

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	USD Asia continues to head lower with Mnuchin saying that a weak USD is good for the US economy. USDSGD dived to a low of 1.3009 before bouncing back to close at 1.3070 after Trump says he favors a stronger USD instead. Forward point continues to compress as more EM FX buying flows continue on the back of a strong global growth environment. SGDNEER hovers at around +0.7% above the mid, and market is increasing their bets on a shift in slope (more SGD appreciation) during the April MAS meeting. Our view is that the move in USDSGD is still subject to the broader USD direction and we would stay neutral on this pair.	Neutral 1.3100	Neutral 1.3100
INR	USDINR dipped 0.5% this week due to a weaker USD and risk on sentiment. More concern has been shown on the budget deficit issue along with higher oil price and CPI, but with global growth remaining strong and inflows to India continuing. Nifty traded to historical high levels, and higher bond yields led to some buying interest. We are a bit cautious toward this market; we feel that the 'long India trade' is now a crowded one. We would now favor a neutral to slightly short bias to INR exposure, relative to other EM currencies with more sound fundamentals, such as THB/TWD/CNH.	Neutral 64.00	Neutral 64.00
CNH	USDCNH collapsed another 1000 pips this week for the same reasons as last week: 1) local corporates are still over hedged in USD. We feel that exporters didn't sell USD when USDCNH was trading higher the end of last year, so we believe selling interest should now increase. 2) There has been little activity by speculative accounts in this...	Bearish 6.2500	Neutral 6.3500

26 January 2018

Please click [here](#) to view our recent publications on MENA and Global Markets

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long- term Views (3mth & 12mth Time Frame)
CNH	<p>...trade. 3) CNH strength is more about USD weakness than implied strength in the RMB story, so there is no reason for PBOC to come in to sterilize. Key focus going on forward is the stance from PBoC about the recent CNY strength. So far regulators seem OK with this move and are not looking to aggressively stimulate outflows. Also the FX market tends to be directional over longer periods due to the herding behavior of corporates and the size of the positions. We would still favor a stronger CNH.</p>	Bearish 6.2500	Neutral 6.3500
KRW	<p>USDKRW continues to be range-bound between 1060-1070. More concerns were shown from BoK about the recent strength in KRW FX, but strong global growth and optimism toward the technology sector continues to drive inflows to both equities and fixed income as policy rates stay on hold. We would still favor long KRW on the back of strong growth in the global economy.</p>	Bullish 1060	Bullish 1060
EGP	<p>The interbank market in EGP remained stable around 17.65-17.75. The yields of 6mth and 12mth Treasury-bills continued to decline (yields lower by 20-40bps) as investors discount rate cuts in Egypt starting from the February central bank meeting. Interestingly the IMF made a comment that the CBE should not rush to ease interest rates too fast as inflation and inflation expectations could be sticky and might fall as fast as expected. In this respect an upward trend in oil prices does not bode well for Egypt which is still net importer of energy and since it has inflationary implications. The President Sisi has confirmed this past week that he will put his candidacy for the presidential elections in March and no one really doubts that he will be reelected. EGP Treasury-bills are still a buy even at these lower yields.</p>	Neutral USDEGP 17.65-17.75	Neutral 17.25-18.50
NGN	<p>The NIFEX and NAFEX markets were stable around 331 and 360 respectively in the past week. The CBN failed to hold its scheduled rates meeting on 22 January because the parliament has not approved new members of the MPC and there was no quorum. In the comment the central bank said that they expect this to be done by the time of the next meeting at the end of March. For Nigeria rising oil prices are a blessing and there is growing optimism in the country. The CBN governor said that the FX reserves might increase to \$60bln by the end of 2018 from the current level of around \$40bln. Both local Treasury-bills and NDF markets were range-bound through the week. There is some talk about Nigeria returning to the JPM bond index which is expected to bring more international investor inflows. At current Treasury-bills yields the basis trade is again attractive where an investor buys Treasury-bills and hedges FX risk with NDFs.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
ZAR	The environment of extremely weak US dollar helped the rand to make gains sub-12.00 in the past few sessions. The momentum indicators are weak in this trend and ZAR is quite overbought or one can say that rather the US dollar is oversold against most G10 and EM currencies. Thus we certainly prefer to be neutral or short ZAR in terms of positioning and we could see a quick move towards 12.50 within next couple of weeks.	Neutral to bullish USDZAR 11.70-12.50	Neutral to bullish 12.75-15.00

GCC FX Commentary	
SAR	The SAR FX curve was significantly softer this week with the 1Y FX swap moved 43 points lower since last Friday to trade at 15 mid. The 4Y and 5Y swaps moved 450 lower to trade at 400 and 700 mid, respectively. SAR FX spot is currently trading at 3.7503 mid.
AED	The AED FX curve was also softer on the week. The 1Y FX swap is trading at 30 mid, 16 points lower on the week.
QAR	USD/QAR spot has been moving steadily lower this week with the pair now trading at 3.6500 mid. Typical market size remains at \$2-5m. The QAR FX swap curve is generally higher, with the 1Y trading 35 points higher at 100 mid.
OMR	The Omani FX curve moved significantly lower on the week, particularly in the longer tenors. The 1Y moved 125 points lower to trade at 325 mid. OMR FX spot is trading at 0.38499 mid.
BHD	The Bahraini FX swaps curve remained relatively unchanged on the week. The 1Y FX swap was higher by 5 points and is currently trading at 170 points mid. USD/BHD spot moved lower to trade at 0.37698. The recent 3-month BHD T-bill issuance yielded investors 3.09% for the third week in a row. The coverage was 121%.

Contributors

FAB Global Markets FX & Rates

G10

Alison Higgins

Alison.Higgins@bankfab.com

Simon Turner

Simon.Turner@bankfab.com

Nourah Al Zahmi

Nourah.Alzahmi@bankfab.com

Meera Al Marar

Meera.AlMarar@bankfab.com

GCC & EM FX

Husain Askar

Husain.Askar@bankfab.com

Ahmed El Alami

Ahmed.ElAlami@bankfab.com

Pinrath Wongtrangan

Pinrath.Wongtrangan@bankfab.com

Danay Sarypbekov

Danay.Sarypbekov@bankfab.com

Rashid Rasul

Rashid.Rasul@bankfab.com

Tel: +971 2611 0111

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the “Bank”) and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an “as is” and “as available” basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.