

Emerging Markets Currencies - the traders' views (10-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	USDSGD had a relief rally in line with other USD pairs. But, we don't really like the specific price action of this recent move up. It has been much slower than other pairs like USDCNH, or G7. So, we do not believe that this is a start of a new trend yet. USDSGD should trade within a range of 1.4070 and 1.4270 for the new few weeks. We have the NFP tonight of course, but the market has already priced in full hike in March. If anything, I would wait to buy USDSGD below 1.4100. SGD is still too rich against the NEER at +0.3% even if the recent range has been +0.2% to +0.8%.	Neutral 1.4200	Bearish 1.4400
INR	We finally saw USDINR buyers around 66.60, with National Banks on the bids. But, decent inflows are continuing. As such INR is still the best performing AXJ currency MTD, and it was the only one that recorded a gain against USD. We think this is significant given how the general USD strength. With an attractive implied yield, despite the strong USD backdrop, we had no choice but to abandon our expectations of USDINR to go higher. On top of the yield attraction the CB's accommodative to neutral to be supportive of INR. Elsewhere, official results of the state assembly elections across Uttar Pradesh, Punjab, Goa, Manipur and Uttarakhand will be released this Saturday. Results for UP is the one to watch as its India's most populous state and accounts for more than 14% of India's voters and seats in parliament. Opinion polls point to a close race in UP between the BJP and SP-INC coalition.	Neutral 66.80	Bearish 68.00
CNH	What a week in China! But I must say this is not really a surprise, when punters start aggressively pushing USDCNH higher, the PBOC will step in, draining liquidity completely and making funding too expensive to be short CNH, and this is exactly what happened this week. USDCNH had moved a bit too quickly for their liking as it broke 6.9200, and the CNH NDF jumped more than 500 points (75 bps) in the 1y. But once funding got expensive, USDCNH dropped lower again. Given that this will be an important year for China where there will be transition of power in the Politburo Standing Committee, China doesn't really want excessive volatility in their financial system, and so they will do whatever they can to ensure stability. Because of this environment, we will only short USDCNH outright or receive CNH rates on any spike this year.	Neutral 6.9000	Bearish 7.0000
KRW	What stole the headline in Korea this week was the president's impeachment; although this almost had no impact on USDKRW. USDKRW continues to closely track global USD moves. Like USDSGD, we expect USDKRW to dip back lower towards 1130-1135 in the next couple weeks.	Neutral 1140-1150	Bearish 1190
EGP	The interbank market in Egypt pushed the exchange rate higher throughout this week as it was catching up with an emerging parallel market due to the reappearing shortages of dollars at local banks. The exchange rate moved from 16.25 to the high around 17.75. The parallel market rate is above 18.00. Urban CPI YoY for February climbed higher from the previous month to 30.2%. Our base case view is that the spot market should reach levels between 18.00-19.00 where it will stabilise. At that higher level there will be again considerable interest from portfolio investors to buy Egyptian assets. The latest auction of Tbills confirms this view as the yields came off by around 100bps as demand for the bills increased. In other words, for foreign investors it is crucial to sell at levels of the EGP exchange rate that is perceived to be cheap.	Bearish 16.50-17.50	Neutral to bullish 16.50-18.50

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NGN	The interbank market remained between a 310-330 range this week. The parallel market meanwhile appears to have found a base at around 450 although the CBN continues 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 very near term and are still trying to inject some liquidity into the current FX regime. Today it was reported that the President Buhari flew back from the medical leave in the UK where he stayed for about 7 weeks. This should ease political tensions in Nigeria where rumours were circulating on what would happen if the President passed away.	Neutral 315-325	Bearish 400+
ZAR	With a broad US dollar strength environment USD/ZAR broke above a technical resistance level at 13.20. We are not convinced at this stage that this is a start of bigger move up but will continue to watch the price action closely. The next resistance levels to watch are 13.50 followed by 13.72.	Cautiously bearish 13.00-13.75	Neutral 13.50-15.00

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