

Emerging Markets Currencies - the traders' views (18-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	This past week could be summed up in one theme: momentum; and USD has surely been gaining that momentum even if there's not much development in other fronts, i.e. economy or politics. USDSGD is no exception. As a proxy for China and a basket currency, SGD will underperform in such environment. There's no reason to go against the market now and believe that USDSGD would not make a new year high of 1.4431. All technical indicators are pointing to one direction, so to me, USDSGD is a clear buy on dips, or SGD can be sold against other high yielding Asian currency like INR and IDR.	Bearish 1.4300	Bearish 1.4500
INR	I have been thinking a lot about INR lately; on one hand, USDINR has been a laggard to other USDAsia and the pair, as I noted last week, is a short gamma currency throughout the year, which means USDINR should be playing catch-up, but on the other hand, INR could really be a bright spot in this EM sell-off. Now, I'm leaning towards the latter case as I look into the country structurally and fundamentally. Structurally, INR would strengthen as gold price drops as the Indians would buy more gold. As the data suggested, gold imports in October jumped by 108.4% yoy to USD 3.5bio, and this is the biggest jump since December 2015. This will continue, which will help support INR. India's economy is still fundamentally sound. Banning INR500 and INR1000 notes should make the system more transparent, and implementing universal GST scheme would stimulate the economy. So, in all, given all other Asian selling off, overweight in INR would not be a bad position in a portfolio.	Neutral 68.00	Bullish 66.00
CNH	My stance on China is still the same. I'm more bullish China than the mainstream. I'm not saying that CNY will not depreciate further, but my take is that PBOC will not let the pace of currency depreciation be as quickly as what the market is anticipating. While market is expecting USDCNH to rush to 7 within this year, but I think 6.90 would be the target PBOC is thinking, unless USD is much stronger in the next one month. On Friday, PBOC intervened both spot and forward, taking USDCNH from 6.91 down to 6.89 before more stops were triggered below 6.89. Even if quant funds seem to be buying USD on this dip back to close above 6.90, my feeling is that market would have to think twice if they want to fight PBOC at the current level.	Bullish 6.8700	Bearish 7.000
MYR	USDMYR liquidity completely dried up this week as more uncertainties in MYR continued. Market rather looked to close out existing MYR exposure, both FX and fixed income, than initiated a new position. On Friday, Deputy Governor Adnan spoke for the first time saying that fears of capital controls are "baseless," and that they are intervening in currency market. There's basically no reaction; and it's just because many banks stopped quoting the pair. Until market gets more clarity on what measures the central bank will have for the NDF offshore market, I expect market liquidity will continue to dry up and the pair will trade in isolation with other Asian currency.	Neutral 4.4500	Bearish 4.5000
KRW	USDKRW is finally approaching 1200, which is the target I have been expecting since the pair cleanly broke 1136. For some reason, I feel that USDKRW has been under the radar since Trump's victory, but it will be the pair that will take off the quickest. I'm actually targeting a new high of 1250 now.	Bearish 1200	Bearish 1250
EGP	The interbank market in Egypt came off the highs from the last week around 18.00 and so far hit the lows around 15.50. As one can see on the chart below this is around 23.6% retracement of the previous upward move and it can potentially extend further down to approximately the 14.50 level (38.2% retracement). Continued...	Bearish 16.00- 18.00	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>We do not see the EGP spot pushing below the 14.50 mark at this stage and it might not even make it down to that target as the backlog demand for dollars is still not cleared. We see two main scenarios going into the future of how the excess demand for dollars is cleared: 1) the interbank market trades in the range between 15.00-18.00 for a prolonged period of time (2-3 months at least) going up and down multiple times; 2) the spot market spikes above 20.00 and the CBE steps in with a big intervention and helps the market to clear the demand faster.</p> <p>In terms of the news we see reports that international investors are testing markets in Egypt cautiously by investing in equities and bonds. The amounts are around \$900mln and it is hard to see large inflows at least until January of 2017 when the new financial year begins. Also the global backdrop is not supportive for EGP at the moment as the US dollar is making substantial gains against most EM currencies. The World Bank reported that it will provide the second tranche of \$1bln to Egypt in January. The IMF funds have already been disbursed to Egypt. In our view most of the good news are already in the price of the Egyptian pound and assets but the reforms program list is still extensive. The risk of policy slippage is large as well as other risks. Thus we remain bearish on EGP at these levels.</p>	Bearish 16.00-18.00	Neutral to bullish 15-16.00
NGN	<p>The interbank market remained this week between 310-330. The news came out that Nigeria will repay around \$5bln in arrears to the oil companies such as Shell, ENI, Exxon Mobil among others over the next 5 years in oil shipments. However there is a condition attached that the total Nigerian production have to exceed 2.2mln barrel per day and this is a major hurdle because of the attacks on the oil infrastructure in Niger Delta. The NDF curve moved sharply lower as the spot fixing is drifting down. This is not a good time to be short USD and long EMFX and thus we now recommend to take profits on long NGN positions.</p>	Neutral to bearish 325-345	Bullish 300 - 330
ZAR	<p>This week the broad-based dollar strength continued but it was more expressed in G10 currencies rather than EMFX. That is why although the ZAR rate pushed higher to 14.60, it was only marginally higher from the previous week. It is a tough call on the rand at the moment as it is not as clear as say RUB at the moment. One gets paid a good carry in ZAR and the commodity price inflation should be good for SA but on the other hand the politics is uncertain and unsupportive, the ratings downgrade is looming and the country is running a current-account deficit. As a result we remain cautious on the rand and prefer to stay on the sidelines for now.</p>	Neutral 14.25-15.25	Bullish 11.00-12.00

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