

## Emerging Markets Currencies - the traders' views (06-May-2016)

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 weakened 1.5% for the week mostly tracking the risk off sentiment in EM Asia. However SGD outperformed other regional countries due to its recognition of a safe haven and continues to trade above the SGDNEER mid-point. Start to see selling interest in SGD as front end rates start to get expensive as market is buying forward to hedge SGD exposure. We continue to hold our neutral stance in SGD and believe in the longer term it should weaken against the SGDNEER as the risk sentiment changes.	Neutral 1.3700	Bearish 1.4000
INR	INR continues to trade in tight range without significant data or news. PMI data came in slightly weaker than previous months. Currently USDINR still trades along the uptrend tracking the interest rate difference and without significant improvement in data going on forward we prefer stay long USDINR pair.	Bearish 68.00	Bearish 69.50
CNH	USDCNH seen buying interest this week as risk off sentiment pours in along with DXY strengthening. Spot traded to a high of 6.5235 after USDCNY fixed at 6.5202 on Friday. CNH DF however remains stable as funding remains very flush. PMI data came in below market expectation and below the 50 line showing that the economy is still yet to find bottom. However looking at the CFETS basket, CNY is still slowly depreciating against the basket hence we believe the central bank would continue to favour the currency moving towards this way against the basket. On a USDCNH basis we remain our neutral stance.	Neutral 6.5000	Bearish 6.7000
MYR	USDMYR was the main mover this week which traded 3% higher breaking 4.0000 level. Despite oil trading slightly higher for the week, market sentiment was the main driver and outflows in EM led to good buying interest in USDMYR where this pair attracted the most attention for the past few months. Looking at 1m NDF vs spot points which is trading at around 50 pips now, we can gauge there has been good unwinding interest from offshore entities on MYR positions. Data was mixed with a better trade balance number but due to lower imports YoY. No significant 1MDB news this week but we should expect some noise again next week as another bond coupon date is getting close. We prefer to stay sideline for this currency pair.	Neutral 4.00000	Bullish 3.90000
KRW	USDKRW good buying interest for the week and closed around 2.8% higher for the week. As risk sentiment turns, KRW no longer keeps the momentum and start to see unwinding interest of short USDKRW positions. CPI remains low at 1% YoY basis and renewed talks of introducing the QE programme to boost the economy trigger some rumours of further rate cuts in Korea this year which triggered some buying interest of USDKRW. As we yet to see the economy improving, we hold our bearish view and shifted the target to 1200. Focus will be on 13 May to see whether BoK will deliver a rate cut.	Bearish 1200	Bearish 1210
EGP	The official exchange rate remained unchanged at 8.78. The Central bank of Egypt published its FX reserves for the end of April and it showed an increase of \$400mln to \$17bln. It commented that the CBE has not received the deposit of \$2bln from the UAE and that it is expected by the end of May. With the Ramadan starting in early June, we think that the CBE will be disinclined of tweaking the exchange rate in the next 1-2 month. So our previous recommendation of staying long EGP through NDFs is still valid.	Neutral 8.78	Neutral to bearish 9.00 - 9.25

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NGN	The official exchange rate is still in the range of 198.00-199.50. Now we hear renewed talk about the dual-exchange rate regime where there could be an exchange rate for “preferred” and crucial industries such as food, medicine, machinery and a separate rate for less important industries. Thus it could be a way for the central bank of Nigeria to recognize the parallel market and address the wide gap between the official and kerb rates which currently more than 100 nairas. It is not clear as usual in Nigeria of when such a regime could be introduced.	Neutral 199 - 200	Bearish 230 - 250
ZAR	This week the rand weakened very sharply against the dollar breaking above the 15.00 mark several times but then retreating to close below it so far. The move was driven by the risk sell-off that hit EMFX and the US dollar made gains against a broad group of currencies. In particular ZAR was badly hit on Wednesday on the news of political changes in Turkey which came in low –liquidity hours. Going forward we expect the EMFX to continue to trade on back-foot but not at such a fast pace as in the last few days.	Bearish 14.90 - 15.60	Bullish 14.00

## NBAD Global Markets FX team

### G10 FX Spot

**Phil Muldoon**  
[Phil.Muldoon@nbad.com](mailto:Phil.Muldoon@nbad.com)

**Nourah Al Zahmi**  
[Nourah.Alzahmi@nbad.com](mailto:Nourah.Alzahmi@nbad.com)

**Tel: 00971 2611 0111**

### EM FX Spot

**Danay Sarypbekov**  
[Danay.Sarypbekov@nbad.com](mailto:Danay.Sarypbekov@nbad.com)

**Pinrath Wongtrangan**  
[Pinrath.Wongtrangan@nbad.com](mailto:Pinrath.Wongtrangan@nbad.com)

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