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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	Relentless selling in USDAsia continued this past week. The trend is getting more and more obvious, but we are a bit cautious to jump on the trend. All the rallies have been very shallow to even scale in the short. USD took a dive again on Friday as people were saying it's due to fear that the US may not be able to avert a government shutdown, but to us, people are just trying to find a reason to sell USD. For USDSGD, we still like to sell USDSGD against long other USDAsia like USDKRW and USDINR. As the USD is selling off, USDSGD will move much off because there wouldn't be any central intervention. As long as the SGD NEER doesn't touch 2%, USDSGD can be on a free falling. Surprisingly, USDSGD is only trading at 0.7% against the NEER, so we feel there is much more room for SGD to appreciate, more against the band.	Neutral 1.3250	Neutral 1.3250
INR	Unlike other USDAsia, USDINR had a more interesting week as USDINR squeezed higher on wider trade deficit numbers, coupled by a speech from RBI deputy Governor on the vulnerability of commercial banks on rising rates environment. Such hawkish comments really took the market by surprise. Meanwhile INR had been underperforming on higher oil prices, too. Instead of fading the move higher on USDINR, we like to be selling INR (long USD) because it's pretty obvious that recently INR is showing signs of having greatest weakness. 63.70 is a good level to enter long USD for a test of 64.15 again.	Neutral 64.00	Neutral 64.00

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CNH	<p>We have been saying for weeks now that short USDCNH position has been the lightest, so it's the best pair to close your eyes and get on the trend. This view has been proven right as USDCNH broke 6.4450 low in 2017 and collapsed down to break 6.4000. The 6.4000 level is a key psychological level and we didn't see any support from PBOC, so we feel there should be a lot more room for USD to go lower. Here's our reasons: (1) local corporates are still over hedge USD. We feel that exporters didn't sell USD when USDCNH was trading higher towards the end of the year, so now exporter should come in to chase; (2) Speculators didn't catch the move. When the news was out that PBOC removed the counter cyclical factor, market looked to go long USDCNH against short other USDAsia, so this move should catch many guys by surprise; and (3) CNH strength is about USD story rather than RMB story, so there is no reason for PBOC to come in to sterilise. So given all these reasons, we would continue to sit on the short and just add on any rally.</p>	Bearish 6.3500	Neutral 6.4000
KRW	<p>USDKRW was stuck in range after it tried to break 1060 but BOK stepped in again. So even after USDCNH broke 6.4000, USDKRW barely moved. Given such price action, we think USDKRW should maintain the 1060 and 1070 range. This week there was BOK MPC which was uneventful even though BOK revised up 2018 GDP forecast by 0.1% to 3.0%. Flow wise, custodian names were selling between 1065 and 1070, which mean that there's still inflow from foreigners. Overall, we still like to sell USDKRW at 1070 and buy back at 1060. Do not expect USDKRW to break away like USDCNH because BOK will be watching the pair like a hawk.</p>	Bullish 1060	Bullish 1060
EGP	<p>This past week the interbank market in EGP moved a bit lower to 17.65-17.75 although no noticeable flows reported. The Ministry of Finance said that foreign portfolio investors now hold around \$19.5bn of local currency government debt. The last auction held by the central bank saw yields on 6-month and 12-month Tbills decreasing. So the market is discounting the CBE rate cuts in the next few months. We remain bullish on EGP Tbills and think it is worth buying them in the next 3-4 weeks before yields fall substantially discounting the CBE rate easing.</p>	Neutral USDEGP 17.70-17.80	Neutral 17.25-18.50
NGN	<p>The NIFEX and NAFEX markets were stable around 331 and 360 respectively in the past week. The parliament in Nigeria has passed the Petroleum Bill and it only now requires the president's signature to make it into a law. It is expected that the passage of the Bill will help to bring more investments into the oil industry and will make it more transparent and attractive. Both local Tbill and NDF markets were range-bound through the week. The CBN...</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365

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NGN	...has resumed the OMO auctions and sterilizing the NGN liquidity as they did through 2017. At current T-bill yields the basis trade is again attractive where an investor buys T-bills and hedges FX risk with NDFs.	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365
ZAR	Finally, the politics moved to the backstage this past week and the price action was more dominated by the SARB rate setting meeting where the interest rates were left unchanged at 6.75%. The rand tried to break lower from its range of the previous 2-3 weeks of 12.20-12.50 and made a low of 12.07 so far. The move is very extended and mature by now, so it makes sense to start fading at levels around and below 12.00 as we could see a retracement within a week or two.	Neutral to bullish USDZAR 11.90-13.00	Neutral to bullish 12.75-15.00

GCC FX Commentary	
SAR	The SAR FX curve was softer again this week with the 1Y FX swap moving 12 points lower since last Friday to trade at 58 mid. The 4Y and 5Y swaps moved 50 points lower to trade at 950 and 1,150 mid, respectively. SAR FX spot is currently trading at 3.7503 mid.
AED	The AED FX curve remained relatively unchanged on the week. The 1Y FX swap is trading at 47 mid.
QAR	Volatility in USD/QAR spot picked-up again this week. The pair is now trading at 3.6700 mid. Typical market size remains at \$2-5m. The 1Y QAR FX swap curve is 20 points higher at 65 mid.
OMR	The Omani FX curve was softer over the week. The 1Y moved 75 points lower to trade at 450 mid. OMR FX spot is trading at 0.38500 mid.
BHD	The Bahraini FX swaps moved lower by 50-100 points in the longer tenors (2Y-3Y). The 1Y FX swap was lower by 30 points and is currently trading at 165 points mid. USD/BHD spot moved lower to trade at 0.37700.

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