

Emerging Markets Currencies - The Traders' Views

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 FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
SGD	<p>USDSGD remained within a narrow range this past week. On one hand with the USD index weak and EUR, GBP, and CNY all heading higher against the greenback, USDSGD found it difficult to move higher, as those currencies make-up almost 50% of the NEER basket. On the other hand, outflows in the rest of Asia, in TWD, KRW, INR, and IDR, kept USDSGD's downside limited.. We have been calling for USDSGD to edge higher for a few weeks now, and our view is still the same. However, given the outflows we have seen in Asia, a more comfortable trade may be to be long SGD against other high beta Asian currencies like KRW, TWD, INR, and IDR. As all central banks around the world seem to be indicating the end of cheap money, their coordinated action will not be good for these currencies mentioned above, and SGD, as the Asian safe heaven, could outperform in such environment. Another trade worth considering is long SGDJPY.</p>	Bearish SGD 1.4000	Bearish SGD 1.4200
INR	<p>INR was no exception to this past week's Asian sell off. Even if the spill over was less in INR, we expect it to catch up soon simply because the INR has seen the biggest inflows this year. Therefore, any unwinding of 1H trades could have an greater impact on INR. However, we would take the opportunity to fade a move higher in USDINR if spot reached 65.00, which has been our target since we first called for a retracement higher. Meanwhile, it has been about a week since the goods and service tax was rolled out on 1 July. While we think it will be beneficial for India in the long term, problems may arise in the short term as...</p>	Bearish INR 65.00	Neutral INR 64.00

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INR	... businesses and traders adjust to the new rates which are considered to be confusing. In addition, many SMES will struggle to comply with filing requirements and other new procedures during this transition period, which may affect the supply chain in the short term. With this transition, the impact of GST on inflation will not be felt anytime soon. And therefore, it's a bit harder to predict when the next rate cut will be.	Bearish INR 65.00	Neutral INR 64.00
CNH	The big story in China this week was the launch of the bond connect program. (Northbound only, i.e. buying China bonds) although volumes have been limited thus far as players test the system. Guidelines are also not yet completely clear, with issues such as tax payments, but we believe this route will get more popular as investors can get FX and bonds pricing much more efficiently than the usual RQFII/QFII way. From a yield perspective, it's not currently that attractive given that the offshore funding is still higher than the bond yield. So the only type of investor that would be looking to access the market at this point would be index trackers. On CNH, the spot rate hasn't moved much this past week after since the PBOC's recent intervention. But from a technical point of view, the 50 DMA has crossed below 200 DMA for the first time since Jan 2015, which is a strong bearish signal. Like SGD, we would rather to be long CNH against other Asian currencies.	Bearish CNH 6.8800	Bearish CNH 7.000
KRW	USDKRW finally hit our target of 1150 after waiting patiently for more than 3 months. There is now potential for USDKRW to move towards 1180 if the 1160 resistance is broken. However, given a chunk of bad news on NK is out now, we would rather reduce our long position at 1155, and look to get back in again below 1148. Furthermore, just yesterday, we saw some net capital inflows into the KOSPI, so 1160.00 may be difficult to break on the first trial. Meanwhile the KTB bond this week didn't look so pretty; the curve steepening and 10y KTB selling off almost 10 bps. Foreigners continued to sell 3y and 5y, for the 12th consecutive day.	Bearish KRW 1180	Bearish KRW 1160
EGP	USD/EGP has finally begun to shift below the 18.0000 and this move could gather momentum especially after the central bank of Egypt surprisingly hiked rates again by 200bp. We remain bullish on EGP and we advocate staying short USD long EGP through NDFs or in the spot market through the repatriation mechanism of the CBE coupled with the purchase of Tbills.	Neutral to bullish EGP 17.50-18.25	Neutral to bullish EGP 15.50-18.50
NGN	The NIFEX has remained stable around 320-325 since mid-June and the NAFEX range was 365.16-366.08 this past week. However, considering the risk-reward it is still worth to be long USD vs NGN in longer-dated NDFs 6-12 month outright especially as outright prices are getting lower and lower with each passing week.	Neutral NGN 315-325	Neutral to bearish NGN 400+

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ZAR	South Africa's ruling party has proposed that the central bank should be wholly state-owned rather than an institution with private shareholders, which threatens its independence. As a result USD/ZAR jumped on Wednesday from 13.15 to 13.50, thus preserving the upward trend it started in late June. As we mentioned previously the bias in the rand trading remains to the upside in the USD/ZAR pair with target for now at 13.20-13.50.	Bearish ZAR 12.90-13.50	Neutral 11.50-13.00

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