

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>The SGD weakened 0.5% against the USD this past week as DXY bounced off its recent lows on the back of the progress of the US tax reform bill and potential infrastructure expansion plans to be released in January 2018. SGDNEER also retraced slightly from the previous week to trade at +0.75% above the mid-point. Meanwhile with the recent strengthening of Singapore's economic data, the market is pricing in MAS will tilt the slope of the SGDNEER to appreciate 0.5% from flat at its April meeting and players look to sell FX swaps in the short end to express this view. We see the short term move on USDSGD will still be driven mainly by the broader USD move, hence remain neutral to slightly bearish on SGD.</p>	Neutral 1.3550	Neutral 1.3550
INR	<p>USDINR closed roughly unchanged last week. The RBI kept its policy rates unchanged with a neutral stance, but were optimistic on the growth side and for potentially higher inflation due to a higher oil price. However, the broader picture continues to remain healthy post demonetization and the bank recap plan. Only thing worth watching is the capital inflow from bonds/stocks as positioning remains heavy and long INR is one of the consensus trades for the year 2018. We are currently neutral on this pair.</p>	Neutral 64.50	Neutral 64.50

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CNH	<p>USDCNH traded 0.5% higher last week tracking the Dollar Index move. CNH funding was very flush ahead of year end with t/n and s/n trading close to par (implied 1.51%). Usually fast money will take this chance to go long USDCNH due to cheaper implied borrowing costs, but as the market is turning neutral to bullish China on the back of some data improvement and the obvious determination of the government to stabilize growth combined with controlled deleveraging, more punters are biased to short USDCNH, leading to an excess of CNH liquidity in the system and hence leading to the lower funding cost. Spot wise we remain neutral, but would prefer short long term USDCNH forwards for carry due to this improving outlook.</p>	Neutral 6.6000	Neutral 6.6000
KRW	<p>USDKRW traded 0.6% higher this past week as technology stocks retraced from highs achieved following the US tax reform news, which in turn might increase the tax burden for technology companies. Some custodians were also buyers of this pair due to equity outflows. Meanwhile the current account balance retraced to USD 5.7 bio in November, but remains very healthy compared to the size of GDP. Only concern is the crowded position in long KRW due to equity positions (KRW movement correlation to equity flow is quite high). we would thus stay neutral on the pair at the moment.</p>	Neutral 1100	Neutral 1100
EGP	<p>During the past week the interbank market in USDEGP pushed higher to 17.75-17.85. It seems that there is not much in terms of fresh portfolio inflows coming into the market for now and the demand for dollars appears to be quite persistent. The CBE announced that its FX reserves were slightly higher as of the end of November in comparison to the previous month at \$36.7bln. This is a good result as a couple of billion of dollars was also repaid to supranational lenders over the same period. There was decent buying interest for USD in the offshore NDF market and it still feels that investors are under-hedged. We prefer to buy USD at current levels to hedge the exposure to Tbills or other EGP assets in tenors of 9-12 months.</p>	Neutral to bullish USDEGP 17.80-17.90	Neutral to bearish 17.00-18.00
NGN	<p>The NIFEX and NAFEX markets were stable around 331 and 360 respectively this past week. The central bank said that its FX reserves exceeded \$38bln and that they expect the target level of \$40bln to be achieved during the 1st quarter of 2018. This supports the argument that the central bank will continue with its current FX policy. Meanwhile there was some interesting action in the local Tbill market as the central bank plans to do less liquidity sterilization OMO auctions going forward. As a result the yield of these bills went lower pushing overall yields lower as well. The CBN expects to begin an easing cycle rates within in H1 2018 once inflation has clearly turned lower. Our preferred trade in NGN is to be long 6-12 months Tbills hedged with NDFs using the NAFEX curve with the spot reference at 360.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bullish 365- 385

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ZAR	<p>The post S&P downgrade move in USDZAR reached a low of 13.4340 after which the pair bounced back towards the 13.80 area. There was no specific local catalyst for the upmove and was rather driven by stronger US dollar globally. No clear picture at the moment on the rand and but local political developments will continue to have a big impact.</p>	<p>Neutral USDZAR 13.50-14.10</p>	<p>Neutral 12.50-14.00</p>

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