

## Emerging Markets Currencies - the traders' views (03-June-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	USDSGD traded mostly sideways the whole week between 1.3730 to 1.3820. The daily range had almost been the same from Tuesday onwards. On one hand, while EUR and JPY outperformed USD, EM Asia weakness, especially in MYR, KRW, and CNH, support USDSGD from moving lower. We saw a lot of HF selling USD above 1.3800. I suspect this was a profit taking move in a view of a weaker USD Index going into NFP on Friday. I expect the pair to trade between 1.3700 to 1.3800 until we get a clearer picture from June FOMC.	Neutral 1.3700	Bearish 1.4000
INR	The market shaker this week in India was the news of RBI Governor Rajan not intending to extend his term as governor when it ends in September. The news sent USDINR to a one week high of 67.46, and this got investors worried because he has been instrumental in ensuring India's macro stability, and his departure will give rise to uncertainties over India's monetary policy outlook. However, to me, this is a good opportunity to fade USDINR as this news is not particularly new because there has been rumour about some disagreement between PM Modi's clique and Rajan. I didn't see much real money taking money out of India, so the real flows would still be on the LHS. On the data front, Q1 real GDP rose by 7.9% yoy from Q4's revised 7.2yoy. The main driver of growth in Q1 was private consumption, which added 4.6% contribution to real GDP growth in Q1.	Bearish 68.00	Bearish 69.50
CNH	It has been an uneventful week for China market in general. Spot fluctuated in a tight range 6.5800 and 6.5900. Even if onshore spot continued to trade higher, converging to USDCNH, we didn't see any buying interest in both spot USDCNH and DF at all. t/n DF continued to trade softly, sub +1 ppd, and this has brought the whole curve down. 1y dropped below 1500, with Chinese banks supply CNH above 1500.	Bearish 6.6000	Bearish 6.7000
MYR	Everyone had been very confused as to why USDMYR had been trading higher all week, every day, despite USD selling off across the board. And I couldn't find any other good reason than facts 1) liquidity was non-existent, and 2) real money has been buyers. There hasn't been much bond outflows, so it's likely that real money is reducing the hedge during the usdmyr downtrend lower last month. Real money seem to stop buying USD since Thursday, so we expect the upside to be capped now.	Neutral 4.00000	Bullish 3.90000
KRW	Similar other USDASIA, USDKRW stalled between 1185 and 1195. The momentum moving higher seem to fade. So the next clue would be the NFP and the June FOMC. Given a weak fundamental, we still like to be buying USDKRW on dip towards 1165.	Bearish 1200	Bearish 1220
EGP	The official exchange rate remained unchanged at 8.78. The Central Bank of Egypt announced this week that the FX reserves increased from \$17bln to \$17.5bln in the month of May due to the \$500mln part of the Saudi grant of total \$2.5bln. Also most likely within June the CBE will receive the amount of \$2bln from the UAE pushing the reserves to the highest levels in the recent past. With the Ramadan starting next week we do not expect any changes in the EGP rate for at least a month and probably longer than that. Thus we remain of the view that it makes sense to be long EGP through NDFs.	Neutral 8.78	Neutral to bearish 9.00 - 9.25

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NGN	The official exchange rate is still in the range of 198.00-199.50. The Central Bank of Nigeria this week only held meetings with some senior bankers from the banking industry and has not issued any details of the move to the more flexible NGN regime. There is a lot of confusion in the market about what is happening at the CBN and some local banks speculate that it would take another 2-3 weeks to produce a coherent and detailed plan. Our view on NGN is that the interbank exchange rate will be moved to somewhere between 250-290 with the introduction of a corridor of up to 5% around the new level. We do not see a move to a free-float of the naira as it is not supported by the President and might lead to a sharp and uncontrolled depreciation of the local currency. At the same time there will be another lower tier of the exchange rate for special/preferred industries/projects where the CBN will be a dollar supplier. This rate could be the current 199.00 level or anything below the interbank rate.	Bearish 250-290	Bearish 270 - 300
ZAR	The rand continued to trade in a relatively tight range of 15.50-15.90 this week and we see this as a consolidation before the exchange rate moves above the 16.00 mark. Our bearish view is based on weakness in the mining sector, looming interest rate hikes in the US which will hurt South Africa being a capital importer, politically divisive environment in the country among other things.	Bearish 15.50-16.25	Bullish 14.00

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