

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	<p>Despite the major headlines we saw this past week – from FED chairman announcement to the FOMC – the market didn't react much to the news. USDSGD traded in a tight range 1.3580 to 1.3630. US October nonfarm payrolls rose by 261k missing expectation of 310k. However, on the positive side August and September figures were revised higher and unemployment rate dropped to 4.1% in October. Market took the payroll report overall as a positive and the DXY dollar index ticked higher. We thus like to be long USDSGD on dip at 1.3600. SGD NEER stays at +1%, we therefore see room for the USDSGD to move up as the DXY Dollar Index moves higher.</p>	Bullish 1.3650	Bullish 1.3850
INR	<p>USDINR traded heavily this past week despite agents bidding to support it. As the NIFTY stock index continues to make new high, we expect inflows into India to continue. We see support of the pair at 64.50. A World Bank report recently showed that India has jumped 30 places from last year in doing business, so it should somewhat lend support to INR. However, with the new banking recapitalization plan that the government introduced, I'm not so sure if overall environment is supportive for INR. It's positive for equities especially banks, but negative for bonds. Given that the foreign ownership of bond is much more than equities, there should be more potential outflow than inflow.</p>	Neutral 65.50	Neutral 65.50
CNH	<p>With National congress out of the way, market resumed trading actively again. This past week, we saw long USDCNH liquidation below 6.6000, so we think it's a good time to be long USDCNH here. The range 6.6000 to 6.6500 should hold for the rest of the year. The next focus in China should be Trump's visit to China next week. Until then we don't expect much going on in both spot and swap market.</p>	Neutral 6.6000	Neutral 6.6000

03 November 2017

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KRW	<p>USDKRW was the flavour of the week as spot was making its way down to 1110. This is the first attempt of spot to break the year low, but we don't think it will happen yet. After his China visit, Trump will visit Korea next. While we think that the focus should be on North Korea, but price action suggest that we should be fading any spike in USDKRW. Despite DXY remain bid, we would like to short USDKRW against long other USDASIA.</p>	Neutral 1130	Neutral 1130
EGP	<p>The EGP spot market once again stuck in a range (17.60-17.70) this past week. On the news front Egypt announced that it has repaid fully the Mursi government debt to Turkey and also paid a portion of the Lybian loan. The news confirm that the country is well on track in terms of its debt repayments. There is a big push in the energy sector as the Zohr field is expected to start producing by end of 2017 or early 2018. Egypt is also aiming to become self-sufficient in its energy needs which should help manage the balance of payments but the idea of becoming a net exporter is being shelved as unrealistic at this stage. At the same time the country wants to establish itself as an energy hub of the Eastern Mediterranean (Egypt, Lebanon, Israel and Cyprus) as it has the infrastructure to liquefy the natural gas which is expensive to build. This should bring additional revenues for the Egyptian government in the future. The NDF market came off the highs as there was some decent interest to sell dollars from a number of banks which is very likely to be driven by customer flows. We still think it is prudent and necessary to buy dollars on dips to protect the accrued profits through NDFs. The best way of doing the hedge is by buying USD in NDF tenors of 3-12 month.</p>	Neutral to bearish USDEGP 17.60-17.70	Neutral to bearish 17.00-18its debt .00
NGN	<p>Yet another quiet week in Nigeria with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. There were a number of comments from the central bank officials that they see naira as stable or appreciating in the next 6 months and do not want to see a sharp realignment between the two main FX windows. This was contrary to our previous view that NAFEX will drift lower towards NIFEX or the two fixings will meet somewhere in the middle, say, between 340-350. Therefore, we have to now change our position recommendation from being long USD to neutral or short USD through NDFs in 6-12 months in both NIFEX and NAFEX.</p>	Neutral USDNGN 325-335	Neutral to bullish 365-385
ZAR	<p>It was a quiet week for the rand as it traded in a tight range consolidating after a sharp spike the week before. We like to be short ZAR as the fundamentals and technicals are bearish for the currency with the first target at 14.35. Friday's NFP report, which was overall positive, could be a trigger for the next move higher in USDZAR. The Minister of Finance had meetings with the rating agencies in the course of the week, but the credit rating downgrades are assumed as inevitable by the market at this stage.</p>	Bullish USDZAR 13.90-14.50	Neutral 12.50-14.00

GCC FX Commentary	
SAR	The SAR FX curve was again flatter this week with the 1Y FX swap moving 15 points higher to trade at 135 mid, while the 4Y and 5Y swaps moved 100 and 150 points lower on strong demand for these tenors.
AED	There has been little change in the short end of the AED FX swap curve over the past three weeks. The longer end of the curve was softer. The 1Y AED swap is 5 points lower at 52 points mid, while the 3Y and 5Y are lower by 27 and 52 points on the week.
QAR	<p>Yet another volatile week of trading in USD/QAR spot with the pair finding no resistance in its move higher. The currency is now trading at 3.8300 mid, 3 big figures weaker and through the previous high of 3.8100 reached in June this year. The market is now trading in very small size, typically \$1m.</p> <p>The FX swap curve was softer on the week with the 1Y moving 30 points lower to trade at 75 points mid.</p>
BHD	<p>The Bahraini spot and forwards markets experienced a sudden surge in volatility on the back of news that Bahrain is said to have asked its Gulf allies for financial support and they have responded asking Bahrain for fiscal reforms (Bloomberg). The news was released late Wednesday evening and caused some panic in the market. USD/BHD spot is now trading 83 pips higher at 0.37800 mid vs. the peg of 0.37600.</p> <p>BHD FX swaps moved significantly higher in the longer tenors. The 1Y FX swap is now trading at 225 points mid, up 55 points on the week, while the 3Y moved 325 points higher to 1,000 points mid.</p> <p>Bahraini T-bills saw a sudden increase in demand with coverage in the 3-month T-bills hitting 140%; the highest level since June this year. The yield fell 6bps to 2.67% on the increased demand.</p>

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