

Emerging Markets Currencies - the traders' views (28-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	A mixed week for Asian currencies as the market appears to favour reduced risk positioning heading into the summer. We would rather be holders of USD in such a period of uncertainty. On a technical basis the USDSGD levels of 1.3900 and 1.3950 are important. If this breaks on the upside we could see it head towards 1.4200. In terms of the NEER, the 0.2% to 0.7% range still holds, and this should remain the case in the near term.	Neutral 1.4000	Bearish 1.4200
INR	National banks came in to support USD/INR at 64.10 down to 64.00 this past week. So we believe it's wise to take some of the long INR back here. We are still bullish INR overall, but a bounce to 65.20 and 65.50 seems possible in the near term. Last week March WPI was released which rose at a slower pace than had been forecast at 5.70% y/y vs a 6% consensus. Food prices however rose more than anticipated, and a warm summer could push this further. However while the RBI said it was keeping a close eye on the numbers we don't expect a change in its current monetary stance. So keep buying INR on any weakness and enjoy the carry.	Bearish 65.30	Neutral 64.00
CNH	CNH liquidity has begun to tighten with t/n trading above 10 FX pips per day. This is because of reduced onshore funding, thus we have started to see people moving cash from offshore to onshore via the outright. 1mth USD/CNH spiked to 270 before some sellers returned. Seasonality wise, summer has never been a good period to be short CNH or CNY cash, so being paid CNH curve isn't such a bad idea. Not much going on in the spot market with 6.9000 still holding despite building pressure.	Bearish 7.0000	Bearish 7.2000
KRW	The local market appears to be getting slightly more nervous over the situation with North Korea. Although we feel in general that it is still under-pricing the chances of this escalating into something worse. We will be watching the 1140 level in USDKRW, and if it closes above this on a weekly basis, we will likely see a shift higher towards 1155. Of course one can argue that South Korea's economic data has been strong and country remains in pretty good health, but right now regional geo-politics is heating up and thus investors are likely to become a bit more cautious until there is a clear easing in tensions.	Bearish 1155	Neutral 1120
EGP	Another quiet week in Egypt without any important and market-moving news. NDF fixings were steady around 18.05-18.10. We did see an increase in customer linked flows in the NDF market as there is pressure on the bid side and the 1-3 month tenors are well offered. Seasonally May is a very poor month for EM currencies and thus it is hard to see EGP strengthening next month but after that we continue to advocate the trade where investors buy local-currency Tbills and either hedge the FX risk with NDFs or stay unhedged as yields are very attractive at 18-19%. We expect that the spot market will trade lower towards 15-16 EGP per 1 USD in the near future.	Neutral to bullish 17.50-18.25	Neutral to bullish 15.50-18.50
NGN	The big news this week was the introduction of another new FX window for exporters and investors and a new fixing index called NAFEX as opposed to the current NIFEX. In our view this is a form of covert devaluation. This new exchange rate is to be open to all types of customers/participants who need to repay loans, repatriate profits, etc. The idea the CBN has is that foreign portfolio investors will sell USD at the new rate which is presently around 375-380 supported by export dollar flows. The CBN continues to intervene relatively heavily through its FX auctions trying to supply more liquidity to various types of market players. At the moment they sell about \$200mio per week altogether. The 'black market' exchange rate is holding around NGN 380-385. Our trade recommendation of being long USD in 6-12 month tenors has done well as the NDF curve moved substantially higher across all tenors. The market is discounting that eventually in a few month time the NIFEX rate of 320 will drift towards the NAFEX rate of 380.	Neutral 315-325	Bearish 400+
ZAR	As with other EM currencies the rand started the week on a more upbeat note after the French presidential election results did not produce a negative surprise. However all the gains were lost during the rest of the week as the US dollar regained strength. As we mentioned previously May is seasonally a very poor month for ZAR. Right now we favour to be short ZAR versus GBP with stop-loss at 16.50 and target a move above 18.00.	Neutral to bearish 13.00-14.00	Bearish 13.50-15.00

NBAD Global Markets FX team

G10 FX Spot

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

EM FX Spot

Danay Sarypbekov

Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan

Pinrath.Wongtrangan@nbad.com

Tel: 00971 2611 0111

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