

## 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>USDAsia continued to make their way lower as the DXY kept pushing for new lows. But, we feel that there are many ongoing stories playing out right now for each Asian currency such that they present trading opportunities in Asian crosses. For example, RBI rate cut present investors opportunity to add on to long INR asset, while a new tax reform plan in Korea should provide some volatility in KRW market. Overall, instead of playing long or short USDAsia, it's worth looking at relative values in Asian cross in the next 1-2 months. We still like to be long INR and IDR more than CNH, KRW, SGD or TWD. On the USDSGD, it's still trading on the strong side of the NEER at +0.65%. We see that we are about to see a relieved rally in the USD, so with the SGD already being so rich against the NEER, it will not be such a good idea to chase the USDSGD lower at this level.</p>	Bullish 1.3800	Bullish 1.4200
INR	<p>As expected, the RBI cut the policy repo rate by 25bps to 6%, and continue to its "neutral" and wait and see stance. It still reiterated its commitment to the 4% inflation target, and kept the forecast that inflation will likely be in the 4% ballpark. What is different this time around than the previous meeting was that the market finally got it right! To us, this is a dovish cut, where RBI didn't signal that it will continue this easing cycle. In addition, the RBI expect the downward trend in headline inflation to reverse. With such wording, we will not try to chase INR at this level, but willing to hold on to our existing long INR view. The FX impact on USDINR actually happened before the announcement...</p>	Neutral 63.50	Bullish 65.50

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INR	...because RBI stepped out from buying USDINR. As a result, USDINR rallied by 0.8%, which is its biggest gain in a day. Again, we don't see USDINR dropping quickly because market is already short USD, and that RBI will look to step in at any level. Our first initial target of USDINR has reached at 63.50.	Neutral 63.50	Bullish 65.50
CNH	Our view on USDCNH is quite opposite of market consensus view. While most people do not believe in CNH depreciation story anymore and look to sell USDCNH on spike, we feel that USDCNH will correct back to 6.80 in the next 1-2 months. On the one hand, as PBOC keep fixing CNY stronger every day (at 6.7132 which is the strongest level this year) most banks are calling for USDCNH to break below 6.70. One main reason is that authorities are under a new set of directives to bring USDCNY down as soon as possible before the Party Congress in order fight capital outflow. We don't read the PBOC intention this way. On the other hand, we see that the PBOC wants stability before the Party Congress in November, so they will try to keep USDCNY as stable as possible, and thus, USDCNY will trade in range, rather than a trending market. Therefore, since USDCNY/CNH has moved a long way lower from 6.90 to 6.70, it will have to find a way back up to 6.80, if how we read the authorities are correct.	Bullish 6.80	Bullish 6.80
KRW	Thanks to the new tax reform announcement in Korea so that we saw USDKRW spiked back up to 1130, which is where we called our short term target to be. The reform increased corporate tax rate for the first time since 1991 in order to fund a higher minimum wage. Market views this as negative and thus the KOSPI dropped almost 2%. This structural change will be considered as negative by foreign investors and thus we expect some rotation out of Korean equities because of it. However, because the trend of higher KOSPI and lower USDKRW is so strong, we cannot call for a top and bottom of KOSPI and USDKRW respectively yet. Rather, we would only be tactically long USDKRW on dip and be very discipline with tight stops and take profit level.	Neutral 1130	Bullish 1160
EGP	The USDEGP pair grinded its way lower towards 17.75-17.85 this week. The move was facilitated by the central bank announcement that the FX reserves hit \$36bln as of the end of July. There are two key factors that boosted the reserves: (1) the IMF installment of \$1.25bln; (2) the dollar purchases of the portfolio investments into Tbills through the repatriation mechanism. It was reported this week that the foreign holdings of the Egyptian govt debt now exceeds \$14bln. It is interesting to note that in the last two weeks the yields on Tbills have declined considerably from the highs at mid-21% to around 19.5%. As we said previously, once the central bank hits its target on FX reserves, assuming that the target is around \$36bln, they will start the interest-rate easing cycle which will also be timed to a peak in inflation. So we...	Neutral to bearish USD/EGP 17.75-17.90	Neutral to bearish 17.00-18.00

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EGP	...remain short USD long EGP through NDFs 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 17.75-17.90	Neutral to bearish 17.00-18.00
NGN	The NIFEX fixing remains stuck at 325 and the NAFEX is around 365. The big news this week is that most local banks are now switching to quoting the interbank bank exchange rate according to the NAFEX rather than the NIFEX which catapulted the rates to the 360-370 range from 325ish. So gradually the NIFEX rate is being abandoned and it seems the CBN is happy to see the convergence of the FX market at the NAFEX window in the next few months. The NDF market moved slightly higher on these developments. 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.	Neutral USD/NGN 315-325	Neutral to bullish 400+
ZAR	The weakening of the rand exceeded our expectations as it trades around 13.40 today but we got the direction right at least. The bias remains to the upside in the USDZAR rate for the next week unless the US employment data are significantly weaker than anticipated by the market. It is not only the rand but many other EM currencies that are lower versus the dollar in the past week. This is partly because it is slowly sinking in among investors that the G7 interest rates to go higher in the months to come, making carry trades less attractive and more volatile.	Bullish USD/ZAR 13.10-13.75	Neutral 12.50-14.00

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