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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	Hawkish comments from central bankers across the globe drove DXY to the lowest level for the year so far. USDSGD dropped 1% and SGD appreciated 0.35% against the SGDNEER for the week. FX swaps meanwhile traded higher this past week as short end USD rates grinded up on the back of stronger USD GDP data. Along with a steeper USD yield, some carry trades (short low yield / long high yield) seem to have been unwound. We still favour a short SGD position as the yield differentials between DM currencies and SGD should tighten, and would express it via long USDSGD.	Bearish 1.4000	Bearish 1.4200
INR	USDINR continues to consolidate around the 64.50-64.70 level and the market is pricing in 25bps or more rate cut in H2, although this is offset by some selling interest in equities after its recent highs. Long INR position remains stretched and given the short end USD grinding higher on the back of strong data, along with global DM central bankers turning hawkish which might hurt good carry currencies, in short term we now favour long USDINR for a tactical play towards 65.00, yet remain long term constructive in INR.	Bearish INR 65.00	Neutral 64.50
CNH	USDCNH traded 1000 pips lower this past week on the back of suspected intervention from agent banks. Local agent banks were seen aggressively selling USDCNY and USDCNH spot. We believe this is probably more in preparation ahead of the start of the bond connect programme in HK. Regulators would like the USDCNY and USDCNH to trade roughly around the same level to avoid FX arbitrage and provide a constructive environment to encourage more investors to…	Neutral CNY 6.7800	Neutral 6.8000

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
CNH	…participate in buying China bonds. At current levels we believe the spot move going on forward will depend on the view on DXY, with a slight bias towards stronger CNY/CNH ahead of 19th NPC	Neutral CNY 6.7800	Neutral 6.8000
KRW	USDKRW traded higher this past week as tech stocks saw some selling interest leading to outflows in TWD and KRW whose economies are both closely weighted on the tech industry. NDF points traded higher this week indicating some offshore interest in buying USD too. As USD rates slowly grinds higher, the interest in holding short end KTBs are diminishing as the interest-rate differential keeps tightening. This might cause short term outflows and tactically Overall we would like to be long USDKRW.	Bearish KRW 1150	Bearish 1160
EGP	USDEGP remains in the range of 17.95-18.15. This week was short due to the Eid holidays. Meanwhile it’s interesting to note that the govt. made an announcement about the reduction in energy subsidies which will see its bill decline from EGP 145bn to EGP 110bn as a result. Petrol price is also expected to rise by about 50%. It seems that the timing of this move is driven by the start of a new fiscal year in Egypt which runs from July to June of every year. The Ministry of Finance said that they expect an inflationary impact of up to 5%. We remain 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 was stable around 320-325 and the NAFEX pushed lower 365-370 this past week. We note that despite a sharp sell-off in oil in the past two weeks, the USDNGN NDF prices didn’t increase which could be indicative of the fatigue among naira bears and the unwillingness on their part to hold negative carry positions. For the time being it is hard to see any trigger event in Nigeria which can bring the NDF market back to life. However considering the risk-reward it is still worth to be long USD vs NGN in longer-dated NDFs 6-12 month outright especially as outright prices are getting lower and lower with each passing week.	Neutral 315-325	Neutral to bearish 400+
ZAR	In the past week the dominating theme in the Rand market, for a change was not related to the political machinations, but rather from the hawkish rhetoric emanating from the G7 central banks. One after the other, almost as if coordinated the central banks in Eurozone, the UK and Canada are now preparing markets for the lift-off in interest rates in the future. This is bad news for EMFX and carry trades as the necessary condition for them is low global interest rates. As a result USD/ZAR after briefly touching the low of 12.80, set on upward-sloping course reaching the highs of 13.10 so far. As we mentioned previously the bias in the rand trading remains to the upside in the USD/ZAR pair with target for now at 13.20-13.50.	Bearish 12.90-13.50	Neutral 11.50-13.00

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