

Emerging Markets Currencies - the traders' views (03-February-2017)

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	There hasn't been much story for SGD this week. The pair closely tracked DXY index. But, what I found interesting about SGD is that SGD looks to be the most bullish technically out of all Asian currency. The neckline of 1.4140 was cleanly broken, and now the pair retests back to the neckline, so there's no better place to sell USDSGD at current level for 1.3800 target. My only caution point is that the SGD NEER is still trading at around par, and that looks too rich for me to be buying SGD. At -1% against the NEER would be more attractive level.	Neutral 1.4250	Bearish 1.4500
INR	This week was all about India budget. And it seemed as if the market really liked the outcome of the budget. For example, the market liked the fact that the budget committed to bring down the deficit from 3.5% of GDP in 2016-17 to 3.2% 2017-18 even if these numbers were higher than the 3% of GDP envisioned in the previous roadmap. The Finance minister also committed to bringing down the deficit further down to 3% of GDP in 2018-19. The net and gross borrowing were also lower than expected, because of greater reliance on non-market sources of funding. Net borrowing came in at Rs4.23trillion and gross borrow was capped at Rs5.8 trillion. Given these all good news, USDINR reacted trading lower from 68.20 to 67.30. I don't have much view on the pair now. I still don't like INR because INR doesn't do well on higher rates environment, but USDINR doesn't move higher like how I expected.	Neutral 68.50	Bearish 70.00
CNH	China was out the whole week because of Chinese new year. So USDCNH spot only tracked overall USD Index. Only one observation of the move this week was the spot cleanly broke 100DMA for the first time in a year, and if a weekly close below 6.8316, we could see the machine comes into follow through on this break.	Neutral 6.8500	Bearish 7.0000
KRW	This is the pair where I feel can be long USDKRW. The correction looks complete. Key supports level of 1139 and 1134 were yet to be broken. Meanwhile, the market bounced off 1139. At this point, I see a potential bounce to 1180. The picture would be extremely bullish if the pair managed to close the week above 1155. I also looked at JPYKRW when I want to express a view on USDKRW, and JPYKRW looks to be range-bound. Because JPYKRW is unlike to move in either direction, USDKRW move would be an alternative way to express your view on USDJPY. In sum, long USDKRW trade would be convincing if you think USDJPY retracement is over; however if you see USDJPY is heading towards sub 100, then my long USDKRW recommendation wouldn't be recommended in your portfolio.	Bearish 1200	Bearish 1250
EGP	The interbank market traded a touch lower on Thursday but still stays in the range of 18.50-19.00. Very quiet week otherwise with no major news and or developments. As of now it seems that the backlog demand for dollars will be cleared over a number of months, meaning that the spot should be supported as we get below 18.00 and will be offered above 19.00. In this environment it is worth looking at local Tbills as yields there are much higher than what is implied in NDFs.	Bearish 18.00- 25.00+	Neutral to bullish 15-16.00

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NGN	The interbank market remained this week between 310-330. The Nigerian government announced that they plan to place Eurobonds and Diaspora bonds in the coming weeks for between \$1-2bln combined. But the amounts are not significant enough to cover fiscal funding needs for this year. Also the CBN carried out a forward FX auction where they reportedly sold around \$1bln to importers in different tenors. The NDF curve came off more in the last two weeks and our call on going long USD and short NGN was premature. Despite of this we still think that it is better to run short NGN positions at these levels as there are many things that can go wrong and push the NDFs higher.	Neutral 315-325	Bearish 400+
ZAR	The rand traded close to 13.70 highs early in the week following rumours that Zuma is threatening to remove some ministers in his government who do not follow his and party orders. However the US dollar has been trading on the backfoot and it helped the rand to recover some of the losses. Our view is unchanged and we see the USD/ZAR rate much higher and above 14.00 for sure.	Bearish 13.30- 14.50	Neutral 13.50- 15.00

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