

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	A pretty 'whipsaw' currency market for most of USDAsia this past week, underlining the participants uncertainty. Political noises in the US and a dovish FED should have sent the USD lower but a risk off environment as well as some re-positioning prevented the greenback from doing so. Our take on this is that we are in a corrective path of USD weakness and equity strength, thus the trend is not so obvious. With regards to USDSGD, the pair is stuck at the trendline resistance between 1.3600 and 1.3700, but it feels like it wants to move higher. We thus see 1.3800 over the next couple weeks but will prefer to fade into such a move.	Bullish 1.3800	Bullish 1.4200
INR	The Rupee took a knock over the last two weeks primarily because of the resurgence in tensions between the US and North Korea. The move was reasonably sharp relative to other USDAsians because, again, long INR positioning is currently heavier than others. We remain bullish on the overall India story, but as we have mentioned before perhaps the only way for INR to strengthen further in the near-term is to see a further squeeze on the USD shorts. We thus see USDINR moving towards 64.50 and 65.00. On the data front, the latest inflation reading in July was higher than expected at 2.36% yoy from June's revised 1.46%. This was due to softer levels of yoy contraction in food prices. We don't expect to see another cut in October anyways, but December cut is still likely.	Bullish 64.50	Bullish 65.50
CNH	USDCNH again had its own dynamics this past week. When the trend of CNY appreciation began to hit full stream, the PBOC began to fix USDCNY higher in order to slow this pace but with a heavier hand...	Bullish 6.75	Bearish 6.60

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CNH	...than the market was expecting. Meanwhile Commercial market activity suggests exporter flows outweigh those by importers at this stage. On the DF side, cash is still flushed with t/n trading sub +1 ppd. Even if there were some profit taking on USDCNH outright, pushing the 1y higher and the curve steeper, the short end is still anchored by low funding.	Bullish 6.75	Bearish 6.60
KRW	As the headlines over N Korea eased, USDKRW entered a range. However, we saw decent volumes going through on both sides of corporate hedging activity. Although there remains some upside bias because of unresolved issues surrounding NK, we feel this is limited. The market has already priced in the fact that the issue will not be resolved anytime soon. The driver of USDKRW will thus return to equity flows, so if we start seeing custodian names buying USD, only then will we be more convinced that there's an upside bias to USDKRW. Otherwise, we are a seller of USD towards 1150 in the near term.	Neutral 1140	Bullish 1160
EGP	USDEGP remained stable between 17.75-17.85 this past week. The Central Bank of Egypt held its policy meeting on Thursday and left interest rates unchanged stating that the expected path of inflation is towards their forecast of 13% (+/-3%). The yield on Tbills increased in the latest auction of 6-mth and 12-mth paper printing yields of just above 19%. We think that the CBE wants to see the exchange rate as stable in the medium term because a sharp appreciation of the pound will lead to this 'hot' money leaving the country on profit-taking depleting the FX reserves in the process. We are still look to short USD long EGP through NDFs but in tenors up to 3 month especially on spikes in prices or short USD in the spot market through the repatriation mechanism of the CBE coupled with the purchase of Tbills.	Neutral to bearish USD/EGP 17.70-17.85	Neutral to bearish 17.00-18.00
NGN	The NIFEX fixing after dipping early this week continued to move higher and has touched 327.90 so far. The NAFEX meanwhile is still trading around 365. We continue to believe that convergence is already under way between the NIFEX and NAFEX fixings. The open question is on how much time it will take to complete the process, but we anticipate that the two fixings will converge within the next 3-6 months. In terms of local news there was a report of the big infrastructure push being made on railways construction with headline value of \$41bln which is financed and implemented by the Chinese. The plan is to upgrade the rail-track where it exists and build new lines connecting the key economic areas of the country to boost exports and domestic production. The NDF market based on NIFEX is slowly moving higher. Our view is that the risk-reward is supportive of being long USD vs NGN in longer-dated NDFs 6-12 month outright at current levels in both the NIFEX and NAFEX curves.	Neutral USD/NGN 325-335	Neutral to bullish 365-385

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ZAR	<p>This was a good past week for the rand as made an attempt at USD/ZAR low of the previous week at 13.10 albeit a failed one so far. The dollar was trading on the backfoot in general and this helped the rand strength but it also looks like a political challenge to the central bank independence has failed and no legislative changes will be made towards the mandate of the SARB. We remain bearish on USDZAR in the near-term as it feels that short USD positions have not been yet fully flushed out both in the Rand and EMFX markets generally.</p>	Bullish USD/ZAR 13.25-14.00	Neutral 12.50-14.00

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