

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	SGD traded in a tight range and strengthened against the SGDNEER over the past week. Risk sentiment was buoyed by receding concerns over possible (U.S.) import tariffs on aluminum and steel and potential global trade wars. SGD Forwards inched slightly higher as rates resumed an upward path with some capital outflow on the back of the rates selloff. The move in SGD will continue to be based on the broader USD movement with a modest bias towards strengthening ahead of the MAS meeting in April. For now, we continue to advocate a neutral positioning on this pair.	Neutral 1.3250	Neutral 1.3250
INR	USDINR stuck in a tight range with some outflows due to the current account deficit story. Stock index dropped around 2% over the past week, which is one of the poorer performers in Asia (along with Indonesia which also runs a current account deficit) which drove some buying interest in bonds. 5y interest rate swap yields dropped 11 bps this week. The market's focus remains on trading current account deficit/surplus relative value, and we believe USDINR will continue to trend higher due to the already crowded long position and worsening economic fundamental picture. Stay long USDINR.	Bullish 65.50	Bullish 65.50
CNH	USDCNH continues to trade in a 400bps range between 6.3100 – 6.3500 with the 3rd annual plenum meeting starting in China this week. The latest robust GDP data of +6.5% continues to support this market from a fundamental perspective. While absolute growth levels may consolidate in China over the coming year, focus will be increasingly on the quality of growth (such as cleaning up zombie companies, supply-side reform). This should build a medium to long term healthy economy for the country. Regarding the tariffs on aluminum and steel, since this is only a tiny part of exports (<2%) from China, this should not affect the FX movement. Yet we would advocate a neutral weighting in USDCNH as trade war concerns might still trigger a temporary strengthening USD which could drive CNH weaker against the basket.	Neutral 6.4000	Neutral 6.4000

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KRW	<p>KRW appreciated this past week as stocks traded higher again on the back of a strong CPI print, which the market interpreted as increasing the probability of a rate hike this year. The re-appointment of the incumbent BoK governor last week was seen as maintaining the current rate hike path. Other positive news included N Korea agreeing to stop firing missiles and Kim possibly meeting U.S. president Trump in May. On the back of the positive political news development, we have shifted to a more neutral position on this pair.</p>	Neutral 1070	Neutral 1070
EGP	<p>The interbank market in EGP continued its move lower last week to 17.55-17.65 as activity picked up, allowing two-way flows to be covered in small size. The key development of the past week was the publication of the latest inflation numbers in Egypt with CPI YoY for February at 14.4% vs 17.1% previously and the core CPI YoY at 11.88% vs 14.35% in January. It seems to be that the pace of the inflation deceleration is surprising for most economists and investors as it is happening much faster than was widely expected. The next MPC meeting of the CBE is now live as there is ample room to cut interest rates and we think that the central bank will proceed with a 50-100bps reduction on 29 March. What is interesting about the market reaction is that the yields of 6-mth Tbills and 12-mth Tbills at 17.75% and 16.59% are not really pricing in lower interest rates. Therefore, we believe that this now presents an opportunity to buy Tbills at attractive yield levels, since the central bank should be able to reduce rates by at least 300-400bps by the end of this year as inflation continues to decrease.</p>	Neutral USDEGP 17.55-17.70	Neutral 17.25-18.50
NGN	<p>NIFEX and NAFEX rates held around 334 and 360 respectively over the past week. The IMF concluded its consultations with the Nigerian government and said that although the economic slowdown may have ended, the country is lacking diversification reforms that will reduce the economic dependence on oil, which is still key determinant of growth. The FX reserves of the central bank hit a 4-year high above \$43bln. Oil production so far this year is still below the budget projection level of 2.3 mbpd and closer to 2.1 mbpd. The NDF and Tbill markets were range-bound through the week and we remain neutral at the moment.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365
ZAR	<p>The rand underperformed the ruble and the Mexican peso last week, which both got a boost from the implied delay in U.S. tariffs on steel and aluminum imports. Elsewhere in the EM space, ZAR held up better against Turkey. It seems to be that ZAR has a lot positive news already priced in, but we still hold the view that even in a strong U.S. dollar environment the rand will remain the outperformer relative to other EM currencies.</p>	Neutral to bullish USDZAR 11.50-12.50	Neutral to bullish 12.75-15.00

GCC FX Commentary	
SAR	The 1Y USD/SAR FX swap moved slightly lower to trade at a 30 mid, while the 2Y and 3Y swaps moved lower to trade around 145 and 350, respectively. Spot USD/SAR remains within a 3.7500/3.7510 range.
AED	The USDAED FX curve remained relatively unchanged this past week. The 1Y USD/AED swap is also pretty much unchanged trading around a 40 mid.
QAR	Spot USD/QAR has been trading at 3.6600/6700 throughout the past week. The market continues to trade with an average market size of US\$1-2mio. The USD/QAR FX swap curve continued to move lower with the 1Y FX swap trading around a 130 midrate.
OMR	The USD/OMR FX curve was flatter on the week. The 1Y remains unchanged at a 350 points mid, while the 2Y FX swap moved slightly higher to trade around a 900 midrate. Spot USD/OMR spot was slightly higher than the previous week at 0.38501/507.
BHD	The USD/BHD FX swap curve remained unchanged on the week, with the 1Y swap hovering around a 155 midrate. The most recent 3-month BHD T-bill issuance yielded 3.19%.

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