

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>USDSGD traded higher this past week tracking the DXY move, along with SGDNEER which was around +0.15% above the mid-point similar to the previous week. CPI data bounced to 1.4% yoy due to the low base effect and such data was expected by the market. SGD funding was cheap at the start of the week until Friday where it gapped 0.4 pips higher to trade at par. This move looks like some position squaring from short USDSGD positions along with the huge down move from FX forwards since FOMC. We still prefer to short SGD against higher yield currencies given the next move from the Fed should be only in September and the flush liquidity. Hence now would be a good time for carry trades.</p> | Bearish 1.4000 | Bearish 1.4200 |
| INR | <p>USDINR is consolidating around 64.50 as bond related inflows continue and the RBI sounded more dovish in its recent statement which might hint towards a rate cut near the end of year offset by the higher DXY. The India story remains one of the core themes in regional markets and with the CPI trending lower, policy might turn more accommodative hence boosting asset prices again. We agree this position looks good fundamentally but the heavy positioning is preventing us from adding new risk now. Thus, we remain neutral on this pair.</p> | Neutral 64.50 | Neutral 64.50 |
| CNH | <p>USDCNH traded higher this past week as funding was extremely flush triggering some short CNH trades to be re-initiated in the market. Technical wise spot USDCNH is heading towards the 50/100/200 MA...</p> | Bullish 6.8000 | Bearish 7.000 |

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| CNH | ...lines at around 6.8510 which could pose strong resistance for the time being. Short term we would be biased towards a tactical short USDCNH position given the decent economic data in China compared against the weakening CPI/PCE data from the US which may slow down the FED rate hike process going on forward, leading to inflows back into more risky assets including China. News wise, MSCI included China for potential addition but currently this has a symbolic meaning instead of real capital inflow as the final decision/move will only be made next year. | Bullish 6.8000 | Bearish 7.000 |
| KRW | Optimism on local tech companies' performance continues to grow helping to drive the KOSPI close to record highs. Spot traded to a high of 1145 before closing at 1138.8 for the week as exporter linked flows pressed the pair lower. We have closed our long USDKRW and await fresh signals. | Neutral 1140 | Neutral 1140 |
| EGP | USD/EGP remained in the range of 17.95-18.15 this past week. The Minister of Finance said announced that the second disbursement of the IMF funds of \$1.25bln will take place within 2-3 weeks. This week Egypt will be closed between 25-27 and on the 29th of June. It seems that the CB is happy about the exchange rate being very stable as it helps in managing the inflation as long the pound does not weaken. We are 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 bullish 17.50-18.25 | Neutral to bullish 15.50-18.50 |
| NGN | The NIFEX fixing was stable around 320-325 while the NAFEX pushed lower 365-375 this week. Gradually the kerb market and the NAFEX window market are moving lower towards NGN 360. This gives an impression that the central bank FX regime is working and the FX liquidity is improving. Meanwhile the NIFEX and NAFEX are converging by the latter going down rather than the former increasing as was widely anticipated. The key risk to the current CB policy is the oil price because if crude slides further down, the FX reserves will follow raising questions about the sustainability of these regular central bank USD interventions. Though a little more cautiously we still stick to the view that it makes sense to be long USD vs NGN in longer-dated NDFs 6-12 month outright. | Neutral 315-325 | Neutral to bearish 400+ |
| ZAR | The Rand suffered from a short spell of USD strength in the early part of last week reaching the highs of 13.10. The technical picture is still pointing out to further temporary weakness in ZAR to 13.20-13.50. Investors are still putting money into carry trades and the rand is one of them in this low volatility environment. However consistent political noise out of South Africa is undermining the long-term attractiveness of the currency. | Bullish 12.70-13.50 | Neutral 11.50-13.00 |

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