

## 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>USDUSD traded heavy this week even though the rest of USDASIA was well bid. SGD NEER strengthened to +1% on the upper band and that was where we saw local banks start to bid for USD. We feel like USDUSD has been tracking USDJPY but on a slightly smaller magnitude. Saying this such correlation could break down soon if EM risk sentiment is changing. We saw the Nikkei take a big one day plunge on Thursday, and if the selling momentum continues, we could see SGDJPY trade lower. USDUSD vols continue to stay low as the market is not anticipating any breakaway from a current 1.3600 to 1.3700 range.</p>	Bullish 1.3650	Bullish 1.3850
INR	<p>USDINR resumed the uptrend again after it had dipped to 64.50. Market is still unsure what the bank recapitalization means to the economy, so has yet to fully react to this. Only fact we know now is that the government will commit 1% of the country's GDP to recapitalizing public sector banks. Whether this is enough or not, no one can tell yet. For us we think that fiscal tightening must happen in order to stick to the government's debt/GDP target. For the rest of the year, we are not too that bullish INR as before as fresh inflows appear to be ebbing. In any case it would be difficult for the currency to appreciate especially when RBI has been buyers of USD in the market to sterilize any drop in USDINR. Our current call is that USDINR should trade around 65.50 handle until the end of the year.</p>	Neutral 65.50	Neutral 65.50

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CNH	Spot USD/CNH continued to trade in a range 6.6000 and 6.6500. In the past few trading sessions, even if there were signs of USD weakness elsewhere, USDCNH was well bid. Above 6.6500, we expect US\$ sellers to appear again and the 100 DMA of 6.6650 should hold. In absence of negative news specific to China, we expect spot to head back down towards the lows 6.6000s.	Neutral 6.6000	Neutral 6.6000
KRW	USDKRW was one pair where we prefer to stay out of for the time being. The technical picture and fundamental stories aren't aligned. On one hand, technicals call for a lower USDKRW as it approaches 1110, but recent weakness in equities support a case for USDKRW to move higher. As the NKY posted an almost 1% drop, foreigners will likely come up to buy USDKRW. But model funds continue to fade this move higher as volatility eases. Given such a tug of war between RM and model funds, USDKRW should range 1110 - 1120 in the medium term, and thus we are currently square on the pair.	Neutral 1130	Neutral 1130
EGP	USD/EGP remained around 17.60-17.70 this past week. The highlight event was the publication of the inflation data for October, urban CPI YoY 30.8% vs 31.6% in September. Inflation has clearly peaked and some of the local banks are calling for rate cuts to begin in December although we think that the CBE will wait to see inflation falling close to 20% before starting the easing cycle. The NDF market was under pressure due to persistent USD selling from some international banks on the back of client flows as investors are bullish Egypt. In our view, these kind of dips in NDF prices represent a perfect opportunity to buy protection for USDEGP. The best way of doing the hedge is by buying USD in NDF tenors of 3-12 month.	Neutral to bearish USDEGP 17.60-17.70	Neutral to bearish 17.00-18.00
NGN	Both the NIFEX and NAFEX spot fixings are unchanged around 329 and 360 respectively. Nigerian long-term foreign-currency rating was cut by Moody's to B1 from Ba3 on the basis that the government has been unsuccessful in broadening non-oil revenues. We agree that Nigeria has a very debt service ratio and the debt sustainability could be an issue if oil prices or production decline substantially. However for the next 6 months or so we are bullish on oil prices as we believe that the OPEC production cuts will be sustained. High yields on NGN local-currency bonds will keep foreign investors attracted to Nigeria as long as the currency is stable. Our preferred trade in NGN is to be long 6-12 months T-bills hedged with NDFs using the NAFEX curve with the spot reference at 360.	Neutral USDNGN 325-335	Neutral to bullish 365-385
ZAR	The past week was all about consolidation before more ZAR weakness will resume. The range for the past few sessions was between 14.10 and 14.30. A credit rating downgrade is expected around 24 November and the talk in the market is that around \$10bln invested in the local debt will have to leave as the rating will be below the investment grade level. Thus we are not the only ones who are bearish on the rand. The game is still to buy USDZAR on dips with the first target at 14.35 followed by 14.50.	Bullish USDZAR 14.10-14.75	Neutral 12.50-14.00

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