

Emerging Markets Currencies - the traders' views (25-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	USDSGD traded higher for the week tracking the USD strengthening move, yet strengthened against the SGDNEER basket as risk sentiment turns slightly better for Asia. Exposure in Asia has shifted back to safe haven currencies such as SGD and THB. Spot is now 100 pips from year high and I see short term resistance here. Turning neutral stance for the time being. Remain bearish SGD in the long run due to sluggish growth in the region which is export-biased on potential trade barriers with the US and slowing growth in China.	Neutral 1.4300	Bearish 1.4500
INR	EM outflows drove strong buying interest in USDINR this week led by bonds. USDINR traded to a high of 68.86 (a new historical high) before suspected intervention from central bank. Structurally, recently developments about the currency and potential fiscal/monetary reforms should provide a more healthier growth in the region, and along with lower inflation I favour shorting USDINR at current levels.	Neutral 68.00	Bullish 66.00
CNH	Another leg of USDCNH buying emerged this week as DXY continues to strengthen and marked new highs since 2003. USDCNH traded to the highest level since existed at 6.9654 before seeing suspected local intervention. Despite market in generally calls for USDCNH reaching 7.3000 next year (which make sense due to interest-rate parity), in short term I believe this rally is driven more due to DXY strengthening rather than pure capital outflows, since CEFTS index is inching higher, showing that PBoC might change its stance from gradually depreciating against the basket towards maintaining stability. For the past year, CEFTS basket has traded from 100 down to 94, meaning there could be some room to defend the spot from going up too fast by letting CNY to appreciate against the basket. Hence I would continue to be bearish USDCNH at current levels looking for a tactical play.	Bullish 6.8700	Bearish 7.0000
MYR	USDMYR liquidity continues to be thin with government bonds selling interest continues. Spot edged higher gradually along with bond outflows and strengthening USD. 1m NDF vs spot points swinging from -200 to +600 due to offshore unwinding bond positions post BNM announcement last week. I believe this wave of bond unwinding will continue with spot grinding higher even if USD weakens, yet given the poor liquidity in the market I will stay out of this market.	Bearish 4.5000	Bearish 4.5000
KRW	USDKRW traded relatively stronger this week despite worries on trade protectionism under Trump's leadership along with foreigners selling government bonds due to spiking US rates along with political uncertainty locally. I believe this is good time to add on long USDKRW positions as economic outlook continues to be gloomy and room for rate cut remains high.	Bearish 1200	Bearish 1250
EGP	The interbank market was very stable this week trading around 17.50-17.75. It feels that the demand for dollars dries up as the market approaches the 18.00 mark as people do not want bid further for dollars. At the same time when the spot pushes lower there is demand for dollars which supports the market closer to 17.00. 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. In the news we saw comments from the Ministry of Finance that planned Eurobonds might be postponed until January because of the adverse international market conditions (i.e. rising US yields). The amount that Egypt plans to raise in 2017 is about \$6bn.	Neutral to bullish 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)
NGN	<p>The interbank market remained this week between 310-330. The Central Bank of Nigeria held its scheduled MPC meeting on 21-22 November. As was expected by most economists the interest rates were left unchanged at 14%. The CBN noted that the growth remained weak (in fact GDP contracted for 3 quarters of 2016) but there is no room to cut interest rates because inflation is at a decade's high hitting 18.3% in October. Interestingly the central bank made little comment on the naira exchange rate although the current heavily managed regime is strongly criticized locally and internationally. The currency is pretty much pegged around 310-320 and the parallel market is trading around 450-470 in the recent past. The supply of USD in the official market is low and importers of most goods have to rely on the unofficial sources. Since the CBN did not do anything on the FX front at the MPC meeting it is quite justified to assume that there will not be any major changes in the exchange rate until early 2017.</p> <p>However in Q1 2017 it is quite likely that the naira will have to be devalued again to levels close or above 400. The adjustment most likely will be required in order to facilitate FX inflows, boost GDP growth and the fiscal revenues among other things. Similar to our September recommendation, we see value in going short NGN and long USD in 2-6 month tenors through NDFs to benefit from any weakening of the naira in the future as current levels in NDFs are attractive.</p>	Neutral 315-325	Bullish 300 - 330
ZAR	<p>The SARB left interest rates unchanged at 7% this week as was expected. The rand has recovered some of the losses from the previous week and made gains from 14.40 down to 14.00. The rating review by the S&P is next week but the market is discounting no rating downgrade at this time. We think that USD/ZAR is a buy on dips for now and if we see levels below 14.00 then it is good to go short ZAR.</p>	Neutral to bearish 14.25-15.00	Bullish 11.00-12.00

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