

Emerging Markets Currencies - the traders' views (13-January-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	What goes up too quickly will come down as quickly as well. USDAsia is no exception. Market was too long USD going into 2017; it was doomed for a sell-off, and it did. After 2 weeks into 2017, through ups and downs with people stopping out of the trade, I don't think market positioning should be much lighter. However, I don't think USD sell off is over. I might cherry pick to be long the pair where market isn't so long in 2017 like USDINR and USDIDR, but I will stay away from the obvious long USD trade that the market likes like USDSGD and USDCNH. Technically, both USDSGD and USDCNH don't look as if it could hold up anymore. As the pair stays below 1.4300, i think it would drop back to 1.4000 next week.	Bullish 1.4000	Bearish 1.4500
INR	Unlike other USDAsia pair, I think USDINR is the most likely to break higher. Again, market positioning is quite one sided; short USDINR, so even if USD traded lower against other Asian currency, USDINR will stay above 68.00. I'm a buyer of USDINR in dip. USDINR will trade on its own, with less vulnerable to the USD index. Fundamentally, I'm not a big fan of a call that the economy will improve after last year's demonetization. This new rule would disrupt the flow of the economy, which would be negative for INR.	Bearish 69.00	Bearish 70.00
CNH	CNH is by far the most difficult currency to predict and put money where your mouth is. Since I decide to stay away from CNH for the time, I would not dare to give any recommendations. All the research I read on CNH have been wrong recently. The bottom line is that PBOC would want to punish any speculator, and we are making everybody pay now by playing around the CNH liquidity. USDCNH move has nothing to do with overall USD move now, it moves on how day to day funding changes. Since no one knows when liquidity will be tight or when it will be loose, all predictions on USDCNH were usually not accurate. If i have to do something in CNH, i would still be looking to buy USDCNH o/r below 6.7400, and hope that by then the funding would not be 50 or 100% to will make it impossible to be long USD.	Bearish 6.92	Bearish 7.2
MYR	This will be the last week I will write on MYR. I will exclude MYR from our commentary and put THB or IDR on instead. Here's why. I think MYR market will completely die sooner rather than later. Since BNM tried to cease offshore USDMYR, market liquidity completely dried up, and no banks are willing to show any prices. As participants are getting less and less, USDMYR is now driven by onshore market. MYR used to be, by a long mile, the most volatile Asian pair, but now it only moved within 30 pips range daily. With all this, i think it's better to replace MYR commentary with something more interesting like THB or IDR.	Neutral 4.5000	Bearish 4.8000
KRW	It has been a stop loss festival in USDKRW for the first two weeks of 2017. All the USD long have been completely wiped out. Some has tried to pick a bottom, but that hasn't worked. Even if there's more room for USDKRW to fall further if USDJPY continue to drop, but I start to see value in being long JPYKRW at a current level. I think that as USDJPY keeps falling, it would not be a possible for USDKRW to follow. At some point, local corporate will come out to buy USD, supporting USDKRW. Meanwhile, I don't think BOK will like seeing JPYKRW being too low either, so they will be watching the key level like at 10 like a hawk.	Bearish 1200	Neutral 1250

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EGP	The interbank market traded this week in a range of 18.50-19.00. The spot has been pushing higher since the start of 2017 as the demand for dollars still outstrips supply in the local market. We think that the dip lower in the interbank market at the end of 2016 was driven by the speculation among local banks that the CBE will intervene in one form or the other to strengthen the pound in order to support the importers who are struggling to repay their foreign currency loans to banks. However once the banks realized that no intervention is coming from the central bank, the exchange rate started to drift upwards. The CBE published the inflation data and Core CPI YoY came out at almost 26% for December vs the previous number of 20.73%. The primary drivers of an inflation increase are the weakening of EGP and the reduction of several subsidies. We remain bearish on EGP for the coming weeks as we see high risks that the spot will push above 20.00 because the interbank market liquidity is still restricted and it is difficult to buy dollars from local banks in any meaningful size. This means that the backlog demand for dollars remains substantial.	Bearish 18.00-25.00+	Neutral to bullish 15-16.00
NGN	The interbank market remained this week between 310-330. This week the BDC association started publishing their new rate of 399.00 for the exchange rate to counter the unofficial parallel market which is trading close to 500. These measures will not help to combat the black market in Nigeria. The government plans to issue an Eurobond followed by a diaspora bond in the next month or so. It was interesting to note that the Nigerian FX reserves climbed quite significantly in the past 4-6 weeks to around \$26.5bln. This cannot be explained neither by oil production nor increasing oil prices and we think that it was due to FX (USD/NGN) swaps between the CBN and international banks.	Neutral 315-325	Bearish 400+
ZAR	It was quite a good week for the rand which pushed to make new lows around 13.40 as the USD long position came under pressure across G10 and EM space. It feels that this move has more to go and we can see 13.20ish levels next week or so. The recent solid performance of ZAR shows that once the political noise is out of the way, investors view SA favourably.	Neutral 13.00-14.00	Neutral 13.50-15.00

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