

Emerging Markets Currencies - the traders' views (13-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 continued the pace of weakening for the week tracking the risk off sentiment in EM Asia. Notable change was that SGD has depreciated around 0.6% against the SGDNEER for the week, and now trading on the weak side of the SGDNEER band (below midpoint). This might suggest outflow in the region is accelerating. Singapore Finance Minister suffered from a stroke during a Cabinet meeting this week, and market is selling SGD as fear of economy reforms will be delayed with his absence. We maintain our neutral view on USDSGD but expect SGD to remain on the weak side on the SGDNEER.	Neutral 1.3700- 1.3800	Bearish 1.4000
INR	INR continues to trade in tight range without significant data or news. CPI data came in higher than market expectation but offset by lower IP number. 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 67.00- 68.00	Bearish 69.50
CNH	USDCNH seen buying interest this week as equity market turns weak with SHCOMP breaking 2800. Bearish sentiment amounts and seen local corporates started to buy spot where it traded to a high of 6.5235 onshore and USDCNH at 6.5540 before local banks start capping the curve. CNHDF slowly drifting higher as funding starts to get more expensive with short CNH interest grows. CPI and PPI came in around market expectation with export/import data slightly worse than expectation due to higher commodity prices onshore. Regarding to the CFETS basket, CNY is still slowly depreciating against the basket and 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 6.5300- 6.5800	Bearish 6.7000
MYR	USDMYR had a choppy trading week while ending the around 0.8% weaker. Despite oil trading slightly higher for the week, market sentiment remained as 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. 1m NDF vs spot points continued to trade at around 50 pips now, which suggests unwinding interest from offshore entities on MYR position continues. Data wise, IP came in worse than expected. Next week we have CPI data and policy rate meeting from the new BNM governor and we prefer staying side-lines with a neutral view ahead of event risk next week.	Neutral 4.000- 4.1000	Bullish 3.90000
KRW	USDKRW had a tight trading session for the week ending around flat from last week. Bank of Korea remained policy rate unchanged at 1.50% with an unanimous vote which was a surprise to the market yet maintaining dovish comments on economy. However they also stated that current rate is supportive of economy which might reduce expectation of excessive rate cut this year (market is pricing more than 1 cut of 25 bps in next 6 months). On the data side, export and import index changes continue on the negative territory while unemployment rate slightly drops. Data is yet to proof Korea's economy is picking up growth again, hence we maintain our bearish view on USDKRW with a target of 1200.	Bearish 1200	Bearish 1210

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EGP	The official exchange rate remained unchanged at 8.78. Quiet week domestically in Egypt with little news. In NDFs there was some USD bidding flow in the longer end of the curve around 9-month and 1-year tenors that pushed the prices about 1% higher. We remain of the view of staying long EGP through NDFs as we do not expect any big changes in the FX market before and during the Holy month.	Neutral 8.78	Neutral to bearish 9.00 - 9.25
NGN	The official exchange rate is still in the range of 198.00-199.50. This week the big news were comments from the Vice President Osinbajo who is responsible for economic policies that the government and the central bank are considering a possibility of a devaluation as the current situation of currency shortages is not sustainable in Nigeria. These comments led to a sharp jump in NDF prices of 3-5% as the market was not really expecting any devaluation until September 2016. The next central bank policy meeting is scheduled for 24 May and now there is a greater possibility of the FX rate adjustment. In case the naira is devalued we do not see it above the 250 level. Also as mentioned previously the CBN might introduce a two-tier exchange rate system.	Neutral to bearish 199 - 200	Bearish 240 - 250
ZAR	Mining prod. YoY in Mar -18.0% vs -12.4% exp., unemployment rate in Q1 26.7% vs 25.7% exp. The rand spent most of this week trading above the 15.00 mark. It is tough to say where we move from here as the conviction levels are very low and the market sentiment is fickle. However we are biased towards seeing more US dollar strength and thus we see ZAR testing the highs at 15.40 next week.	Bearish 14.90 - 15.60	Bullish 14.00

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