

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 | Macroeconomic/Fundamental Analysis | Views (Bearish/Bullish) 2 week Time Frame | Intermediate & Long-term Views (3mth & 12mth Time Frame) |
|-----|--|---|---|
| SGD | USDSGD traded within a 60 pips range for the whole past week, yet weakened 0.2% against the SGDNEER. Carry trades seem to be the theme again ahead of summer with global rates turning lower on the back of neutral DM central bank statements. SGD, being one of the low yielders, has once again been picked as a funding currency against other high yielding currencies such as IDR and INR. Ahead of FOMC next week, I prefer to stay long USDSGD as the yield differential should widen given a 25bps hike in Fed next week, yet with the flush liquidity in SGD should hold local rates low. I also like to sell FX swaps due to widening short term interest rate differentials. | Bearish 1.4000 | Bearish 1.4200 |
| INR | INR strengthened 0.5% against the USD this week on the back of risk-on sentiment across the globe especially in equities market, along with a change in stance from hawkish to neutral from the RBI after holding its policy rates unchanged. Bonds have seen good buying interest along with equities which headed to new highs. As India inflation stays subdued with GDP coming out weaker than expected, and with oil price trading below \$50/barrel again, market started pricing in rate cuts again which provides a good reason to buy bonds along with FX exposure. Short term I would see USDINR heading lower first testing the previous support level at 64.00, and longer-term would depend on the stance from FOMC next week which might affect global risk sentiment. | Neutral 64.00 | Neutral 64.00 |
| CNH | A choppy week in USDCNH as the market is still worried about day-to-day funding in CNH. The spot market traded in a range of 400 pips | Neutral 6.8000 | Bearish 6.9000 |

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| CNH | <p>...as market players dumped once they see local banks buying short end FX swaps, yet reversing the position as o/n and t/n soften. The USDCNY fixing came out relatively steady at around 6.7900 this past week, which seems to highlight the intention of PBoC last week of moving the USDCNY fix to a more appropriate level due to intraday USD demand from local corporates. We believe most bearish CNY trades in market has been washed out, however with data coming out strong but slowly dipping on a monthly basis, we are cautious on long CNH against USD, especially next week if the Fed hikes 25 bps and China does not follow which would drive USDCNH higher. I stay neutral in spot at the moment.</p> | Neutral 6.8000 | Bearish 6.9000 |
| KRW | <p>The KOSPI continues to make new highs along with buying interest in KTBs from foreigners helping KRW to strengthen 0.2% against the USD this past week. As technology stocks continue to break new highs globally, the KRW which is well exposed to electronic industry and a net exporter, continues to benefit. Threats from North Korea also still seem to be ignored by the local market as the story has been dragging on. In the short term we are neutral in USDKRW, yet believe this pair will move higher after the Fed hikes in June due to widening interest rate differentials.</p> | Neutral 1120 | Bearish 1140 |
| EGP | <p>USD/EGP remains within a range of 17.95-18.15. The CBE published its FX reserves for the end of May at \$31.1bln which is an increase of \$2.5bln from the previous period. Inflation is starting to indicate that it has peaked and the effect of devaluation is dissipating as Urban CPI YoY for May came at 29.7% vs 31.5% previously. The Tbills auctions remain well subscribed and the demand high with yields coming off recent highs. Our view is unchanged: unless there is a major risk-off selloff in EMFX and equity markets in the near future then it is likely that we will see the exchange rate moving lower from the current 18.00 level down to 15-16.00 region. There is a strong potential for another wave of portfolio investments into the Egyptian assets in the weeks to come. Therefore we advocate going short USD long EGP through NDFs or in the spot market through the repatriation mechanism of the CBE coupled with the purchase of Tbills.</p> | Neutral to bullish 17.50-18.25 | Neutral to bullish 15.50-18.50 |
| NGN | <p>The NIFEX was around 320-325 and the NAFEX at 375-384 this week. It is notable that the black-market USD/NGN exchange rate registered a low of around 370 as the CBN policy of supplying more dollars to the economy is bearing fruit. There was another special FX auction this week that specifically targeted airlines and manufacturers with around \$200mio. The NDFs are now trading at very low levels and we like to be long USD vs NGN in longer-dated NDFs 6-12 month outright.</p> | Neutral 315-325 | Neutral to bearish 400+ |

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| ZAR | The South African Rand has been well-behaved this week, trading in a tight range of 12.70-13.00 with a weakening bias. However, despite this and ongoing political noise the longer term trend downwards looks intact. So as long as the sentiment for EMFX remains good, ZAR should attempt to achieve this year's low at 12.31. | Bullish 12.30-13.20 | Neutral 11.50-13.00 |

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