

Emerging Markets Currencies - the traders' views (03-March-2017)

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	It looked like USD correction since the start of the year was over, and market resumed the USD bull trend. With Fed members all sounding in the same direction that the hike will be in March, I think you can ride this long USD trend until the meeting mid-March. This week, USDAsia, especially USDSGD, had a delay reaction to other G10 move, but most pairs, like USDSGD, USDKRW, USDTWD, did some catching up towards the end of the week. Given how much momentum has been against USD bull, most people were reluctant to reverse position and went long USD. I like to be long USDSGD because I think SGD is a bit too rich against the NEER at +0.6%. USDSGD failed to find buyers this week after MAS let SGD appreciate almost 1% against the band, but things are changing now. SGD should trade on the weak side of the band, in my opinion.	Bearish 1.4200	Bearish 1.4500
INR	Same story for India, like what we wrote for the last few weeks. There continue to be a strong inflow into India, with equity performing. Together with conservative central bank, market is really going to INR for carry. It seems to be a consensus view now that INR is one of the favourite Asian currency. Because almost all people I talk you like INR, I'm very cautious to follow the crowd. It's true that the current governor doesn't want to keep INR on the depreciating trend like his predecessor, but this doesn't mean that USDINR can't go higher. Once the sentiment is turning, I still think INR will take the biggest hit given how heavy market positioning is.	Bearish 67.50	Bearish 69.00
CNH	Spot USD/CNH broke back above 6.9000 again this week, and this lent a huge tone for USD/CNH bull. As much as I like to be short USDCNH this year given its attractive vol to carry ratio, I rather get out first as it broke back above 6.9000. Given spot trading higher, Fx swap also traded higher, but the front end CNH funding was still stable. Implied rate was still below 2%. I still think the CNH df curve is too steep. Market always want to pay fwd-fwd, with expectation of another wave of CNY depreciation, but I think the market will be disappointed this year. This is the year where there will be changes in the Chinese government, so PBOC will make sure that the market will be as stable as much as possible.	Bearish 6.9000	Bearish 7.0000
KRW	USDKRW had a U-turn this week. 1s NDF traded at a low of 1125 before bouncing to close the week above 1155. This should be a surprised given how turnaround we have seen in USD, USDJPY in particular. We were long the pair since it dipped below 1140, and we would like to add on to our position on any retracement towards 1150.	Bearish 1165	Bearish 1210
EGP	On Wednesday after staying under the 16.00 level for almost two weeks, the Egyptian pound has finally succumbed to the upward pressure on the exchange rate as there is still a lot of uncovered demand for USD from various customers who could not buy dollars at those lower rates. There was no notable economic data or other news that could explain the timing of the move. The CBE published the FX reserves for February at \$26.5bln which is a small increase on the previous month. Our view remains unchanged that EGP is still close to the bottom of the range of 15.50/16.00-18.00/19.50. It was reported that the black market started to emerge again and that it traded around 17.30-17.50. We think it realistic that we see 17.50-18.00 levels in the next few weeks where we would expect to see fresh portfolio inflows into the Egyptian assets (equities and bonds).	Bearish 16.50- 17.50	Neutral to bullish 16.50-18.50

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NGN	The interbank market remained this week between 310-330. The parallel market went lower in the course of the week reaching around 450 as the CBN continued to do FX auctions offering dollars on the forward basis. These actions from the central bank confirm to us that they do not intend to devalue the naira in the near future and trying to inject some liquidity into the current FX regime. We think that currently there is a good risk-reward to sell 1 month NDFs at elevated levels as we do not expect the weakening of the naira in this timeframe.	Neutral 315-325	Bearish 400+
ZAR	The USD/ZAR rate was well behaved this week staying in a narrow range of 12.90-13.20 as investors want to buy the rand but the broad dollar strength was not supportive of this view. From the price action it is clear that the rand rate finds it difficult to move upwards. Therefore, the view is unchanged ZAR is one of the best performing EM currencies this year and remains a buy on dips.	Neutral to bullish 12.75-13.20	Neutral 13.50- 15.00

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