

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	Quiet week for SGD range bounding within 100 pips for the whole week as DXY lacks the upward momentum this week. SGDNEER continues to trade at 1% above the midpoint, as investor probably have shifted some Asia EM exposure from high yielding currencies to SGD which is a safe haven. No convictions at this level and believe it will continue to track the broader USD move.	Neutral 1.3200	Bearish 1.3000
INR	INR continues to weaken as the fundamental picture of worsening current account deficit due to high oil price continues. USDINR touched a high of 68.45 before retracing partly to close at 68.25. the medium term picture continues to be bearish INR yet current levels as close to previous highs made in 2016, hence will wait for a pullback before initiating fresh longs in USDINR. Portfolio slows down a bit with NIFTY seeing some buyers towards weekend. Stay flat for now and wait for better levels to buy USDINR.	Neutral 68.00	Bullish 70.00
CNH	Our view on CNH is turning as China agrees to cut the tax for imported cars and importing more goods from the US. Current account surplus should gradually trim especially with service balance continue to widen in the negative territory due to tourism, education, and opening of the financial industry. Oil price hovering at current highs also slowly drains the surplus away as China is one of the biggest oil importers. MSCI inclusion of A shares could create potential buying interest in CNH but this should fade slowly. Broad picture is changing now and we turn to long USDCNH.	Bearish 6.4000	Bearish 6.5000

25 May 2018

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KRW	KRW remains steadily trading in a tight range between 1070-1080, with selling USDKRW interest due to its strong current account surplus, low inflation data (hence chance of rate hike trimming), and pickup of technology sector stock price, offset by geopolitical tension where US cancelled the meeting with N Korea in June. In the short term view we would stay flat in this pair but will position for a long USDKRW once the key 1082 spot level breaks.	Bullish 1090	Bullish 1100
EGP	The interbank market around the recent highs of 17.85-17.95. This is in line with our expectations that the central bank will try to prevent the FX market from “excessive” volatility as it will provoke the exit of portfolio investors that hold substantial amounts of local Tbills. So going forward the spot market can move the North but the pace should be slow and gradual. We estimate that probably between \$1-3bln has left the country in the past 1 month which implies that the foreign holdings of Tbills decreased by that much from the peak levels of around \$23bln. The NDF curve has settled in a new higher range and remains well supported on the bid side with liquidity being an issue. At this week’s auction the yields of 6-mth Tbills and 12-mth Tbills moved upwards yet again by 15-30bps to 19.15% and 18.55%.	Neutral to bullish USDEGP 17.85-18.00	Bullish 17.75-18.50
NGN	The NIFEX and NAFEX rates printed levels around 339 and 360 respectively in the past week. The MPC kept rates on hold at 14% as they considered the late passage of the 2018 budget, which is expansionary, would most likely exacerbate inflationary pressures in the second half of the year. This remains positive for Nigeria which has built its reserves over the last year. Therefore, although we would not advise adding to the Nigerian exposure at this stage, we like to keep our longs in NGN Tbills in FX hedged format.	Neutral NAFEX USDNGN 359-363	Neutral to bearish 355-365
ZAR	The SARB left kept interest rate on hold at 6.5%, in line with market expectations. The MPC cited rising oil prices and a stronger dollar which pose upside risk to the inflation trajectory. They also noted that an improving economic outlook supports a view of no further rate cuts this year. The Rand gained this week, trading at 12.47 to a dollar, after falling to a low of 12.89 after investors turned bearish on Emerging Markets. Foreign investors turned net buyers of bonds after weeks of heavy selling.	Bearish USDZAR 12.30-12.90	Neutral to bearish 12.55-13.50

GCC FX Commentary

SAR	<p>The SAR FX curve was flatter on the week with the 1Y FX swap trading at 35 mid, 10 points higher, while the 4Y and 5Y swaps are at 455 and 580 mid, lower by 45 and 120 points, respectively.</p> <p>SAR FX spot is currently trading at 3.7504 mid.</p>
AED	<p>The AED FX curve was softer on the week with the 1Y FX swap moving 4 points lower to trade at 18 mid.</p> <p>AED FX spot is currently trading at 3.6730 mid.</p>
KWD	<p>The KWD FX curve was softer on the week with the 1Y FX swap moving 40 points lower to trade at -195 mid. Shorter dates moved lower by 5-10 points.</p> <p>KWD FX spot is currently trading at 0.30230 mid.</p>
OMR	<p>The Omani FX curve 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 225 points mid, up 5 points on the week.</p> <p>USD/BHD spot is trading at 0.37765 mid, 20 pips higher on the week.</p> <p>The most recent 3-month BHD T-bill issuance yielded investors 3.40%, up 4 basis points from the previous auction. The coverage was lower at 100%.</p>

Contributors

FAB Global Markets FX & Rates

G10

Alison Higgins

Alison.Higgins@bankfab.com

Simon Turner

Simon.Turner@bankfab.com

Nourah Al Zahmi

Nourah.Alzahmi@bankfab.com

Meera Al Marar

Meera.AIMarar@bankfab.com

GCC & EM FX

Pinrath Wongtrangan

Pinrath.Wongtrangan@bankfab.com

Danay Sarypbekov

Danay.Sarypbekov@bankfab.com

Rashid Rasul

Rashid.Rasul@bankfab.com

Tel: +971 2611 0111

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