Emerging Markets Currencies - the traders' views
(19-May-2017)

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	Last week was a tricky one for SGD as risk-off sentiment drove USD /EM currencies generally higher, yet the collapse of DXY (as EUR/GBP/JPY strengthen due to weaker USD) pushed SGD stronger as it is pegged to a basket of currencies. Carry trades using SGD as funding were also unwound which drove SGD trading back above the mid-point of SGDNEER. We believe the current move is more due to position unwinding as the market has been enjoying a period of low volatility carry benefits, hence some positions are very crowded and when everyone tries to get out, it often magnifies the move. Here we would prefer to stay long USD against SGD as fundamentals has not really changed (actually Singapore NODX data actually getting worse), and Fed should still hike in June triggering some USD buying activities ahead of FOMC.	Bearish 1.4200	Bearish 1.4200
INR	The big move in USDINR showing how crowded the long INR position is, and how messy it will be when things start to go wrong. USDINR spiked up 60 pips intraday last Thursday due to the political news in Brazil along with lower US equities, and the market was struggling to find offers in USDINR to get out. We still agree that the fundamental story in India remains solid, and as heavy positioning has begun to clear out somewhat, we would look to put on fresh short USDINR position at around the 65.00 level.	Neutral 65.00	Neutral 64.00
CNH	USDCNH remains stuck within a tight range. Overall, the market seems to be abandoning a bearish CNH view as volatility keeps heading lower. Chinese policy makers look quite determined to keep their financial markets stable ahead of the 19th NPC. Outflow from China has lightened to around USD 10-20 bio per month now. China has also been monitoring short end interest rates to avoid a significant widening from the US which might trigger outflows again. The overall picture looks healthier to us in the short term. China is going to start its bond connect program via HKEx, and the initial stage will begin from northbound flows (buying of CNY bonds) first. Although this does not greatly differ from the current RQFII/QFII route of buying bonds, it shows China's willingness to internationalize its bond market.	Neutral 6.9000	Neutral 6.9000
KRW	KRW FX remains one of the markets where players are still struggling to position themselves. Political tension regarding N Korea's missile testing was offset by the optimism on potential stimulus policies from the newly elected president. It is also interesting to see that the skew in USDKRW volatility curve is quite high, suggesting the market is still concerned about a potential spike in USDKRW and buying cheap protection via options, although this is currently offset by decent inflows into local stocks and bonds which drove KRW stronger. Overall we do not have a strong conviction at this level, but given our general view that USD will strengthen ahead of the next FOMC meeting, and ongoing noise surrounding North Korea, we would prefer to stay long USDKRW against most other currencies as a relative value trade.	Bearish 1140	Neutral 1120
EGP	The local FX spot market remained within its recent range of 17.95-18.15 last week. There was a Cabinet meeting where the CBE reported on the monetary policy and the exchange rate. The Governor Tarek Amer said that there was about $8bln of portfolio inflows into Egypt since devaluation of EGP and that the government is repaying the outstanding debt owed to the oil companies operating in the country with another $700mln to be sent before the end of June. He also stated that the FX liquidity problems are now in the past and that the IMF's second loan tranche of US$1.25bln was approved and is expected to be disbursed by July. We believe that with the ongoing flow of positive news from Egypt the case is building for the appreciation of the pound after Ramadan. Once the move begins we would expect USD/EGP to dip back towards 15-16.00 in spot.	Neutral to bullish 17.50-18.25	Neutral to bullish 15.50-18.50

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NGN	USD/NGN on NIFEX was around 320-325 and the NAFEX at 377-384 this past week. There was a shift lower in the NDF curves based on NIFEX and NAFEX and was driven primarily by the belief that the fixings are/will not be moving higher in the near future. The timeframe for the convergence of the two curves is not clear either but seems to be at least 3 months away. We still prefer being long USD vs NGN in longer-dated NDFs 6-12 month but to be short USD and long NGN in 1-month NDFs.	Neutral 315-325	Bearish 400+
ZAR	It was a very volatile week for USDZAR with a low at close to 13.00 and the high at 13.60. However the irony is that as of now the currency was little changed from the start of the week at 13.30. The big moves were driven by the global equity market selloff and the political scandal in Brazil and thus players shorted the rand as one of the most liquid proxies for EM risk in general during the early Asian hours of last Thursday. It was however interesting to note that there was quite a bit of interest to buy the rand on the spike which shows that the sentiment towards EM is still generally positive. If this week USD/ZAR does not go above 13.60 then we will switch our view from bearish ZAR to bullish.	Neutral to bearish 13.20-14.00	Bearish 13.50-15.00

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