

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>USDAsia continued to push its way lower this past week after real money names increased their regional exposures. This was the second wave of these particular inflows we have seen this year since March. However, we will not be chasing the momentum at these levels because we do not believe that Asian currencies can continue to perform when the main central banks' monetary stance has started to become a less accommodative. The long EM trade may be working well now because actual money supplies hasn't decreased, but when it happens (which we think may be around September), EM may not be so attractive. On USDUSD, the NEER is now trading as rich as +0.9%, which is the highest we have seen since 2013. Not only does the NEER look expensive, SGD has also benefited from a stronger EUR. We do not have strong conviction on the USD now, so we rather express our SGD view in short SGDTHB and SGDINR.</p>	Bullish USD/SGD 1.3800	Bullish 1.4200
INR	<p>INR hasn't benefited as much on the wave of fresh regional inflows this time around as the RBI continues to draw the line in the sand at 64.30. However, while USDINR hasn't moved lower, sustained foreign inflows into both Indian stocks and bonds continues; and for the first time we feel that the market started to build short USD positions for a next move lower. 1s INR fix failed to trade below 20 level, which we feel is too high given how other Asia EM points continue to drop lower. Given such a goldilocks environment for USDINR, (low vol attractive carry currency), USDINR should continue to trade in a narrow range of 64.25 and 64.50 until we see another general marked shift in the USD.</p>	Bearish USD/INR 63.50	Bullish 65.50

21 July 2017

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CNH	We experienced substantial activity in USDCNH this past week. Both real money and HF were selling USDCNH o/r as the sentiment on any further CNH depreciation story has reversed. Forwards were crashing and spot was selling off on any uptick. Market is indicating now that players do not anticipate a much weaker CNH until perhaps later in Q4. In our view, as DXY continues to trade lower, and LHS pressure on USDCNH o/r flow will intensify. Friday morning saw some outflows which bought USDCNH up above 6.76, but this spike should be short lived. We are targeting 6.7300 by the end of this week.	Neutral USD/CNH 6.75	Bullish 6.80
KRW	USDKRW has been the heaviest USDAsian pair this week and almost all the flows we saw were LHS. With the KOSPI making new highs, its difficult to make a case of USDKRW to turn back higher in the very near term. However, at this current level, it also may not be a bad level to hedge any USD exposures. Even if the downtrend looks strong for now, we are going tactically long USDKRW at this current level of 1120.0 albeit with a tight stop below 1114.0	Neutral USD/KRW 1130	Bullish 1160
EGP	USD/EGP came off slightly from 17.95 to 17.85-17.90 this past week. The demand for Tbills remains very strong from the international investment community highlighted by recent auctions of which 50% of bills on offer was taken up by foreigners. The attraction of the carry trade in Egypt seems to be irresistible especially in the current weak dollar environment. The CBE still manages the FX rate carefully and it seems that their current goal is to accumulate as much FX reserves as possible. We still think that once the central bank hits its target on FX reserves, they will allow for more foreign inflows to go into the interbank market as opposed to the repatriation mechanism. As such 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 bearish USD/EGP 17.50-18.00	Neutral to bearish 15.50-18.50
NGN	The NIFEX fixing remains stuck at 325 day after day although the NAFEX is a little bit more active around 365. Inflation edged lower in Jun YoY to 16.1% vs 16.3% in the previous month. This week there is an MPC meeting on the 25th of July although the market expects no change in interest rates. There was some flows going through the NGN NDF market in the longer end of the curve that pushed prices to their lowest levels in the past 6 months. Domestically there is growing concerns about what will happen if the President Buhari dies and is not capable of finishing his term. Our view is that the risk-reward is supportive of being long USD vs NGN in longer-dated NDFs 6-12 month outright at current levels.	Neutral USD/NGN 315-325	Neutral to bullish 400+
ZAR	After hitting near-term highs of around 13.60 in the previous week, the ZAR quickly reversed last week and pushed to make gains below 13.00. The technical picture has now changed...	Bearish USD/ZAR 12.50-13.10	Neutral 11.50-13.00

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ZAR	...and the bias is towards the downside with USD/ZAR likely to challenge the 12.56 low in the sessions to come. The SARB surprised most market players yesterday by cutting interest rates by 25bps to 6.75%. So there is less carry but in the current weak dollar environment this does not hinder the rand strength.	Bearish USD/ZAR 12.50-13.10	Neutral 11.50-13.00

FAB Global Markets FX team

G10 FX Spot

Nourah Al Zahmi
Nourah.Alzahmi@nbad.com

Meera Al Marar
Meera.AIMarar@nbad.com

Tel: +971 2611 0111

EM FX Spot

Danay Sarypbekov
Danay.Sarypbekov@nbad.com

Pinrath Wongtrangan
Pinrath.Wongtrangan@nbad.com

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