

EM FX & Rates - The Traders' Views

Please find below views on Emerging Markets FX directly from our traders.

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
SGD	The past week was characterized by a breakdown in many historic correlations, with individual asset classes now behaving independently of each other. However, one pattern that has emerged of late is a combination of higher yields, lower equities and a lower USD, all of which might be explained by a shortage of USD liquidity. Apart from the gyrations in risk on/off sentiment, political headlines concerning possible trade and tariffs on steel, together with Fed chair Powell's hawkish testimony all helped to make the trading environment more challenging. So what does this mean for USDAsia? We currently advocate being long USDINR (high yielding) and USDKRW (KRW being 2017 best performing currency of 2017), but short USDCNH and USDSGD as a hedge against USD weakness.	Neutral 1.3250	Neutral 1.3250
INR	Even if technically, we expect USDINR to edge lower, daily price action continues to highlight underlying support. Also, even if the carry remains attractive, the way USDINR is currently edging higher may be similar to the moves seen in the EUR in early 2017. There have been few signs of real money inflows, even as any dip in USDINR was bought. For now the only supplier of USD is the central bank, which suggests staying net long USDINR. We would recommend a long PHP / short INR trade; both countries' trade deficits suggest a good relative value trade between the two.	Bullish 65.50	Bullish 65.50
CNH	The only news specific to China this week was the policy continuity to President Xi's position, thereby underscoring his power and stability. The news should bolster investor confidence. We remain bullish on our outlook for CNY/CNH, despite any further USD rebound and have a target of 6.2500 for USDCNH, before possible consolidation. China's February PMI came in at 50.30, the lowest reading since September 2016 with the slowdown being felt across the board, but the market will need to see the March and April data before adopting a weaker macro outlook.	Bearish 6.2500	Neutral 6.4000

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KRW	<p>USDKRW was largely range-bound this past week, after trying to break 1060 and as the BoK stepped in again. Even as USDCNH broke 6.4000, USDKRW barely moved. Given such price action, we expect USDKRW to hold in the 1060-1070 range. The BOK MPC meeting was uneventful, even though the BOK revised higher its 2018 GDP forecast by 0.1% to 3.0%. Flow wise, custodian names were better sellers between 1065 and 1070, which suggests that there's still inflow from foreigners. Overall, we would recommend selling USDKRW at 1070, to buy back at 1060. Unlike USDCNH, price action in USDKRW should be contained by the prospect of BOK intervention.</p>	Bullish 1090	Bullish 1100
EGP	<p>The interbank market in EGP traded lower to 17.60-17.70 last week, albeit with little obvious reason for the move, with the US dollar broadly stronger against most other currencies. It is noticeable that the demand for EGP T-bills was weak in the past couple of weeks as yields rose: in the last auction on Thursday 6-mth T-bills offered a 17.71% yield while 12-mth T-bills yielded 16.83%. The market appears very cautious in terms of willingness to price in further interest rate cuts, which creates an opportunity to buy T-bills at attractive yield levels, in our opinion, since we believe the central bank should be able to reduce rates by at least 300-400bps by the end of 2018 as inflation continues to decline.</p>	Neutral USDEGP 17.60-17.75	Neutral 17.25-18.50
NGN	<p>NIFEX and NAFEX rates stayed at around 334 and 360 respectively in the past week. Nigeria is again going through a period of acute fuel shortages, which is creating discontent among the general public. The main causes of the dislocation in the petrol market are related to the subsidization of retail prices which are lower than in neighboring countries and due to the large share of imports of end products from abroad. This raises the question of policy continuity in Nigeria, ahead of next year's presidential elections; it is not clear if incumbent President Buhari will seek for a second term or not. The NDF and T-bill markets were range-bound through the week and we remain neutral on this market at the moment.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365
ZAR	<p>The recent sharp weakness in the rand, against a backdrop of broad USD strength, underperforming MXN and TRY, has come as a surprise to most market players. With a lot of good news seemingly now priced into the South Africa market, it may be of little surprise that investors are now looking to take profits on their long SA exposure. We expect the USD to continue to appreciate against the broad set of G10 and EM currencies, but still expect the rand to outperform on a relative basis against TRY and MXN.</p>	Neutral to bullish USDZAR 11.50-12.50	Neutral to bullish 12.75-15.00

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