

## 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	SGD continues to outperform with SGDNEER now close to 1% above the midpoint. The weakening of the dollar, along with the low levels of USD rates, drove a flush of carry trades back into the Asian EM market. USDSGD forwards also traded softer showing that SGD liquidity has been flush on the back of demand from foreigners. Short term directional move will still be dictated by the G3 currencies move, and with DXY moving towards the well-watched 93 level, which has been a good resistance for the past 2.5 years, I would stay neutral on this currencies pair.	Neutral USD/SGD 1.3600	Bullish 1.4200
INR	Favorable domestic political situation along with slightly dovish Fed statements provided a good stage for INR to appreciate this week along with inflows to equities and bonds. USDINR traded down close to 64.00 level this week testing the yearly low level. Next week's RBI meeting where market is expecting a 25bps rate cut on the back of low CPI would be the focus which could drive even more bond inflows and INR demand. In the short term we would still prefer stay short this pair for carry play, while long term will depend on DM rates where the next important data will be next Friday's US NFP.	Bearish USD/INR 63.50	Bullish 65.50
CNH	USDCNH continues to march lower this week and testing the yearly low level at 6.7400 with the support of a weaker USD. Funding was still flush during this dip, showing the CNH depreciation story has faded and market players are not using the chance of low funding to increase bearish CNH positions (i.e. long USDCNH). Data related to capital outflow also show signs of stabilization which is averaging only...	Neutral USD/CNH 6.75	Bullish 6.80

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CNH	...around USD 20 bio per month now. We view that, ahead of November's 19 <sup>th</sup> NPC meeting, this kind of favorable investment environment should remain, along with the officials' stance to stop massive ODI from China to overseas, this should also lessen the CNY depreciation pressure. We would stay neutral in this pair for the time being.	Neutral USD/CNH 6.75	Bullish 6.80
KRW	USDKRW maintained relatively stable this week as technology related sector remain steady. Government's expansionary fiscal policy stance provided a favorable investment environment in Korea and a relatively low CPI lessened the pressure of an interest rate hike which might offset the potential gains from the expansionary stance. This could potentially lead to bond inflows again. Short term I remain neutral in this pair.	Neutral USD/KRW 1130	Bullish 1160
EGP	USD/EGP stayed stable around 17.85-17.90 this past week. Yet another week of strong demand for Tbills with substantial participation of the international investment community. We changed our view on EGP slightly and think that the central bank will keep the pound from appreciating noticeably in the next few months as they try to build up the FX reserves. We think that once the central bank hits its target on FX reserves, assuming that the target is around \$36bln, they will start the interest-rate easing cycle which will also be timed to a peak in inflation. Adjusting its policy through interest rates rather than FX will also buy more time for the Egyptian government and the central bank, and it is crucial as it takes time for the reforms to show results. The implication of the above is that the returns in EGP will come mainly from carry rather than FX side of the trade. Thus, it makes sense to be short USD long EGP through NDFs especially on spikes in prices or short USD in the spot market through the repatriation mechanism of the CBE coupled with the purchase of Tbills.	Neutral to bearish USD/EGP 17.80-18.00	Neutral to bearish 17.00-18.00
NGN	The NIFEX fixing remains stuck at 325 day after day, although the NAFEX is a little bit more active around 365. The central bank meeting went as expected with no changes in interest rates which remain at 14%. The CBN Governor mentioned that cutting interest rates at the moment might destabilize the normalization process in the FX market and that the inflation is still above the target level of 6-9%. The regulator also stated that they are satisfied to see the parallel market and the NAFEX markets converging between 360-370 proving that they are current policy is working. The NDF market was very quiet. 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	Post FOMC the rand made a push to the lows of the week below 12.90 as the Fed was perceived to be dovish. However, the gains did not last as it feels that the US dollar is broadly...	Bullish USD/ZAR 12.80-13.30	Neutral 11.50-13.00

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ZAR	...oversold. So USD/ZAR is following the lead from of the dollar index. In our view, the US dollar will bounce back in the next few weeks from its lows across a range of currencies. This implies that the rand exchange rate will go higher but we think only reluctantly though as there is a keen interest to add to carry trades in the EM space in general.	Bullish USD/ZAR 12.80-13.30	Neutral 11.50-13.00

GCC FX Commentary	
SAR	The USD/SAR forward curve shifted left on the back of higher oil prices and a proposal by KSA to reduce its crude production by up to 1 million Barrel a day. However, we expect the curve to firm up slightly following the 1st SAR SUKUK issuance in local currency with maturities of 5,7 and 10 years. Short dates were very tight and the offshore market remains keen on paying those low levels especially ahead of month end.
QAR	USD/QAR offshore spot eased lower this past week and there has been a slight improvement in liquidity, with the average spread tightening to 100 pips wide compared to 300 the previous week. This is due to some ongoing onshore/offshore arbitrage where some international banks were buying USD from locals and selling them into offshore market. In the very short-end of the curve is extremely liquid and thus offshore banks have struggling to find bids to execute their day-to-day funding requirements.
KWD	The Kuwaiti Dinar has gained some ground vs USD recently and is due primarily to a generally stronger EUR. On the FX forward curve however there was a slight shift to the right this was due to some commercial hedging activity.
OMR	The curve shifted significantly to the left as we hear some flows hit the market in the outright space in tenors between 3m to 9m.
AED	The market remains steady and liquid with no significant FX swap curve moves.

GCC Rates Commentary	
AED & SAR	The AED curve is very stable and quiet. The 3M EIBOR is fixed at 1.54883% and is around 2 ticks lower from Tuesday. The SAR curve appears a bit firmer in the 5Y to 10Y space with clients reasonably active. We believe this was related to the SAR SUKUK issuance and thus some banks/clients were switching their fixed assets into floating. 3M SAIBOR saw no significant change and has remained in a 1.7975% and 1.80125% range since last week.

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