

Emerging Markets Currencies - the traders' views (10-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 also took a big hit after the NFP. Market positioning had always been very long USDSGD, and the move really wiped out everybody. The momentum carried with another 4 successive days of lower low. USDSGD broke below 1.3500 before recovered back on Thursday. The SGD is now the second best performing AXJ currency after the MYR, after a 4.1% gain vs MYR's 5.6% gain. This doesn't look right to me given how small of volatility SGD is and how small USDSGD moved last year compared to USDMYR. So, personally, I see values in long USDSGD below 1.3500.	Neutral 1.3700	Bearish 1.4000
INR	We think given a bad print in NPF, INR is the best currency to be long. Both technically and fundamentally, INR will be benefit from any poor data from the US. INR is still considered high yielding ccy, so it's attractive for RM to park asset on a risk on environment. Meanwhile technically, USDINR broke a trend channel it had been forming since June 2014. So if we continue to see a weekly closed below the band, I expect model funds will coming in to sell USDINR. On the monetary policy front, RBI stood pat on rates Tuesday, keeping the benchmark repo unchanged at 6.5%, and reverse repo at 6.0%. Even though RBI kept its CPI projections of 5.0% in 2016-2017 unchanged, it stated that this is with an upside bias, with the inflation trajectory somewhat more uncertain especially given the vagaries of the monsoon rains. This gave us a hint that RBI is unlikely to shift on rates at its 9 August meeting.	Bearish 68.00	Bearish 69.50
CNH	CNH is the first Asian ccy to close the gap from the Friday NPF miss. Market was traded at 6.5900, and gapped down to 6.5400 before recovered at 6.5900 again. However, there were more development in the DF market after PBOC announced that it will change the way the reserve ratio is calculated. Instead of taking a snapshot of the ratio every 10-day, RRR will be calculated by using an average over a period of time. This should smoothen market liquidity and help alleviate possibility of funding tightness. Market reacted to this by well swap. Chinese banks were aggressively selling the whole curve. 1y DF went to trade below 1300.	Bearish 6.6000	Bearish 6.7000
MYR	Market continued to digest the impact of the move from the big NFP miss last Friday. USDMYR gapped more than 1.5% lower on the start of the week, and such move provided enough momentum for the pair to head south for the rest of the week. USDMYR made a low of 4.0250 before recovered towards the end of the week. I expect USDMYR to test 4.0250 again, and if it doesn't break, then we can see a bounce back to pre NFP level of 4.1400. On the data front, IP came in at 3.0% compared with 3.5% consensus.	Neutral 4.00000	Bullish 3.90000
KRW	We had a surprise from BOK again this week as BOK surprisingly cut 25 bps on a unanimous decision and turned dovish at the press conference. This move sent USDKRW pop from the low of 1150 to 1157. I think this move triggered a move higher in USDASIA across the board. I expect USDKRW to consolidate between 1150 and 1170 with a bias on the upside as RM continue to unwind long KRW hedge. We have seen custodian names buying USDKRW all week.	Bearish 1200	Bearish 1220

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EGP	The official exchange rate remained unchanged at 8.78. The statistics agency published the data for inflation for May which came at 12.3% vs 10.3% the previous month. To the large extent the CPI is driven by the pass-thru effects of March devaluation of the pound by 15%. During the Ramadan month we do not expect any changes in the EGP rate 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
NGN	The official exchange rate is still in the range of 198.00-199.50. There are a lot of rumours in the market about what will happen next with the naira but no official clarifications or details. This week the Nigerian government delegation made a no-deal roadshow in London and they said that the new framework is work in progress and soon details will be announced. 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	GDP YoY in 1Q -0.2%, manuf. prod. YoY in Apr 2.9% vs 1.5% exp. The rand was a star performer against the US dollar the previous Friday on the weak US NFP report which pushed the Fed rate hikes further down the timeline. The move took the exchange rate from 15.60 down to 14.65 this Wednesday. However now ZAR has ran out of steam or in fact the US dollar stopped weakening and we are quickly retracing the gains made over the last few sessions. Going forward we expect EMFX to be trading on the back-foot next week and see the rand moving to a range of 15.00-15.50.	Bearish 15.00-15.50	Bullish 14.00

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