

Emerging Markets Currencies - the traders' views (29-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 retraced from the high of 1.3620 this week, and printed a week low at 1.3460 post BOJ. SGD also weakened against the NEER from 1.4% to 1.2%. We saw Macro name selling SGDTHB this week as the pair made a historical high. Given overall USD strength across the board and THB being a safe haven currency, SGDTHB looked to be a good trade. the cross was traded from 26.10 to 25.78 in the past couple weeks. On domestic data release, unemployment data for Singaporeans and permanent residents showed a jump from 2.7% to 3% in by the end of Q2, which is the highest level since 2010. With external headwinds continuing to grip the domestic economy and restructuring ongoing, we expect to see the number heading higher by year end.	Neutral 1.3700	Bearish 1.4000
INR	INR continued to be immune currencies in July even as US rate hike expectations have increased or many uncertainties around the world. MTD was flat VS USD unlike other ADXY currencies like MYR and SGD. Part of the reason is the INR's relative yield appeal which has seen both Indian government and corporate bond, and equity demand went up. However, with the USD making a comeback on better data, and divergent policy outlook from that of its G10 peers, USDINR looks likely to stay bid. We expect USDINR to reach 68.50 by year end. The next event risk for INR would be Rajan's finally MPC meeting on 2 August.	Bearish 68.00	Bearish 69.50
CNH	CNH continued to rally from where it left off last week, gaining another 300 points or 0.5%. Spot went from 6.6850 down to 6.6550 as PBOC continued to fix CNY on stronger side. But, we believe that the worst is not over yet for China. This dip in USDCNH should give a good opportunity to buy USD. We are targeting to buy USD around 6.6500, which is the bottom of the trend channel from March low, and targeting spot to go back above 6.7000.	Bearish 6.70	Bearish 6.7000
MYR	USD/MYR has been well bid the whole week despite USD heading lower. The high beta MYR has turned from best performer to worst ADXY performer this month, taking more than 1.5% loss. This reflected that Malaysia's domestic economy still has underlying problem that's yet to be solved. Meanwhile, given its exposure to oil prices and relatively high proportion of foreign portfolio flows like short term bills, USDMYR will move more when environment is not good for risk. We expect USDMYR will be well bid into August and changed our medium term forecast to 4.2000. Political focus will be on the 30July demonstration against Najib. The rallies have been revived after the US civil lawsuits claiming that USD3.5bn had been siphoned from 1MDB. Other economic data was June's CPI was a fourth month of decline to 1.6% yoy from as high as February's 4.2% yoy with the GST effects fading and June pump prices unchanged. Monetary policy looks likely to stay accommodative after the 13 July 25 bps OPR cut.	Neutral 4.00000	Bearish 4.2000
KRW	Technical picture for USDKRW doesn't look good after it broke 1130. This should give opportunity for momentum funds to chase this move lower, especially if it is closed below 1120 on a weekly bias. Even if Korean's economy doesn't look so bright except the semiconductor and tech industry, a break lower in spot should leave room further decline for another 2-3 weeks. Purely looking at chart, i would be targeting 1100 now for USDKRW.	Neutral 1120	Bearish 1200
ZAR	The rand continued to outperform most EM currencies where RUB and MXN have weakened due to decreasing oil prices, TRY is trading sideways on domestic news. We are bearish on ZAR at these levels and expect it to move closer to 15.00 next week as the rand is running out of steam and should pull back to close the gap from 15/18 July at 14.60. Next week there are regional elections in South Africa where the ANC support will be tested at ballot box.	Bearish 14.50- 15.00	Bearish 15.00- 16.50

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EGP	<p>Egypt has announced this week that the government has formally requested the assistance from the IMF. The financing package from the IMF is \$12bln spread over 3 years. The IMF mission is expected to arrive to Cairo on 30 July and take about two weeks to complete the initial assessment. The first \$2-3bln from the IMF are expected to be received by Egypt by December. Also the government officials reported that they expect place Eurobonds for \$2-3bln to supplement the IMF funding in September-October depending on market conditions.</p> <p>From what we know now it seems the earliest time for the devaluation is between late September – early October, once the IMF aid program is finalized and the Eurobonds are placed. The risk to this scenario is definitely that the weakening of EGP is pushed further down the line as there might well be delays in negotiations with the IMF and the placement of Eurobonds as these two are tied to each other, i.e. Eurobonds could only be placed successfully after the IMF program is agreed and approved by the Egyptian government and parliament.</p> <p>We think the CBE will not float the pound for the reasons we mentioned previously that it is too politically risky for inflation spikes might cause social unrest in Egypt as situation is already tense there. Our base case view is for the CBE to gradually devalue the pound to the new range of 10-11.00 (i.e. between 13-23% change) within the next 12 months.</p>	Neutral 8.78	Neutral to bearish 10.00 – 11.00
NGN	<p>The interbank market is slowly drifting higher and currently is trading around 315-321. Before the decline in oil prices in 2014 the USD/NGN rate was 160 and the oil price was roughly \$100 pb which meant that Nigeria was getting NGN 16,000 for every barrel sold and now with the price of oil at \$50 pb to get the same amount of NGN for every barrel requires the USD/NGN rate of about 350. As it happens to be the parallel market rate in Nigeria is around 350 lately. So in the short term we expect to see the NGN weakening to levels close to 350 before the international investors start to invest in the NGN bonds and equities as the market is getting to attractive levels. Longer term we should see the naira stabilizing at levels around 300 unless inflation keeps rising.</p>	Bearish 320-350	Bullish 300 - 320

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