

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 trend is your friend; close your eyes and buy EM? Despite risk selling off in other asset classes, Asia currencies weathered the storm well over the past week to register week-on-week gains. We have seen inflows into Asia bonds, and LHS side NDF roll across the board. This looked as if market wanted to add risk ahead of the upcoming FOMC decision on Wednesday. We believe that SGD still offers relative value and we advocate a net long exposure, as the NEER doesn't look rich at +0.5%. Even if equities were to sell off further, we believe that SGD should outperform other Asian currencies.	Neutral 1.3250	Neutral 1.3250
INR	Headline CPI fell quite significantly in Feb due to higher than expected moderation in food prices and reduction in the goods and services tax. The number came in at 4.44% compared to 5.07% in Jan. This should put the RBI on hold for a while as the number is still within the bank's target range of 3-6%. This lent support for INR all week, notwithstanding foreign investors being net sellers of INR bonds in this month. We remain cautious in our outlook for INR given the lack of recent inflows. Moreover, the carry is too expensive to support a core long USDINR view.	Bullish 65.50	Bullish 66.50
CNH	USDCNH finished the week where it started at 6.3200, after briefly flirting with the 6.3000 level again. Flows were limited this past week with little evidence of any continued corporate selling. However, on the swap side, we finally saw heavy offers in all tenors as USD funding tightness finally seemed to spill over to Asia. Focus will be on all deliverable currencies this week, CNH included, to see if investors will try to get hold of USD via the FX swap market.	Bearish 6.2500	Neutral 6.4000

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KRW	<p>Money continued to flow into KRW this week with foreign funds showing interest in 10y KTB at 2.8%. March volumes may not be as significant as the record buying of USD2.2bio seen in Feb, but the positive momentum of risk appetite is still there. Looking ahead, we expect USDKRW to test 1060 again in the near future, which will be the third time the market has tested 1055 – the level at which the BoK defended twice and prevailed.</p>	Neutral 1070	Bullish 1100
EGP	<p>The interbank market in EGP remained stable around 17.55-17.65. It was a quiet week in Egypt in terms of data and one of the few things worth mentioning is that Russian airlines will soon resume flights to Egypt. This should be another factor in boosting the local economy as the Russians were in the top three of tourist arrivals prior to the terrorist attack a couple of years ago. Market consensus is for 50-100 bps rate cut at the next MPC meeting of the CBE on March 29. With 6-mth Tbills and 12-mth Tbills yielding 17.75% and 16.60% respectively the market appears very cautious in pricing in further interest rate cuts, which in our opinion creates an opportunity to buy Tbills at good yields. We believe that the central bank should be able to reduce rates by at least 300-400bps by the end of 2018 as inflation continues to decrease.</p>	Neutral USDEGP 17.55-17.70	Neutral 17.25-18.50
NGN	<p>The NIFEX and NAFEX rates held around 334 and 360 respectively in the past week. February's CPI YoY declined to 14.3% vs the previous print of 15.1%, as food inflation slowed. The NDF and Tbill markets were range-bound through the week and we remain neutral at the moment. The stability of the oil market and the lack of domestic news is contributing to low volatility in Nigeria. On a separate note the governor of the CBN said that the deputy governors should be approved by the Senate in the near future and that the next MPC meeting scheduled for 30 March might have to be postponed by 2 weeks. But in any case he said that it is too early to cut interest rates.</p>	Neutral NAFEX USDNGN 359-361	Neutral to bearish 345-365
ZAR	<p>The rand came under pressure from rising US dollar funding; investors are now cognizant of the decrease in EMFX carry. So the pair moved moderately from the lows of the week at 11.75 to 11.95. However as we have noted before, ZAR outperformed other EM currencies, especially TRY and RUB. We maintain the view that even in a strong US dollar environment the rand will remain the outperformer relative to other EM currencies.</p>	Neutral to bullish USDZAR 11.70-12.50	Neutral to bullish 12.75-15.00

GCC FX Commentary

SAR	<p>The SAR FX curve was higher on the week with the 1Y FX swap moving 25 points higher to trade at 50 mid, while the 3Y and 4Y swaps moved 130 points and 110 points higher to trade at 475 and 630 mid, respectively.</p> <p>SAR FX spot is currently trading at 3.7500 mid.</p>
AED	<p>The AED FX curve remained relatively unchanged on the week with the 1Y FX swap trading at 37 mid.</p>
QAR	<p>USD/QAR spot has been trading range-bound between 3.6600 and 3.6700 throughout the week. The market continues to trade with a typical market size of \$1-2m.</p> <p>The QAR FX swap curve also moved higher with the 1Y FX swap trading at 155 mid, 25 points higher on the week.</p>
OMR	<p>The Omani FX curve was a little softer on the week in short dates. Tenors 1Y and beyond remained unchanged. The 1Y is trading at 350 points mid.</p> <p>OMR FX spot is trading at 0.385025 mid.</p>
BHD	<p>The Bahraini FX swaps curve remained unchanged on the week. The 1Y FX swap is currently trading at 155 points mid. USD/BHD spot is trading at 0.377025 mid.</p> <p>The most recent 3-month BHD T-bill issuance yielded investors 3.19%, up 1 basis point on the week. The coverage was 151% up from 124% in the prior week.</p>

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