

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	This past week was a whipsaw in USDAsia dominated by headlines – from Jerome Powell being the lead candidate to replace Yellen to the 2018 budget resolution in the Senate on Thursday which provides and an impetus to Trump's tax-cut plans. Given all these noises, it would be interesting to keep a watch on the move of USD and Rates. I feel that there are rooms for 5y IRS to break the 2.07 resistance, so I'm more biased to be long USD in this environment. USDUSD fluctuated in a tight range 1.3540 to 1.3600. Even though I like to see USDUSD higher to track the DXY, the SGD NEER still has room to get richer from 0.7% now, so I like to be long SGD crosses, like SGDTHB and SGDINR.	Bullish 1.3650	Bullish 1.3850
INR	India was off for Diwali holiday, so the market was pretty much well contained. There were some short coverings at the end of the week to push USDINR back above 65.00. Going from here, I still like to buy USD on dips as any dip now should be shallow, especially with RBI continue to be buying USD in the market.	Neutral 65.50	Neutral 65.50
CNH	Finally, long awaited China's 19th National Congress started in Beijing this week. President Xi affirmed that economic reform would continue, including reforms in state owned enterprise. He also said China would continue to open its economy to foreign business. Nothing sort of market moving as they have been widely expected. Market is still waiting for announcement of who will take seats in the Politbureau as that would give some clues as to who will be President Xi's successor. Market has been buying USD this week on anticipation of outflows. We don't expect much activity as the Congress will last for 2 weeks. SOE and Corporate hedging has already slowed down going into the Congress, so I rather stay on a side line.	Neutral 6.6000	Neutral 6.6000

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KRW	<p>It has been an uneventful week for USDKRW. BOK left the key rate unchanged but there was a dissenting vote for a rate hike. USDKRW stayed stable however. Some USD demand hit the market after the rates decision, but that was pretty much it. However, on the rates side the market started to short as the dissenting vote was considered as a signal for a possible rate hike in November. We still like to receive rates in the very short end because the market has already priced in 1 full hike within 3months and it's a little stretched.</p>	Neutral 1130	Neutral 1130
EGP	<p>This past week the spot EGP kept itself in the same range – 17.60-17.70 – that we have been seeing of late. The IMF is going to do the planned review of the Egyptian program to release the \$2bn third tranche of the IMF support loan and it's quite clear that they see the execution by the govt. as a success. The Tbills auction on Thursday saw yields lower with the 6-mth coming at 18.91% and 1-yr at 17.85%. The NDF market remains very well bid as there is clearly increased demand for dollars at implied yields in 6-12 month tenors close to 10-11%. In our view the dollar demand is driven by hedging especially as we are close to the end of the year and investors look to protect their revenues. 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.</p>	Neutral to bearish USD/EGP 17.60-17.70	Neutral to bearish 17.00-18.00
NGN	<p>It was quiet and uneventful in Nigeria this past week with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. The govt. submitted its 2018-2020 Medium Term Expenditure Framework to the National Assembly for approval. The govt. sees 2018 spending rising by 16% (vs 2017) to ~\$24bln, mainly driven by the capital investments which account for 30% of the total. The govt. also plans to borrow about \$6.9bln, 50% of which is expected from external borrowing. Our view is slightly changed now as we still want to be long USD vs NGN in longer-dated NDFs 6-12 month outright at current levels in both the NIFEX and NAFEX curves but the negative carry of the trade to be compensated by being long 6-12 month Tbills.</p>	Neutral USD/NGN 325-335	Neutral to bullish 365-385
ZAR	<p>Right from the start of the week the rand traded on the back foot going from 13.30 to 13.70 on Friday. In the short-term ZAR gets hit hard whenever the US dollar is strong partly because of the positioning and partly due to the liquidity. In the medium term there is a shift in the investor thinking that the time of the rand outperformance is over and as we approach to the leadership change at the ruling ANC party, there is going to be more political noise/uncertainty which is negative for ZAR. Thus the currency pair USDZAR is a buy on dips in the foreseeable future.</p>	Bullish USD/ZAR 13.50-14.10	Neutral 12.50-14.00

GCC FX Commentary	
SAR	The SAR FX curve was flatter on the week with 1Y swap moving 15 points higher to trade at 120mid. 2Y and 3Y swaps moved 50 and points higher, while the longer tenors moved lower by 25 points.
AED	There was little change in the AED FX curve following a significant move lower the previous week. The 1Y AED swap remains unchanged at 55 points mid.
QAR	<p>QAR spot is trading at 3.7750, 4 big figures lower after a very volatile week of trading. The pair reached a high of 3.8000 mid on 16th October. The previous trading range of USD/QAR was 3.7050-3.7200 in which it had been trading in since the beginning of September and which was broken last week.</p> <p>FX swaps continued to be softer as we see counterparties hitting the LHS in order to generate USD as year-end approaches. The 1Y swap is 70 points lower on the week following an 85 point drop the prior week; it is now trading at 85 mid.</p>

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