

## Emerging Markets Currencies - the traders' views (26-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)
EGP	<p>USD/EGP remains within a range of 17.95-18.15 and it suits the Central Bank of Egypt as it wants FX rate stability. Last week the CBE Governor presented an update on monetary developments to the Cabinet. Tarek Amer comments were positive mentioning that there had been considerable inflows from offshore portfolio investors totalling \$8bn which went into the Egyptian fixed income and equity markets. FX reserves are up to \$28.6bn so far and this will be boosted further by the IMF second tranche of \$1.25bn as well as a Eurobond for \$1.5-2bn. The only concerning development concerns inflation which is above 30% and is driven primarily by the devaluation of the pound in November 2016. Last Sunday the central bank surprised many by hiking interest rates by 200bps bringing the borrowing rate to 16.75%. Most economists assume that it was done to satisfy the IMF but we think that if that was the case then the CBE would have done just 50-100bps. It seems that they want to create an overwhelming incentive for foreign investors to invest in Egypt and get as much inflows as possible. The yields on Tbills and Tbonds are rising now and this is just adds to the attractiveness of long EGP positions.</p> <p>We think that unless there is a major risk-off selloff in EMFX and equity markets in the near future then it is likely that we will see USD/EGP moving lower from the current 18.00 level down to 15-16.00 region. There remains strong potential for another wave of portfolio investments into the Egyptian assets in the weeks to come. Therefore we advocate going short USD long EGP through NDFs or in the spot market through the repatriation mechanism of the CBE coupled with the purchase of Tbills</p>	Neutral to bullish 17.50-18.25	Neutral to bullish 15.50-18.50
NGN	<p>The NIFEX was around 320-325 and the NAFEX at 377-384 this past week. The CBN had its MPC meeting where no changes in interest rates or the FX policy were announced in line with expectations.. Both NDF curves based on NIFEX and NAFEX remain at the lower end of their respective ranges as there is little expectation in the market of potential changes in the FX regime going forward. The timeframe for the convergence of the two curves is not clear either but seems to be at least 3 months away. Thus we still like to be long USD vs NGN in longer-dated NDFs 6-12 month but to be short USD and long NGN in 1-month NDFs.</p>	Neutral 315-325	Neutral to bearish 400+
ZAR	<p>It appears global financial market participants have decided that EMFX remains one of the best ways to deliver returns this year with few exceptions. This sentiment has helped support the ZAR which is now trading towards this year's highs against the US dollar. Apart from this broader supportive environment, the rand was boosted by the expectations that President Zuma may be ousted from his top ANC position sooner rather than later. The direction now is down for the USD/ZAR and thus we could see the market challenge this year's low of 12.3100.</p>	Bullish 12.30-13.20	Neutral 11.50-13.00

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