

## Emerging Markets Currencies - the traders' views (27-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 has been in range bound this week, as 1.3750 continued to be support despite making to take profit on USD long. As oil broke USD 50/bbl, the pair should be capped for a move higher now, but a dip towards 1.3650 would see a good USD demand. Despite market lack of interest in the pair, there were plenty of data coming out this week. April IP surprised to the upside, rising 2.9% yoy, better than the consensus expectations of -0.2%. (Mar: revised to +0.1% from -0.5%, and Feb revised to -3.7% from -4.7%. The January- April IP reports provide signs of a production up cycle, particularly for the electronics and biomedical sectors. Q1 GDP was also revised up modestly at +0.2% qoq from 0.0%, and yoy growth is unchanged at +1.8%.	Neutral 1.3700	Bearish 1.4000
INR	Hawkish FED rhetoric sent USDINR to a week high of 67.77, however this didn't last long as commodity currencies rallied on the back of oil prices. MTD, INR lost 1.1%, and one of the main drivers for this was the net portfolio outflows. Latest data suggested that net foreign institutional investments into Indian equities amounted to USD -120mio, but net outflow of government bonds during the same period was almost 1bio USD. This is in comparison to a net FII inflow into both equities and bonds for USD585mio and USD 550mio respectively in April. With lack of inflow into India, we also like to be buying USDINR on any dip. Now, we see opportunity to buy USDINR at 67.00 for a test of 68.50 and 69.00. Next week we have Q1 GDP number on 31 May and Bloomberg consensus is that the real GDP will rise by 7.5% yoy from Q4 and 7.3% yoy.	Bearish 68.00	Bearish 69.50
CNH	USDCNH has been particularly well bid the whole week despite other USDAsia retraced lower. The pair failed to break 6.5600 even when many fast money accounts tried to short USDCNH since the pair has been a lag this week. We heard that China were buying EUR and selling USDJPY again this week. So it's not a surprise to expect CNY to weaken against the CFET. On the DF side, market has been trading sideways. Funding stabilized at 2.5 to 2.8 ppd. With cheap funding, we still like to be long USDCNH against short other USDAsia, like USDMYR.	Bearish 6.600	Bearish 6.700
MYR	USDMYR looked to complete a 5 wave move from 20 April low to 4.1300. So even USD bull trend were to continue, USDMYR would find it difficult to break higher, unless we saw a clean break above 4.20000. Given oil trading above USD50/bbl, we like to fade USDMYR on this move. The only concern of MYR now was still the 1MDB, which has been in the news throughout the year. A new development this week was that MAS ordered BSI bank, which has links to 1MDB fund flows to shut down operations in Singapore on grounds of serious breaches of anti-money laundering requirements. Apart from this negative headlines, we expect to see more inflows in to Malaysia from real money, which emphasize our view on sell of rallies of the pair.	Neutral 4.000	Bullish 3.900
KRW	USDKRW also traded sideways, but the price action this week suggested to me that the pair is poised for a move higher. A move lower this week was just a profit taking, while the real flows are still on the RHS. Custodian name has been buying USDKRW all week. We are still targeting USDKRW at 1200 in a short term.	Bearish 1200	Bearish 1220

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EGP	The official exchange rate remained unchanged at 8.78. Generally a quiet week in the Egyptian market. Yesterday the news came out without much details of the Egyptian Cabinet approving a grant of \$2.5bln from Saudi Arabia. This should boost the FX reserves of the central bank together with a deposit of \$2bln from the UAE. So potentially we can see the FX reserves rising above \$20bln in the next month or so. 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. Therefore we see the spike in NDF prices as a great EGP buying opportunity.	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. The central bank of Nigeria this week at its scheduled MPC meeting said that it will move towards a flexible exchange rate in the interbank market with details to be provided within a few days. Thus far we have not had any additional information on the new currency regime in NGN. So for now the official exchange rate remains unchanged and the interest rates were left at 12% as the CBN chose to stimulate the slowing economy saying that recession is imminent. The NDF market reacted to the news by a sharp move higher especially in the short end of the curve. Additionally the Nigerian news are dominated by persistent and widening attacks on the oil infrastructure in the Niger delta which has cut the production to around 1.4mln bpd from the levels above 2.0mln previously.	Bearish 270-290	Bearish 270 - 300
ZAR	It has been a relatively low volatility week for ZAR in terms of the trading range. The market is stuck in the consolidation range in our view before breaking out higher. We remain bearish on ZAR as the US Fed rate hike is looming in June or July and the US dollar is expected to be strong against most currencies.	Bearish 15.50-16.25	Bullish 14.00

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