

Emerging Markets Currencies - the traders' views (15-July-2016)

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	USD/SGD continues to trade in range this week at 1.3420 and 1.3520. Unlike other USDAsia, we don't see much inflow into Singapore on a week where money is pouring into Asia. Singapore doesn't considered a high yielding like MYR INR or IDR. A pop in USDJPY also supported USDSGD, and the SGD stayed rich against the NEER at 1.5% top of the band. On the data front, Q2 GDP came in better than Q1's q/q at 0.8% vs. 0.2% Q1 while the y/y term, Q2 printed at 2.2% vs Q1 2.1%. With BNM cut rates on Wednesday, there are rooms for MAS to ease SGD NEER even more.	Neutral 1.3700	Bearish 1.4000
INR	We have seen RM buying INR all week as market is looking for yield. USDINR came down from 67.50 to 66.90 where we found some support from local banks. We still see no reason for a sharp drop in USDINR given how RBI willing to absorb INR around here. Monsoon season has also been productive this year for India, so this should stimulate economy a bit. I'm not as overly bullish India as other people. Market is expecting a cut in rates post Rajan, but we think a good monsoon season would postpone a rate further. My worry is that we start seeing inflation creeping higher in India, and this can be a treat to the currency. I will be a buyer of USD at 66.90.	Bearish 68.00	Bearish 69.50
CNH	One interesting move in CNH market to note this week was a short squeeze in t/n funding on Wednesday when it went to trade as high as +12. However, another stranger dynamic coincide to this was a drop in China CDS. So, a short squeeze in CNH doesn't really mean a risk off sentiment in China, but rather a mismatch in cash flow for banks. And as expected, funding dropped to +3 again the next day. I do see this improvement in China credit landscape as very positive to China. And so, I will be looking to sell USDCNH above 6.7000 now, and will sell 1y DF against my spot position.	Bearish 6.70	Bearish 6.7000
MYR	BNM's unexpectedly cut 25bps benchmark overnight policy rate on Wednesday to 3.0%. Initial knee jerk reaction was a spike in spot, but it was really short lived, as spot completely collapsed because market took this as a positive cut. The new governor has shown that he has pre-empt a possible shock to the economy. And market believe that this cut should boost growth in the midst of lower inflation expectations. The downside global growth risk from the Brexit vote also made this decision easier. However, on Thursday, BNM came out to say that they have no plans to change rates over next meetings. Bond rallied massively, and with limited bond supply, market just took whatever offers were available.	Neutral 4.00000	Bullish 3.90000
KRW	USDKRW also took a big dive as all EM rallied across the board. The pair opened the week at 1155, and it had been a one way since. We saw some support at 1130, and a break of this level would confirm a downward trend. Now, we are at a level lower than post Brexit. Market seem to forget about Brexit vote now, and just want to be long EM. We will be watching the key 1130 level, and see the weekly close before making a call on this pair.	Bearish 1200	Bearish 1220
EGP	Market was expecting a devaluation on Tuesday, but CBE kept the fixing rate unchanged at 8.78. We remain our view that any further weakening of EGP will be another 2 months away as inflationary effect from the previous devaluation hasn't filtered through to the economy yet. A reform in both VAT and security for tourist must be improved first before CBE can let their currency go. Market continue to look for opportunity of hedge USDEGP exposure. 3mth to 6mth part of the curve is relatively bid. But if nothing happen in the next one month, we might start seeing seller in the curve.	Neutral 8.78	Neutral to bearish 9.00 - 9.25

EM	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
NGN	Not much happening in Nigeria this week as interbank rate stayed at 282-285. CBN is still on the offer. But, after the NDF market significantly came off last week, 1mth to 3mth stabilized a bit at 285 and 290 respectively. We keep our view that this drop shouldn't be sustainable and we should be buying USD on this dip.	Neutral 280 - 290	Bearish 290 - 320
ZAR	Like all other EM ccy, USDZAR traded heavily all week, and we suspect a possible break lower (below 14.00) if risk sentiment continue to improve. Market expect a support at 14.25 to hold and look to take USD short off the table, but our strategy would be more like initial USD short on a break of 14.25 for a 14.00 target.	Neutral 14.25	Bullish 14.00

NBAD Global Markets FX team

G10 FX Spot

Phil Muldoon

Phil.Muldoon@nbad.com

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

Tel: 00971 2611 0111

EM FX Spot

Danay Sarypbekov

Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan

Pinrath.Wongtrangan@nbad.com

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, National Bank of Abu Dhabi PJSC (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.