

Emerging Markets Currencies - the traders' views (05-August-2016)

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	USD/SGD stalled in a tight range this week 1.3360 to 1.3440 after a big drop from 1.3530 before US GDP miss last Friday. I feel that the market has lightened up position this week ahead of payroll. High volatility during the last two NFP releases scared the market a bit. SGD continued to trade very rich at 1.5 to 1.6% against the NEER, so even if, technically, the pair looked very exposed on the downside, I would be cautious selling USDSGD at this level. Rather, I would buy USDSGD below the recent low of 1.3313. On the data front, Q2 GDP will be announced on 11 August. July's advance estimates had reflected 0.8% saar and 2.2% yoy.	Neutral 1.3700	Bearish 1.4000
INR	The biggest news coming out of India this week, which I considered one of the biggest news in months for India, were India's upper house of Parliament passed the GST tax unanimously. The tax reform has been considered by many as India's biggest tax reform since Independence. Now, India will have one tax rate for the whole nation, and there will be no different tax rate from state to state. This should promote growth, and attract more inflow into India. Market reacted very positively to this even if the market has already priced this in for the last couple months. Spot was trading heavily below 67.00, and a break of 66.70 would make the pair very exposed to the downside.	Bearish 68.00	Bearish 69.50
CNH	USD/CNH had come a long way from 6.7100 in a very short period of time. So, despite being a generally downward trend, CNY resumed weakening vs. CFET this week. Given such indicator, I don't believe that there's much room for both CNH/CNY to strengthen. 6.6400 should be a support while resistance will come in at 6.6600. On the DF side, a lot of stops went through this well as points collapsed. 1y went down to trade below 1100, with Chinese names seen on the offer. I suspect they are doing onshore/offer arbitrage. This pattern is similar to the SDR window dressing period we have seen earlier in the year. With no firming of China trade flows and with further headline deceleration of CPI, it's likely that PBOC will cut more RRR rate.	Bearish 6.7000	Bearish 6.7000
MYR	USD/MYR has been well contained this week. Volatility has been relatively low. I have seen a bit of TP flow on the bond after a surprised cut by BNM, and some FX hedging which kept spot well bid. A support of 4.0200 should hold until the NFP number. On the data front, trade surplus printed at 5.52bio, which a little less than expected of 6bio, but it was still a strong number overall compared to June's 3.3bio. Import rose 8.3% yoy, and import also rose 3.4% yoy. The wider trade surplus explained in part the MYR's gain of 2.8% in June despite the Brexit referendum. The Indonesia- Malaysian bilateral agreement signed this week for access and operational flexibility between their banks for both conventional and Islamic banking should be positive for both countries. On the political front, the differences within the opposition continue to be evident in open glare to the benefit to the political leadership. An intended Bersih rally on 29 July did not materialized due to internal splits. This will strengthen Najib's power and the government's position. I'm not so bullish Malaysia as how the data showed, but given continuous inflow, spot should range from 4.0000 to 4.2000.	Neutral 4.0000	Bearish 4.2000
KRW	I seriously think that USDKRW has been oversold. Momentum Chaser continue to sell the pair as it recently broke a new low. One of the explanations is the net foreign equity purchases remain positive MTD although KOSPI is down. Chart wise, USD/KRW still looks very vulnerable, having broken both 50 and 200 DMA, but as I mentioned it definitely looked oversold. Meanwhile, MOF/MOSF was wary of the downside, with press speculation BOK could have intervened ahead of 1100 key psychological level. Data hasn't been so positive for Korea either, household lending figures were poor, and that gave BOK a tight hand to their pace of rate cut.	Neutral 1120	Bearish 1200

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EGP	<p>No change in the official exchange rate in EGP 8.78-8.88 even though there were big expectations from some local and international players. The IMF negotiations and discussions are under way and so far little details have been announced but the broad outlines include the VAT introduction in the 2016/2017 fiscal year, partial privatisations of govt owned companies (20-30% stakes to be sold through IPOs), subsidy reforms, more flexibility in the FX regime.</p> <p>We think the CBE will not float the pound for the reasons we mentioned previously that it is too politically risky for inflation spikes might cause social unrest in Egypt as situation is already tense there. Our base case view is for the CBE to gradually devalue the pound to the new range of 10-11.00 (i.e. between 13-23% change) within the next 12 months. In the process the CBE will need to clear the backlog demand for dollars. After that in mid-2017 we expect the CBE will float the local currency. If anything in terms of the timing we think that these changes would happen later rather than sooner.</p>	Neutral 8.78	Neutral to bearish 10.00 – 11.00
NGN	<p>The interbank market this week was stable trading around 315-320. The big news was that the CBN is trying to clamp down on the BDC market and direct the flows towards the interbank market which so far resulted in the parallel market rate jumping to NGN 400 per USD. It feels like a step backwards after the central bank allowed more flexibility in the FX market.</p> <p>In the meantime the government is trying to change its tack with the Niger Delta rebels and declared that the security payments will be reinstated to prevent the attacks on oil installations/infrastructure. The Nigerian oil production is estimated to have declined to 1.3-1.4mln bpd.</p>	Bearish 320-350	Bullish 300 - 320
ZAR	<p>The rand is having its moment in the sun and is a clear outperformer in the EM space. This week's municipal elections led to the worst performance of the ANC party since the fall of apartheid and the Democratic Alliance party which is business-oriented is leading in key cities around South Africa such as Cape Town, Johannesburg and Pretoria. These news are taken positively by investors and combined with the hunger for yield resulted in more gains for ZAR which is now trading around 13.70. We remain of the view that the rand has moved too far too fast and expect to see a correction. Potentially the US NFP report today could be the catalyst.</p>	Bearish 14.50-15.00	Bearish 15.00-16.50

NBAD Global Markets FX team

G10 FX Spot

Phil Muldoon
Phil.Muldoon@nbad.com

Nourah Al Zahmi
Nourah.Alzahmi@nbad.com

Tel: 00971 2611 0111

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Danay Sarypbekov
Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan
Pinrath.Wongtrangan@nbad.com