

EM FX - The Traders' Views

Please find below views on Emerging Markets FX directly from our traders.

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
SGD	<p>After the MAS decision last Friday, the market suddenly became becalmed. Most activity this past week was on the IRS side as 1mth FX swap squeezed higher, and that in turn lent some support to the short-dated IRS. As we mentioned in our previous commentary the price action following the MAS meeting convinced us that both USDSGD and SGD rates should head higher, but only the latter has headed in that direction thus far. Overall however our medium to longer term view on USDSGD has not changed, i.e. moving below 1.3000, but given how bid USD has been recently, heavy short USD positioning will have to be washed out first before this trend resumes.</p>	Bearish 1.3000	Bearish 1.3000
INR	<p>As WTI approaches \$70, and US yields head higher on the back of inflation expectations, the pressure is on the INR. Even surplus currencies like CNH, KRW, TWD, and THB are currently facing some consolidation because of shift in commodities. Another negative issue that is unique to INR, is the over positioning aspect (INR witnessed the biggest inflows in 2017), so one can anticipate further unwinding. We still like the short INR/IDR trade in the current environment. The domestic environment is not so bright either. The RBI is still hawkish, seeing risk toward the upside because of higher commodity prices, and in general, looks to prefer a weaker INR for now.</p>	Bullish 66.50	Bullish 67.00

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CNH	<p>This past week the PBOC surprised everybody with a RRR cut, while the rest of the world is talking about policy tightening. In number terms, the RRR was lowered to 16% for big banks and 14% for mid and small banks from 17% and 15% respectively. The market expects about 1.3 trillion of new liquidity into the banking system, but a large part of this will be used to pay off 900billion from the medium-term lending facility. PBOC specifically asked the banks to use the new funding mechanism for lending to small businesses. This shows that the purpose of this cut is to give SMEs greater access to capital and clamp down on the shadow banking.</p>	Bearish 6.2500	Neutral 6.4000
KRW	<p>We as with most of the market have been bearish USDKRW since the beginning of the year as the global growth story gained momentum. But the price action in USDKRW since the start of 2018 has been counterintuitive. USDKRW has tested 1060 four times this year, but failed to break lower. With the apparent multitude of shorts about we see some potential risk reward in being long USDKRW at 1065 for a squeeze up towards the 1085 target zone with a stop below 1056.</p>	Bullish 1075	Bearish 1050
EGP	<p>USD/EGP spot ranged between 17.65-17.75 this past week. The government announced that its petroleum subsidy bill will be cut by 26% and electricity subsidy costs by 47% in the new fiscal year that begins in July, (although food aid to the poor will increase slightly). The aim is to limit the public spending deficit to 8.4% of GDP and achieve the economic growth target of 5.8%. Yields of 6-mth & 12-mth T-bills are holding at what in our view are still elevated levels of around 17.50% and 16.85% as of the latest auction. The next central bank meeting is on the 17th of May and in our opinion the CB will likely reduce its benchmark rate by another 100 bps to 15.75%. Therefore we prefer to be long 6-12 mths T-bills and think that the exchange rate will continue to range trade in the months to come.</p>	Neutral USDEGP 17.65-17.75	Neutral 17.25-18.50
NGN	<p>The NIFEX and NAFEX fixing rates printed levels of 337 and 360 respectively during the past week. Nigeria's economic growth is slowly picking up and the IMF expects GDP to expand by close to 2% in 2018 in comparison to the 0.8% recorded in 2017 and the 1.7% contraction in 2016. Obviously rising oil prices are the prime driver of this improving sentiment and this time around the government is accumulating the oil proceeds directly into the CB's FX reserves (now at a new post-recession record high of \$47billion). Both the NDF and the T-bills markets were stable this past week with little change compared to the previous period.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365

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ZAR	<p>The lack of Trump tweets or new trade measures taken versus China or Russia and the result has been a risk-on rally in both equities and EMFX. The Rand is benefiting from this improvement in the global sentiment and has gained further ground against the USD moving from 12.10 to 11.90. This is a modest move which reflects the fact that a lot of investors are still wary of possible adverse political developments. We think that in a big picture not much has changed and that the US administration will continue its adversarial trade rhetoric towards China and geopolitical risks could easily start to escalate again. Technically we see the current ZAR strength as a correction and expect USD/ZAR to head back above 12.00 in the weeks to come.</p>	<p>Neutral to bullish USDZAR 11.80-12.50</p>	<p>Neutral to bullish 12.75- 15.00</p>

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