

EM FX - 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	The MAS finally announced its next MPC meeting will be on 13 Oct. We don't expect any major change in policy with MAS likely to continue to sound upbeat on growth, although soft domestic inflation and a weak labour market will give them some room to avoid being too hawkish. SGDNEER has been trading between 0.5% and 1% on the upper band, and this range should hold. This past week, USDSGD slowly climbed higher on the back of general USD strength. We mentioned previously about the 1.3700 key resistance level. And we will be watching this level carefully because if it breaks properly we will see a plethora of USD short unwinding.	Bullish 1.3700	Bullish 1.3850
INR	RBI left its benchmark rate unchanged on Wednesday, but USDINR dropped almost 40 pips on the announcement of a FPI investment review, which also sent Sensex higher. To me, this blip lower is a good opportunity to buy USD. RBI was fairly cautious on the inflation front, and on risk from fiscal slippages. This, to us, sounds like RBI will not cut again in Dec, and thus we could see some unwinding of long INR bonds and equities. As the trend has started to change, we are a buyer of USDINR on dips now after being bullish INR for most of the year.	Neutral 65.50	Neutral 65.50
CNH	China was out for the whole week due to the National Day Holiday. But as market returns we don't expect further aggressive USD buying. Now, all eyes will be on the 19th NCCPC. Not only does this give President Xi a platform to show his long-term vision of China, but the change in country's core leader should also give a hint of where China's main reforms (Financial regulatory reform, SOE reform, Land and property sector reforms) will be heading going forward. Ahead of this important event, we prefer to stay out of any heavy positioning.	Bearish 6.6000	Bearish 6.5000

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KRW	Like China, SK was off for the whole past week so USDKRW only fluctuated within a tight range 1138 to 1145. Any upside surprise on the US NFP could set the tone for USDKRW in the week ahead.	Neutral 1130	Neutral 1130
EGP	Another week of stability in the USD/EGP interbank exchange rate market around 17.65 despite general USD strength in global markets. At the auction of Tbills on Wednesday the yields were up in the 6-mths at 19.08% while the 1 yr rose to 18.45% which is about 60bps higher. The NDF market remains very well bid whenever the prices go lower to roughly 10-11% in implied yields in 6-12 month tenors although at the same time offers appear at levels around 13%. So for now we seem to have settled into range trading. We think that the Egypt story now is mature and with \$18bln already invested in the securities which are 80-90% FX unhedged it is a very crowded trade by now. If for some reason the sentiment towards Egypt deteriorates then we can see a lot of investors trying to take profits and get out at the same time. We do not see any domestic triggers for such an event at present but externally, for example, a global emerging-market sell-off or much stronger US dollar can be a cause of such a scenario. In any case, in our view, under the current circumstances we think it is prudent and necessary to protect the accrued profits at least partially through NDF hedges. The best way of doing the hedge is by buying NDFs in tenors of 3-12 month.	Neutral to bearish USD/EGP 17.60-17.70	Neutral to bearish 17.00-18.00
NGN	A quiet and uneventful past week in Nigeria with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. The new FX window NAFEX is attracting more participants and the daily volumes continue to increase gradually. 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.	Neutral USD/NGN 325-335	Neutral to bullish 365-385
ZAR	The positive news out of the US on tax reforms, budget and hawkish comments from Fed officials supported the US dollar which is rallying broadly in G10 and EMFX space. The rand is one of the casualties of this development and we think it is only a matter of time before the 13.70 resistance is breached with the next target around 14.00. The US employment data on Friday could potentially facilitate the further upmove in USDZAR.	Bullish USD/ZAR 13.50-14.10	Neutral 12.50-14.00

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GCC FX Commentary

SAR	The SAR FX curve was relatively unchanged this week in the shorter end of the curve with the 1Y FX swap trading at 120 points mid. We have however seen more interest in the 3Y and 5Y FX swaps on the back of the \$12.5bn KSA issuance. The focus is now on King Salman's visit to Moscow and what this brings in terms of oil production agreements and trade between the two countries.
AED	Abu Dhabi's successful \$10bn bond issuance this week had an order book of \$30bn behind it. This had little impact on the short tenors of the AED FX swap curve, however, longer tenors eased-off this week with the 3Y moving 48 points lower to trade at 297 mid. We expect the curve will continue to come off more in the longer tenors in the coming weeks.
QAR	The focus in Qatar has been primarily on the FX swaps. Spot has moved higher to trade at 3.7220 mid, while swaps are softer as we see many counterparties hitting the 3M QAR swap on the LHS in order to generate USD as we approach year-end. The 1Y swap is 40 points lower on the week, trading at 250 mid.
OMR	The forward curve moved significantly lower this week as the market was swapping OMR for USD ahead of year-end. The 1Y FX swap is now trading 100 points lower at 375 mid.

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