

EM FX & Rates - The Traders' Views

Please find below views on Emerging Markets FX & Rates 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	USD finally had a good week as it rallied against the main Asian currencies by around 1.5-2% across the board. USDSGD was the biggest laggard because it's a basket currency, but the pair still managed a 1.5% gain. The 1.3450 trend line resistance was cleanly broken and now targets 1.3700. We see room for DXY to rally further, so we will be a buyer of SGD on dips to around 1.3540 targeting 1.3700.	Bullish 1.3650	Bullish 1.3850
INR	USDINR took off this past week helped to following a few negative domestic headlines. Together with USD strength the INR sell-off was sharp except for the RBI stepping in from time to time. The key level to watch is 65.50 which is 200 DMA. A close above 65.50, opens the way to 66.30. Even if there are attempts from RM and HF players to fade the USD on this spike towards 66, given how quickly the pair has moved, we still believe that there is room for INR to sell off further and would be a buyer on dip towards 65.00 in the short term.	Neutral 65.00	Bearish 63.50
CNH	What was interesting in CNH this past week is the change in trend of the CNH DF. DF has reversed their multi month decline since the beginning of the year. As the trend is changing, we start seeing corporates, and offshore investors, coming out to hedge their exposures. The upcoming China congress and Trump's state visit could potentially see China opening up more its domestic capital markets, and thus the demand on the RHS of the swap should grow. So take your chance to pay the swap on dips from here until the end of the year.	Bearish 6.6000	Bearish 6.5000

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KRW	<p>USDKRW remains stuck in a range 1120 and 1155 this year so far and our view is that this range should hold. We like to be long USDSGD and USDINR now, so it wouldn't be a bad idea to have a USD short in our portfolio. We think going short USDKRW at 1150 makes sense.</p>	Bearish 1130	Neutral 1130
EGP	<p>The interbank exchange rate moved a touch lower this past week from 17.66 to 17.65 despite a strong USD rally against most other currencies and this clearly demonstrates how the central bank wants things to go in Egypt in the near future. The CBE held its policy meeting on Thursday and as expected left interest rates unchanged as it is probably too early to start the easing cycle but the bias is downward. At the latest auction of Tbills the yields were roughly the same 6-mth at 18.40% and 1-yr at 17.87%. The NDF market traded higher this past week by about 1-2% as some investors most likely chose to hedge their EGP exposure (we mentioned previously that in our view 90% of portfolio investors are not FX hedged). Although the sentiment towards Egypt remains positive, we think it may be wise for investors to begin hedging their EGP exposure through NDFs when the implied yields remain relatively low.</p>	Neutral to bearish USD/EGP 17.60-17.70	Neutral to bearish 17.00-18.00
NGN	<p>Another stable week in Nigerian FX market with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. However it was an eventful period in terms of domestic developments. Firstly, the central bank held its MPC meeting and left the interest rates unchanged at 14% because of the elevated level of inflation which last time printed around 16%. The CBN stated that they are satisfied to see a gradual convergence of the FX rate around the NAFEX level and that more participants choose this window for their FX needs. The Debt Management Office also announced plans for 2017-2018 budget financing. They intend to raise about \$2.5bln in October through Eurobonds and another \$3bln towards the end of this year for the 2018 budget. The proceeds will be used to fund capital investment projects and will partially substitute the local currency debt which is costlier for the govt. If all goes to the plan then the external borrowing will rise to 40% of total debt stock from the current level of ~30%. Our view is the same that the risk-reward is supportive of being long USD vs NGN in longer-dated NDFs 6-12 month outright at current levels in both the NIFEX and NAFEX curves.</p>	Neutral USD/NGN 325-335	Neutral to bullish 365-385
ZAR	<p>It was all about the USD this week and it was the main driving force behind the rand weakness which pushed USDZAR higher from 13.20 to the highs of 13.70 before the pair found some respite. Although the positioning is much cleaner now in the Rand after it lost 7% in the course of September, we see the momentum picking up in the upward trend in USDZAR. The next target level is around 14.00. It is also worth mentioning that EM investors are quite cautious towards ZAR due to the slowing economy and volatile political situation and they choose to be long TRY and short ZAR as one of the favourite EM trades in the market right now.</p>	Bullish USD/ZAR 13.40-14.10	Neutral 12.50-14.00

GCC FX & Rates Commentary

SAR	The Saudi FX curve moved lower this past week with the 1Y FX swap moving from 175 to 125 points midpoint, on the back of a firmer oil price.
BHD	The Central Bank of Bahrain 3-month, 6-month and 12-month T-bill auctions this past week saw yields increase further. Yields have been increasing steadily since the beginning of the year on tighter liquidity with the 3-month T-bill yield rising from 2.15% in January to 2.57% this week.

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