

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	USDSGD was somewhat more range bound overall following the FED hike, but feels a little heavy even with the later stronger than expected US retail sales number. Thus we still see USDSGD heading lower going into 2018, and the Asian growth outlook is positive. We also believe it's likely that the MAS will change the slope of the SGDNEER next year to appreciation trend in April next year.	Neutral 1.3550	Neutral 1.3550
INR	It was pretty much a one-way street for USDINR this past week. The pair dropped from 64.50 to 64.10 after the RBI maintained its benchmark rate at 6.00%. This was the second time the RBI has kept its policy rate unchanged after a cut in August, and this may signal the end of RBI easing cycle. However, what we feel is more significant was the higher than expected November CPI number which came out at 4.88%. This was above the RBI's forecast range of 4.2-4.6% in 2H17. We will thus keep an eye on inflation going forward to see if the higher oil price will cause it to expand further.	Neutral 64.00	Neutral 64.00
CNH	Unlike other USDAsian pairs, USDCNH has been quite supported post FOMC. USDCNY onshore spot refused to trade lower in part because the current level of 6.6000 is attracting USD demand from corporate entities. On the swap side, the market has been quite stable despite the fact that 1y traded above 1600 last week and closed above that level for the first time since June. Since then Chinese banks stepped in and pushed the tenor back down to below 1550. So considering such action, we expect the swap to remain range bound between 1550 1600 for the remainder of this year.	Neutral 6.6000	Neutral 6.6000

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KRW	Shorting USDKRW has been a pretty crowded trade over the last couple months, and it seems that the market is till reasonably happy to add this position. What's interesting though is that we have not seen exporters selling USDKRW below 1090 and may explain why USDKRW didn't dip sharply lower post FOMC. Overall however, tactically, USDKRW is still attractive to sell on rallies above 1090 for an eventual 1060 target.	Bullish (KRW) 1060	Bullish (KRW) 1060
EGP	During this past week the interbank market in USDEGP stabilized between 17.80-17.85. The key economic data meanwhile was inflation for November where core CPI came in at 26% y/y from 31% in the previous month. So now it all depends on how quickly inflation will continue to decrease going forward as this will set the pace for the central bank's interest rate easing cycle. The CBE's next MPC meeting is on the 28th of December and they could do a token cut of, around, 50 bps then but we believe more substantial interest reductions will begin in January or February once the CPI prints get close to or below 20%. We expect 400-500 bps at least in the course of 2018. Meanwhile there was decent two-way flow in the NDF market last week where the curve first moved higher following spot, but then some US\$ selling interest emerged as certain investors do not appear to expect any significant depreciation of the pound in the coming months. We think It still makes sense to gradually buy USD at current NDF prices to hedge the exposure to Tbills or other EGP assets in tenors of 9-12 months with implied yields around 12%.	Neutral to bullish USDEGP 17.80-17.90	Neutral 17.25-18.50
NGN	The NIFEX and NAFEX markets were stable around 331 and 360 respectively this past week. However, there was a big squeeze lower in terms of yields in Tbills and Tbonds locally as due to limited new issuances and a lot of free liquidity chasing something to buy. The yields dropped from mid-teens to single digits before investors especially offshore started to take profits on their long NGN Tbills positions. After that the yields swiftly moved higher to lower- teens. Looking at the longer term the yields up to 1 year should settle down around 14-16% before the CBN starts cutting interest rates in H1 2018 as long of course as inflation clearly turns lower. It is not worth buying NGN Tbills at these current low yields and the NDFs have already moved higher as people are struggling to repatriate their NGN proceeds from the NAFEX window for the lack of liquidity.	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365

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ZAR	In South Africa it is all about the impending leadership elections for the ruling ANC party. If it will be Ramaphosa then the Rand could strengthen initially towards 13.00 against the US dollar, but if the current President's ex-wife emerges the victor we may see a jump back above 14.00. Overall the outcome is still too close to call and the results should only come out late on Sunday or early Monday. We think that even if the 'reformist' camp wins, it is not a "winner takes it all" and Ramaphosa will probably still have to take some reactionaries into any future cabinet. Also what reforms will be considered and how soon could they be implemented when SA is facing a potential downgrade from Moody's in February is an open question. Thus we think that the best strategy is to go flat into the weekend and if anything rather place orders to buy USDZAR around 13.00 anticipating that after an initial positive reaction the spot will go back up if Ramaphosa prevails.	Neutral to bullish USDZAR 13.00-14.50	Neutral to bullish 12.75-15.00

GCC Rates Commentary

The UAE's, Saudi Arabian, Qatari and Bahraini central banks all shifted their benchmark interest rates up by 25bp in line with the recent FED move, and Oman is expected to follow suit this week. Kuwait however kept its policy rates unchanged, although its worth bearing in mind that this country maintains a basket driven FX regime rather than the US\$ pegs used by the other 5 GCC states.

GCC FX Commentary

SAR	USD/SAR spot remained range bound between 3.7500/06 this past week, while the 1Y FX swap drifted slightly to the left as activity overall felt the effects of the seasonal slowdown There was however was some tightening of liquidity within the front end of the curve with both onshore and offshore banks looking to manage their year-end funding requirements.
QAR	It was a reasonably quiet week in offshore USD/QAR with the spot ending the week around 3.6650/6850. There was however some tightening of liquidity in the front end of the curve.
BHD	Spot USD/BHD edged back towards its official peg level this past week and was last trading around 0.37705/715. Meanwhile Bahrain sold BHD 70 mio in 3-month Treasury Bills at 2.95% compared to the 2.84% achieved at its previous auction.

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