

Emerging Markets Currencies - the traders' views (28-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 ended flattish for the week with SGD continue to trade below the SGDNEER at around 0.50%. Expectation of USD rate hike at the December meeting continues to grow led to some buying interest in USDSGD, yet MAS stance during the meeting in early October do not seem to favour a shift in current monetary policy towards SGD depreciation. Recent economic data is also pointing to stabilization of the economy and hence I believe despite some outflow might continue ahead of FOMC meeting next week, SGD should see some buying interest for Asian exposure with less volatility after that. In the long run given the diverging data between US and Singapore, expect USDSGD to eventually grind higher.	Neutral 1.4000	Bearish 1.4200
INR	Quiet trading session in USDINR ending close to flat from last week without significant data published. Yet it is interesting to note that INR denominated notes sold to Japanese clients reached USD 1.5 bio this year showing signs for yield enhancement from DM remains strong. This might give some continued buying interest in INR over the run. Prefer stay neutral ahead of further economy data.	Neutral 67.00	Neutral 67.00
CNH	Strong buying interest in USDCNH seen for the week heading to the new well-watched resistance at 6.8000. High traded was 6.7987 ahead of suspected local supply. Given the recent USD strengthen, CNY is adjusting along while maintaining the CFETS RMB index close to flat, hence do not show a sustained depreciation stance from PBoC. As DXY heads close to 100, I believe USDCNH should be well capped at 6.8000 at the moment, unless a clear break in US rates / DXY. Offshore funding in CNH also remains calm showing less speculators looking for a sharp depreciation in CNH. The statements from FOMC next week will be an important information to clear the mounting rate hike expectation in the market, and I prefer to initiate short USDCNH at 6.8000 level as the recent spike should have sufficiently priced in market's concern.	Neutral 6.8000	Bullish 6.7500
MYR	USDMYR weakened around 0.50% for the week despite oil steadily traded around USD 50/barrel. Seen good selling interest in USDMYR from fast money during start of the week with 1m vs spot points traded down to negative (sign of positive sentiment in MYR from offshore), yet with DXY breaking 99 overnight triggered some stops in the opposite direction and 1s MYR got paid up to 4.2100. Market is still worried about the high foreign participation in Malaysia assets and with a converging yield difference between USD and MYR might triggered further outflows (particular in MGS where foreigner participation at 53%) and weakening the MYR. Ahead of FOMC next week, I believe this concern will continue to drive the market before clearer signals between sent from the Fed. Remain bearish in MYR.	Bearish 4.2500	Bearish 4.2500
KRW	USDKRW traded 1% higher for the week. Outflows in bond market seen as Bank of Korea seem less hawkish and intend to keep the current policy rate unchanged. Bond yields spiked by 5 bps for the week. Market is also concerned about the convergence between low yielding Asian currencies with the US might trigger further outflow in KRW. Despite stronger than expected GDP at 2.7%, recent explosion in Samsung phones hurt the reputation of the electronic industry in Korea which might trigger a worse current account balance going forward. I remain bearish in KRW.	Bearish 1160	Bearish 1120

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EGP	The official exchange rate was left unchanged at EGP 8.78-8.88. This week the IMF chief Christine Lagarde said that usually for countries with low FX reserves, a big difference between the official market and the parallel market exchange rates such as Egypt, it is better to do a sharp and quick adjustment in the FX rate. This just adds our growing belief that Egypt might opt to float the pound. Previously the thinking was that if EGP weakens a lot, it will cause increasing inflation of food and energy potentially leading to social unrest. However now whilst the government is negotiating with the IMF, everything (starting from sugar and wheat and ending with the US dollars) is being hoarded as people are trying to preserve the value of their savings by putting them into real assets. The longer the government delays the adjustment of EGP, the worse the shortages will grow. Therefore the more unpopular the government will become. The time is not on their side. Thus in these circumstances the government might as well float the pound and face the consequences then not doing it and still facing the anger of the public. Additionally, now with the black-market rate hitting 17.00, it would be very difficult for the central bank to stop the tide of buying once the devaluation is announced as people will keep on buying even if the rate is 12 or 13 or 14...	Bearish to neutral 8.78	Bearish 13.00 –
NGN	The interbank market traded this week between 310-330. This week the government asked the parliament to approve around \$30bln of borrowing from now until the end of 2017 and the Debt Management Office recommended that it should be limited to \$22bln in domestic and foreign debts to make it sustainable. Other than that we still recommend to sell dollars through NDFs especially in 3 and 6 months as we do not see the spot rate moving above 350.00 in the next few months.	Neutral to bearish 325-345	Bullish 300 - 330
ZAR	Very tight trading range for ZAR this week of 13.70-14.00. So far we have been proven wrong in expecting the rand weakness and the currency has outperformed against other EM peers. However this weekend there could be a catalyst for the move higher in the exchange rate as the Minister of Finance will be in court. 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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