close last week, price action this week did not encourage us to join USD bull ride yet. With the long weekend coming up, and many event risks looming, it's one of those days where we prefer to avoid the uncertainty and only react when directions are clearer. In Singapore, MAS maintained a zero appreciation path of SGD, keeping the width and center of the currency band as expected. Even if MAS appears a little dovish, we don't think SGD will underperform other high yielding EM currency in the near term. | Neutral 1.4000 | Bearish 1.4200 |
| INR | We have a feeling that we are about to experience a short squeeze in USDINR soon. The market has finally found a base at 64.20 after a continuous period of interest from real money accounts over the last couple months pushed Rupee up (dollar down) more than 3 Rupee. Meanwhile, many players appear convinced that INR will outperform the rest of Asia this year, so they have been trying to latch onto the move lower USD/INR. We also bullish INR as per our previous commentaries, but the market is a bit too one sided for our liking now, thus we prefer to be patient and re-establish long INR positions again between 65.30 - 65.70. | Bearish 65.30 | Neutral 64.00 |
| CNH | After President Xi's visit to the white house, we noticed that the CNY fixing was consistently lower than where the model was predicting. It may be a coincidence, but it confirms our theory that China wants stability and will avoid weakening the currency each time the USD index strengthens. While we like a carry position in China because and we don't think there will be any near term shock to the currency, we prefer to pay CNH rates (long CNH curve via deliverable forwards) than being short USDCNH outright. To us, stability does not mean that the PBOC plan to flush liquidity in the front end of the curve and strengthen the RMB, rather it probably prefers to slowly weaken the RMB. Therefore, they will continue to monitor liquidity actively and are prepared to react when things get out of hand, i.e. draining liquidity when USDCNH is going higher. | Bearish 7.0000 | Bearish 7.2000 |
| KRW | With generally poor risk sentiment and the KOSPI retracing from recent highs, USDKRW could attract some buyers. However, we do not think that the overall trend has changed just yet. Even if the 200DMA was briefly broken at 1143.50, we would look to sell USDKRW at 1160. The main driver of USDKRW is still foreign fund flows, which will closely track the KOSPI performance, so as long as the market is flush with liquidity and asset prices continue to move higher, USDKRW will find it difficult to move much higher. Even when we get all the headlines on North Korea this week, USDKRW didn't move like it wanted to go higher, | Bearish 1155 | Neutral 1120 |

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