

EM FX & Rates - The Traders' Views

Please find below views on Emerging Markets FX directly from our traders.

EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
SGD	USDAAsia has been tricky to trade this past week as it's been stuck between the global EM sell off, and a regional positive risk sentiment. USDSGD got dragged to almost 1.35 but eventually settled around 1.34 as we saw some EM rebound. Overall we feel that the USD rally looks set to continue, but would rather play intra-asia pairs to avoid being squeezed out too easily. We still like trade surplus currencies like SGD and CNH/CNY vs. trade deficit and high yielders like INR IDR, and PHP.	Neutral 1.3200	Bearish 1.3000
INR	What was interesting about USDINR to me is the fact that the pair corrected the least when USD retraced somewhat. This highlights how INR has been trading in over the past month or so. With Brent now above \$70 per barrel, it's hard for the INR to strengthen. The fact that an average annual increase of \$1 in crude prices raises the cost of India's oil imports by \$1.5bio USD, underlines the problem in turning bullish on the local currency for now.	Neutral 68.00	Neutral 68.00
CNH	We repeat what we said last week about USD/CNH: Our main conviction now is that CNH should appreciate relative to other USDAsians when EM sells off.. Being long CNH helps protect us from any short term long USD squeeze as we saw on Thursday and Friday last week. The CFET basket should keep strengthening from here.	Neutral 6.3000	Neutral 6.3000
KRW	USDKRW had the firmest regional tone the whole past week, but given the later long USD squeeze, it may be time to pause. We feel below 1065 is a more attractive level to go long USDKRW for 1090 target.	Bullish 1090	Bullish 1100

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EGP	<p>USD/EGP pushed higher for most of the past week reaching highs of 17.85-17.95. Therefore from the lows of 17.65, we had a rise of more than 1% in the space of two weeks which is pretty volatile by recent standards. In our opinion the central bank will try to do its best to stabilize the market around 18.00-18.20 because further significant weakening of the pound might provoke an exodus of foreign portfolio investors and the depletion of the FX reserves. We should keep in mind that portfolio investors' holdings reached \$23bln at the end of April with the CBE reserves at \$44bln. The NDF curve remains well bid, i.e. the USD demand is quite high as investors are looking to hedge their EGP exposure. The CBE held its planned interest rate meeting on the 17th of May and decided not to cut interest rates from the current lending rate of 17.75% and the borrowing rate of 16.75% citing inflationary threats especially in view of the planned reduction in energy subsidies in the second half of 2018. At this week's auction the yields of 6-mth T-bills and 12-mth T-bills are higher again by 50-70bps to 18.90% and 18.40%.</p>	<p>Neutral to bullish USDEGP 17.85-18.00</p>	<p>Bullish 17.75-18.50</p>
NGN	<p>The NIFEX and NAFEX fixing rates printed levels of 339 and 360 respectively this past week. The sell-off by Foreign Portfolio Investors appears to have slowed after the Central Bank stepped up its intervention in the FX Market and after Brent crude topped \$80 per barrel, its highest level in over three years. This situation remains positive for Nigeria and has helped the CB rebuild its reserves over the last year. Therefore, although we would not advise adding to the Nigerian exposure at this stage, we favour keeping our longs in NGN T-bills in FX hedged format.</p>	<p>Neutral NAFEX USDNGN 359-363</p>	<p>Neutral to bearish 355-365</p>
ZAR	<p>The rand tracked other EM currencies lower this past week, dropping as much as 2% whilst yields in the local-currency bonds rose as Investors took a more cautious look at EM assets after US 10 year Treasury yields rose to 3.10% recently. We think the greenback will resume its strengthening path including versus ZAR. Thus we remain bearish on EM in general and the rand specifically. There is the SARB meeting on the 24th of May although rates are expected to be left unchanged at 6.5%.</p>	<p>Bullish USDZAR 12.40-13.00</p>	<p>Neutral to bullish 12.55-13.50</p>

GCC FX Commentary

SAR	<p>The SAR FX curve remained unchanged on the week with the 1Y FX swap trading at 25 mid, while the 4Y and 5Y swaps are at 500 and 700 mid, respectively.</p> <p>SAR FX spot is trading at 3.7503 mid.</p>
AED	<p>The AED FX curve was softer on the week with the 1Y FX swap trading at 22 mid, just 3 points lower on the week.</p> <p>AED FX spot is trading at 3.6730 mid.</p>
KWD	<p>The KWD FX curve remained unchanged on the week with the 1Y FX swap trading at -155 mid. Shorter dates moved lower by 5-10 points.</p> <p>KWD FX spot is trading at 0.30200 mid.</p>
OMR	<p>The Omani FX curve also remained unchanged on the week with the 1Y FX swap trading at 305 mid.</p> <p>OMR FX spot is trading at 0.38501 mid.</p>
BHD	<p>The Bahraini FX swaps curve moved higher on the week. The 1Y FX swap is currently trading at 220 points mid, up 40 points on the week.</p> <p>USD/BHD spot is trading at 0.37745 mid, 28 pips higher on the week.</p> <p>The most recent 3-month BHD T-bill issuance yielded investors 3.40%, up 4 basis points on the week. The coverage remained at 100%.</p>

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