

## EM FX & Rates - 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>USDSGD range traded within 40 pips tracking the DXY's subdued moves for the past week. The most interesting part for SGD was the strong buying interest via onshore FX swaps which in turn spiked short end funding rates. 6m FX swap got paid from -32 to -24 in 5 days. This suggests that some outflows on USDSGD spot have gradually begun ahead of the Sept FOMC &amp; Jackson Hole meetings. SGDNEER continues to trade 40 bps stronger than the mid band. We expect there could be more unwinds coming up if USD strengthens with more hawkish statements from Fed officials as the positioning for a rate hike later year is currently on the low side.</p>	Bullish 1.3800	Bullish 1.4200
INR	<p>A slow past week for USDINR with Spot stuck within a tight range of 0.2%. Carry play remains the core theme for now as inflation remains subdued, and the market still loves holding onto INR bonds for both FX and rates carry. We believe the next move in USDINR could be triggered by the USD during Sep FOMC, whether Fed shows a more hawkish than expected tone along with balance sheet reduction.</p>	Neutral 64.50	Neutral 64.50
CNH	<p>USDCNH spot traded lower this past week as the DXY weakened and USDCNY fixing made new lows for the year. The market is turning to CNH bullish given the aggressive push by Chinese officials to stop capital outflows, particularly on the M&amp;A side. However, FX swaps have started to see some buyers in the long end as 1y USDCNH outright forward heads towards the 6.8000 level. We still remain a constructive view in China ahead of 19th NPC in November, along with SHCOMP equity index breaking the key 3300 resistance level should be CNY/CNH positive.</p>	Bearish 6.6000	Neutral 6.7000

25 August 2017

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KRW	With the North Korea / US tension slowly being put to one side by the market, USDKRW dipped lower this week led by selling interest from exporters and custodian flows. USDKRW spot touched a low of 1126.00 as KOSPI climbed higher. Bonds have also seen some buying, interest particularly in the short end, as the market expects the Bank of Korea to keep its policy rate unchanged next week at 1.25%. With the technology sector globally continuing to perform well along with fiscal stimulus coming up, we maintain our neutral stance in USDKRW expecting a range of 1120-1140.	Neutral 1140	Bullish 1160
EGP	A quiet past week in the Egyptian market with little in terms of news and economic releases, although USDEGP gradually moved lower to 17.70-17.80. The Central Bank of Egypt placed T-bills in the latest auction of 6-mth and 12-mth at unchanged yields of just above 19%. We think that it wants to see the exchange rate as stable in the medium term because a sharp appreciation of the pound may lead to the hot money leaving the country on profit-taking depleting the FX reserves in the process. We still think that it is good to stay 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 is making two steps forward and one step back as it continues to rise generally but dips for a day or two during the same process. On Thursday it has fixed at 328.12 which is almost 1 big figure higher from the previous week. However, NAFEX went the opposite direction around 360 which is a bit counterintuitive considering that the black-market rate has increased to 370 in the last few days. It is said locally that the demand for USD has increased due to seasonal factors of Hajj and back-to-school as well as the improvement in economic activity overall. In any case we maintain the view that the convergence is already under way between the NIFEX and NAFEX fixings which should take about 3-6 months. The President Buhari came back from the UK where he was on a prolonged medical leave and this should allay some fears of political instability in Nigeria. The NDF market range traded throughout the week without any new catalysts to propel it in either direction. 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
ZAR	It feels that most players are on holiday and thus no one really has a strong view. The range of highs and lows for the rand this week is less than 1%, 13.15 and 13.27. This subdued activity was driven by the lack of news domestically as well as internationally which could change starting from the next week. There may be some volatility based on any comments from the...	Bullish USD/ZAR 13.15-13.75	Neutral 12.50-14.00

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ZAR	...heads of G7 central banks who gather at Jackson Hole to discuss the monetary policy and other issues. Overall we remain bearish on USDZAR and it still feels that short USD positions have not been yet fully flushed out in the rand and EMFX generally.	Bullish USD/ZAR 13.15-13.75	Neutral 12.50-14.00

### GCC FX Commentary

SAR	The Saudi market saw a successful Sukuk issuance where SAR 13 billion in total was sold in the tenors of 5y ,7y and 10y with average rates around 2.7%, 3.15% and 3.50% respectively. The issuance was said to be oversubscribed by around SAR 38 billion. Meanwhile the FX market tightened a little this past week and we expect this climate to continue until after Eid. Significant amounts were transacted between the 1W and 3M dates to cover the liquidity gap. Given the fact that Brent is holding above +50 and the compliance rate of the output cut came in at better levels the longer FX swap tenors (2Y to 3Y) edged lower again.
BHD	The BHD market liquidity remains tight and a recent IMF report suggesting that Bahrain should put the interest rate higher triggered FX hedging demand from 1W to 1Y. The pressure on spot also mounted and day to day funding was tricky so USD.BHD dipped by 10-12 pips.
KWD	The FX swap market saw some hedging activity taking place in the longer end of the curve this past week with regional and international names seen paying in tenors between 3M and 2Y. The local market meanwhile remains extremely liquid and Kuwaiti names remain on the offer side in the short-end of the curve up to the 2 months tenor.
OMR	The curve shifted significantly to the left as we hear some flows hit the market in the outright space in tenors between 3m to 9m.
QAR	The focus remains on spot USD/QAR and media reports suggesting that the CB had asked local banks to try and raise foreign currency elsewhere and claims that Qatar had lost more than 7.9% of their foreign funding pushed offshore USD/QAR 50-75 pips higher this past week.

### GCC Rates Commentary

AED & SAR	Both AED – 3M Eibor and SAR 3M Saibor are relatively unchanged while market spreads have shifted slightly to the left compared to 2 weeks ago.
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