

Emerging Markets Currencies - the traders' views (16-December-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	The dollar train already left and it kept going. If any late joiner who would to onboard the train, they would need to pay a not so cheap ticket. This was basically summed up the theme for the week. USD just took off after the FED's FOMC decision. While everybody expected a dovish hike, the FED surprised again, changing the dot plot from 2 to 3 hike in 2017. USDSGD is no exception. SGD actually underperformed other Asian because risk continue to rally, which helped the high beta and high yielding currency. I think SGD will break 1.4500 and should hover around 1.4500 until year end.	Neutral 1.4500	Neutral 1.4500
INR	I continue to see inflow into India this as the wave of optimism from demonetization continue to attract fresh money from real money, reallocating asset into India. Even if EM sold off everywhere, INR has been well capped, and it looked like market is add INR long against other Asian. However, my view on India is still the same. With the whole world adjusting to a new norm of inflation expectation, INR will sooner rather later be impacted by higher inflation. As an inflationary country, INR shouldn't be appreciating against USD in the long run.	Neutral 67.75	Bearish 70.00
CNH	This has been another interesting week for CNH. Because of tighter funding, USDCNH was traded heavily all week. There seemed to be persistent selling in USDCNH on any spike. I suspect this is more of a profit taking than PBOC trying to cap it from going higher. t/n was traded from 10 to +30 ppd, and it would be too expensive to be long USD. I still like USDCNH to go higher in the medium, but the long must be wiped out first before making another push higher.	Bearish 6.9500	Bearish 7.0000
MYR	MYR was the worst performer this week even if liquidity mostly disappeared by now. BNM continued to monitor onshore spot very closely and control the pace of MYR depreciation. I expect the maximum BNM will let MYR weaker per day is 200 pips or 0.5%. Given the strict control in place by BNM for speculators, BNM should be able to cap the market and prevent the history of 2015 to repeat when spot broke 3.8800 and their reserve was depleted significantly. All eyes will be on the next foreign reserve to see how much BNM has used to defend the currency.	Neutral 4.2000	Bearish 4.2500
KRW	If one were to ask me which is the best Asia currency to trade now, without a doubt, I would say USDKRW. Liquidity was great, and the new trend is just starting to develop. You can get in and out as often as you like and adjust your position accordingly. I saw a lot of profit taking in USDKRW pre FOMC as the uptrend is running out of steam. So, given that the FOMC is out of the way, USDKRW is the best pair to express long USDASIA view. KRW rates is very low to attract any investor, and with USDJPY continue to push higher, there's no reason for USDKRW to not follow suit. I'm still targeting 1250 high by end of Jan in USDKRW.	Bearish 1200	Neutral 1250
EGP	The interbank market is gradually pushing higher and has ended the week at 18.50-18.75. We still are bearish on EGP for the next 1-2 weeks as we see high risks that the spot will push above 20.00 but at the same time we believe that if and when the spot market spikes above 20.00, it will present a great EGP buying opportunity. We would expect it to be the last leg of the EGP weakening move for the next 12 months at least and the Egyptian pound should start regaining the lost ground after that. The inflation data is showing that November number was at 20.73% and it implies that the CBE will most likely need to hike interest rates again.	Bearish 18.00-25.00+	Neutral to bullish 15-16.00
NGN	The interbank market remained this week between 310-330. The parallel market rate remains elevated above 480. The government submitted a budget request to the parliament where the assumption on the oil price is \$42 pb and production is assumed at 2.2mio bpd. In reality the country is producing below 2mio bpd due to the attacks on the infrastructure but the oil price should be higher in 2017. Therefore the net result should be the same. Continued...	Neutral 315-325	Bullish 300 - 330

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NGN	The view is unchanged, we see value in going short NGN and long USD in 2-6 month tenors through NDFs to benefit from any weakening of the naira in the future as current levels in NDFs are attractive.	Neutral 315-325	Bullish 300 - 330
ZAR	The rand was under pressure like most other EMFX due to the dollar strength after the Fed announcement of possibly 3 instead of 2 rate hikes in 2017 in the US interest rates. We think that USD/ZAR remains a buy on dips currency pair as South Africa relies on foreign funding of its current account even though it has improved in the past year. The political situation can still create issues for the currency as Zuma is clinging to power.	Neutral to bearish 13.50- 14.50	Bullish 11.00-12.00

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