

## 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   | SGD strengthened 0.7% against the USD as the DXY weakened with SGDNEER holding strong at +1% from the midpoint. Risk-on sentiment in equities market continued to drive strong buying interest in the Asian EM currencies. SGD funding was extremely flush in the short end but eased towards the end of the week. Meanwhile Singapore's GDP growth leaped to 5.2% y/y but CPI remains contained at 1.5%. This should be sufficient to build a case for a slight tightening of the SGD via appreciating FX in the medium term. Short term moves will still be subject to the broader USD move. | Neutral USD/SGD<br>1.3550                 | Neutral 1.3550   |
| INR   | USDINR took a dive this week tracking overall USD Asia. The 64.80 key support was cleanly broken, although local banks were seen buying USD along with oil importers. The Technical picture has turned bearish, so we should see model funds and corporate selling USD on any uptick. We expect USDINR to trade heavily into December with 64.20 to 64.00 as a medium term support.  | Bearish USD/INR<br>64.20                  | Neutral 65.00  |
| CNH   | USDCNH headed 1% lower at the start of this past week before seeing good profit taking interest and ending up 0.50%. The USDCNY fixing was biased to the downside this week as CFETS index was trading below 95 level which led to some USDCNH sell flows going through. The down move was exaggerated with CNH funding suddenly spiking to almost 10% a day overnight and on the weaker DXY. On Friday local buyers of USD were active again and spot closed at around 6.6000, Data side was very quiet this week and we still prefer staying on the side line at the moment.                 | Neutral USD/CNH<br>6.6000                 | Neutral 6.6000   |

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|----------|---|---|--|
| KRW      | <p>USDKRW continued to dip this week with the tech and semiconductor theme still hot. Bank of Korea said they are monitoring the latest FX move although the demand for KRW remains strong which offsets the smoothing exercise conducted via local banks. Next week Bank of Korea will have its monetary policy meeting and a 25bps hike is expected. We prefer to stay side line at these current levels.</p>   | <p>Neutral USD/KRW<br/>1100</p>                   | <p>Neutral 1100</p>  |
| EGP      | <p>Finally the spot market in EGP had some movement with a 17.65-17.75 range this past week. No particular trigger for the shift as far as our local sources tells us but it caught most people by surprise. Partly this is could be driven by the importer demand ahead of the New Year holiday season as imports of food and other consumer goods increase. The IMF has approved the progress of reforms in Egypt and will disburse the next tranche of \$2bln by the end of December. The NDF market burst with activity on the back of the spot move and predictably people are looking to buy USD. This is the move we have been expecting where investors wake up to the risk of being under-hedged on their exposure to the EGP exchange rate and with the year-end approaching the desire to protect YTD profits is high. We still think it makes sense to buy USD even at current in NDF prices to hedge the exposure to Treasury bills or other EGP assets but concentrate on tenors of 6-12 month which have moved the least so far.</p> | <p>Neutral to bearish<br/>USD/EGP 17.65-17.75</p> | <p>Neutral to bearish<br/>17.00-18.00</p>                          |
| NGN      | <p>Both the NIFEX and NAFEX fixings were little changed at 330 and 360 respectively. Nigeria has placed two Eurobonds 10- and 30-year for \$1.5bln each which is quite impressive and will go towards budget financing. The CBN left interest rates unchanged at 14% at its meeting on Tuesday stating that inflation is still relatively high. Our preferred trade in NGN is to be long 6-12 months Treasury bills hedged with NDFs using the NAFEX curve with the spot reference at 360.</p>  | <p>Neutral USD/NGN<br/>325-335</p>                | <p>Neutral to bullish<br/>365-385</p>                              |
| ZAR      | <p>Our cautiousness towards USDZAR turned out to be justified as the past week saw the spot rate drop touching the lows at 13.80. This was partly due to liquidity issues and the market tends to over- or undershoot quite often and this is exactly what has happened in the last 2 weeks where the market first pushed too high too fast and then came off much further than is justified dipping below 14.00. Meanwhile there is some renewed optimism towards SA driven by the news that the businesslike and reform-minded Ramaphosa is ahead of other contenders for winning the leadership post of the ruling ANC party thus far. This weekend is very important because the two credit rating agencies S&amp;P and Moody's will make...</p>  | <p>Bullish USD/ZAR<br/>13.80-14.60</p>            | <p>Neutral 12.50-14.00</p>   |

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|-------|--|---|--|
| ZAR   | ... announcements on the country's local currency rating. At stake is approximately ZAR 140bln of foreign investor holdings of government debt. If both agencies downgrade SA below the investment grade then the investors will have to exit their positions. Thus we think that with the spot market below 14.00, it makes sense to be short ZAR as the risks of the downgrade are still quite high. | Bullish USD/ZAR<br>13.80-14.60            | Neutral 12.50-14.00                                      |

| GCC FX Commentary |   |
|-------------------|---|
| SAR               | The 1Y Saudi FX swap remained unchanged on the week and the market activity slowed to a pace more typically seen this time of the year. There was some tightening of liquidity on the front end of the curve with both regional and international banks looking for SAR funding. SAR FX spot remains close to the peg trading at 3.7503 mid after the recent rally up to 3.7515 on November 6th.                          |
| AED               | The 1Y AED FX swap also remained unchanged on the week. It continues to trade at 55 points mid.   |
| QAR               | It has been yet another eventful week in USD/QAR spot with the Qatari Riyal regaining some 1,250 pips on heavy trading throughout Wednesday and Thursday. The currency is now trading at 3.7750 mid. The FX swap curve was softer on the week with the 1Y moving 25 points lower to trade at 35 points mid.   |
| BHD               | The Bahraini spot and forwards have remained at the elevated levels seen two weeks ago. The 1Y FX swap is still trading at 215 points mid while USD/BHD spot moved 30 pips closer to the peg to trade at 0.37770.<br><br>Bahrain sold 43 million dinars (\$114 million) of 3-month sukuks this week at 2.72%, in line with the conventional 3-month T-bill issuance of the week before. The issuance was 100% subscribed. |

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