

## Emerging Markets Currencies - the traders' views (04-November-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	I was quite comfortable holding a long USDSGD position on this run up since it broke 1.3700, and believed that it could go back to 1.4200 in no time as it broke 1.4000. But, with the presidential election uncertainty, seeing vol spiking everywhere and risk selling off, I started to be cautious and took a step back to see that this could be a game changer like Brexit. SGD will still be a safe haven currency for Asia, so SGD would outperform other Asian currency in this environment. I still think market is still very long USDSGD, with expectation that MAS will ease more in the next meeting, so I will not try to buy USDSGD on this dip. Rather, I would follow through sell USDSGD on a break for a short punt. A key level to watch is 1.3820.	Neutral 1.4000	Neutral 1.4000
INR	We had a short week this week in India, but story was pretty much the same. I only saw corporate selling USDINR while local banks were on the bids. I have been calling for USDINR to go lower in the recent weeks, but the pair failed to break lower as there's no catalyze for it to happen. So now, I don't think spot will move much for the rest of the month. USDINR will be immune to any event risk around the world, so it would be a good pair to have in your portfolio to hedge against your overall risk.	Neutral 66.70	Neutral 67.00
CNH	Story was pretty much the same for China: outflow pressure and currency depreciation. But there are some development from the local authority side to prevent this outflow and depreciation to accelerate. Last weekend, SAFE suspended local residents from using Union pay to buy saving/investment related insurance in HK. This showed that PBOC and the government had some concerns on this continuous outflow and try to put a lid to it. CNH benefited this week from overall USD weakness as it could finally take a breather, but i don't think that this is over yet. But, on the funding side, t/n eased a lot, back to its historical level of 2-3 ppd, and i expect this to hold. Because market is still pricing some premium in the forward curve, I think it's attractive to receive CNH swap from 6mth to 1y.	Bearish 6.7000	Bearish 6.7500
MYR	USDMYR uptrend still remained intact and that is not going to change even if USDASIA sold off this week. With oil failed to break 50, and quickly dipped lower, there would be no reason for MYR to perform well. But, like USDINR, I don't see a break in either side in the next one month. Market positioning has been really light, and market hasn't been looking at this pair recently. On other front, the government awarded a MYR 55bn deal to a Chinese company to build the Kuala Lumpur-Kelantan rail line that spans 620km. Funding for this project will be obtained from a Chinese bank. So overall, the project should help to support Malaysia's economic growth.	Neutral 4.2000	Bearish 4.2500
KRW	USDKRW traded sideways this week. Like other USDASIA, by now, I think most market maker should square out the risk now ahead of the election, and that's why you are only seeing the pair wiping up and down. Month end flow was quite in October. I still think that there are rooms for USDKRW to move higher towards 1160 post US election. The downtrend from Jan to Sep looked to be over now.	Bearish 1150	Neutral 1200
EGP	Finally the CBE made the announcement that the Egyptian pound will be devalued today to 13.00/14.00 from 8.88 (almost a 50% immediate devaluation) and starting from Sunday it will be traded freely in the interbank market. The central bank also cancelled quite a few restrictions/regulations that they had in place which implies that they are serious about fully market-driven exchange rate. (Continued to next page...)	Bearish 16-17.00	Neutral to bullish 15-16.00

EM	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2 week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
EGP	<p>Our initial thoughts are that:</p> <p>(1) The spot market will move higher in the next few months during the adjustment period. Looking at the history of devaluations we can take the two recent cases of the Argentinian peso (ARS) and Kazakh tenge (KZT) in 2015 and also the EGP devaluation in 2003. In all three cases the initial spike in the spot market was just the start of the move that continued for a period of 2-6 months and the respective currencies weakened further after that by 17% for ARS, 54% for KZT and 16% for EGP until the peak levels of the exchange rate were reached. Therefore considering the severity of the economic crisis in Egypt at the moment we can assume a minimum 20% further weakening of EGP in the weeks to come which brings the exchange rate peak level estimates to somewhere around 16.50-17.50;</p> <p>(2) Currently the spot market is around 13.50/14.00 and the NDF market is discounting that the spot will settle around 14.00. We think this is too optimistic and the market is underestimating the risks that are facing Egypt now. So the risk if anything for the exchange rate are to the upside not downside from the levels we mentioned above;</p> <p>(3) Egypt unlike Argentina and Kazakhstan is a low-income country where food price increases might mean that people cannot afford it and will go hungry. Thus now with inflation inevitably spiking in the weeks to come there is an increased risk of social protests and criticisms of government economic policies. If this risk starts to materialize then it will prevent foreign capital from pouring into Egyptian equities, bonds and FDI regardless of the interest rates and how weak the pound becomes. In any case foreign investors will wait to see how the market develops in the next few weeks before jumping in any serious amounts. Convertibility risk will be thoroughly assessed.</p> <p>On the basis of the above we strongly recommend to buy USD and sell EGP through NDFs as it is priced too low for near-term risks.</p>	Bearish 16-17.00	Neutral to bullish 15-16.00
NGN	<p>The interbank market remained this week between 310-330. The government plan of \$30bln borrowing from now until the end of 2017 was rejected by the parliament and the government will try to resubmit it later. The President Buhari has met with the Niger Delta representatives about their grievances and promised to consider the solutions. So this is a positive step forward to some reconciliation. The NDF curve is slowly drifting lower as the spot is stuck around 320.00. Other than that we still recommend to sell dollars through NDFs especially in 3 and 6 months as we do not see the spot rate moving above 350.00 in the next few months.</p>	Neutral to bearish 325-345	Bullish 300 - 330
ZAR	<p>We were completely wrong on ZAR again and seem to be underestimating the bullishness of the rand. The charges against the Finance minister were dropped and the rand rallied on the back of it from 13.80 down to 13.40. The global backdrop is not very helpful for the rand with uncertainty for the US elections and the Fed which is likely to hike interest rates in December. So we remain cautious on the currency.</p>	Bearish 13.50- 14.50	Bearish 15.00- 16.50

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