

Emerging Markets Currencies - the traders' views (21-October-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 has been well bid the whole week despite USD weakened across the board. After spot broke 1.3900 last week after grim outlook from MAS, the trend seemed to change and favor higher USD. With continued pressured on the EUR, I don't see much room for USDSGD to dip lower. If anything, the market would be buying USDSGD against long other high yield EM like IDR and INR.	Bearish 1.40	Bearish 1.40
INR	USDINR traded in a range all week, and this pair was very muted to the movement in other EM currency. When USD sold off mid-week and risk rallied, USDINR failed to trade lower. I suspect market is already short USDINR and is reluctant to add a position. I rather stay on a sideline for this pair, and sell on rally or sell on clean break lower. Level to watch are 67.00 and 66.10. Not much data coming out of India this week.	Neutral 66.40	Bearish 67.00
CNH	USDCNH finally broke above the recent high at 6.7630 and is now targeting 6.80 where there multiple resistance levels. So far we didn't see much corporate demand coming out to hedge USD at this level, and local banks seem to supply USD near 6.7500. Meanwhile, liquidity eased a bit this week and the locals were giving both short date and 1y, injecting CNH into the market. I think market is long day to day cash now, so if spot turned lower, we could see t/n roll goes back to 2 ppd, which is the historical average for this year.	Bullish 6.80	Bearish 6.75
MYR	USDMYR failed to break 4.2400 resistance this week on its second attempt, and quickly drop lower on a risk on environment. Even if the uptrend is fully into play, I think spot could retrace to 4.1400 before buyers will come in. 4.0800 would be a key support and a break of that would make USDMYR vulnerable for change in trend.	Neutral 4.20	Bearish 4.25
KRW	USDKRW has been a really tough pair to trade this month. It gave too many false signal and false break that caught the market off guard. I have been on a sell USDKRW camp until spot broke 1136 key resistance. This break really changed the overall picture and poised to move higher. I rather sit and see where the pair closed this week before making a call. But it's like that the pair will test 1160 now.	Bearish 1150	Neutral 1200
EGP	The official exchange rate was left unchanged at EGP 8.78-8.88. The Minister of Finance said that Egypt will not waste hard currency raised for the IMF program to support the pound. The latest statements might potentially mean that the Egyptian government believes that it is cheaper to subsidize food for 6 months than it is to defend the value of the pound. Our base case scenario previously was that the Central Bank of Egypt will devalue to the pound to around 11.00 and then move to the managed float exchange rate regime with a gradual weakening bias but now we are starting to see signs that may be they are going to move to a free float.	Bearish to neutral 8.78	Neutral to bearish 10.50 – 11.00
NGN	The interbank market traded this week between 310-330. The CBN held a special auction last week where it has sold around \$300mio in 2-month forwards at prices between 310-350 aiming to cover the demand for dollars from manufacturers and airlines. Emirates airlines this week said that they will stop flying to Abuja because they cannot repatriate their naira proceeds from Nigeria. The official interbank spot market has not reached the target level of 350 but the NDF curve moved much higher in the past 1 month effectively discounting the spot above 350. The actual spot market remains between 305-325 and the parallel market came off a bit from 500 down to 450 as of last few days. Therefore we think that the NDF curve is now too rich and think that it is a good idea to change the positioning to being short USD and long NGN through 3-6 month NDFs.	Neutral to bearish 325-345	Bullish 300 - 330

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ZAR	It was a relatively quiet week in SA and the spot market gradually drifted lower towards 14.00. The case of the Minister of Finance has not been resolved and reminds people about a volatile political environment in the country. We remain bearish on the rand and think that the exchange rate should move higher toward 15.00.	Bearish 14.00- 15.00	Bearish 15.00- 16.50

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