

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	USDSGD traded 1% higher this week tracking the broader USD move as US rates spiked on the back of strong data and tax cut optimism. SGDNEER retraced to 0.60% higher than the midpoint with forwards seeing some buying interest. We still like long USD against low yielders especially with yields in developed markets picking up might trigger outflow in EM and low yielders.	Bullish 1.3750	Bullish 1.3850
INR	The main theme in India this past week was the government's plan to recapitalize banks through bond issues. Equities rallied, and the inflows triggered some buying interest in INR. Overall this plan would favour the banking industry at the expense of slightly higher fiscal deficit from the government, but overall picture should be positive for the economy. Yet the spike in USD rates along with a steepening rates curve might not be favourable for EM markets, hence we would stay neutral in USDINR.	Neutral 65.50	Neutral 65.50
CNH	USDCNH traded around 0.5% higher this past week as DXY strengthened. China's 19th NPC was completed this week without of much surprise and the next meeting worth watching is in December regarding economic plans for 2018. President Trump is planning to visit China and meet Xi during early November, and I do not see CNH has much room to devalue ahead of the meeting to avoid being a potential topic for discussion. I expect spot USDCNH to continue swing between 6.5500 – 6.7000 and directionally led by the broader USD move.	Neutral 6.6000	Neutral 6.6000
KRW	USDKRW traded in a tight range this past week with buyers in USD due to higher DM rates offset by exporters selling USD for month-end flows. The bond market saw a huge move with foreigners being the main seller in the mid to long end. We see the move bit exaggerated now and based on current market, the curve is almost pricing in 2.5 hikes in 6 months which is a good opportunity to receive fixed rates. We prefer to stay in the side line in	Neutral 1130	Neutral 1130

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EGP	<p>The spot market range for the EGP this past week was the same at 17.60-17.70 as we didn't see much in terms of local news. There was a lot of activity in the NDF market as the USD strength is challenging for FX unhedged EM carry trades. Thus, there is a strong demand for dollars in NDFs. 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>	<p>Neutral to bearish USDEGP 17.60-17.70</p>	<p>Neutral to bearish 17.00-18.00</p>
NGN	<p>Yet another quiet week in Nigeria with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. The central bank is very comfortable with the current FX policy and greater involvement of foreign investors at the NAFEX window is supportive of this view. With oil prices comfortably above \$50 a barrel and the Nigerian production levels stable around 1.7-1.8mln barrels, the CBE FX reserves are stable and rising. Thus, we expect the central bank to continue with its interventions in support of the naira. Still there is no clarity on when the NIFEX and NAFEX windows will merge. In our opinion, it makes sense 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>	<p>Neutral USDNGN 325-335</p>	<p>Neutral to bullish 365-385</p>
ZAR	<p>The key event this past week was the medium-term budget projections for the next few years. The worst-case scenario played out is the looming credit rating downgrades for South Africa. As budget deficits are expected to be higher, rating downgrades seem inevitably. This would be detrimental to the capital flows as foreign real-money investors will start to liquidate their holdings of the local currency debt. Then the renewed strength of the US dollar added momentum to the weakening trend of the rand. Given the situation, whichever way you look at USDZAR, short term or long term, it looks unfavourable for the rand and the technical picture is very bearish. We suggest increasing short ZAR positions on dips in USDZAR. Next technical resistance levels are between 14.45-14.65 followed by 15.00-15.10.</p>	<p>Bullish USDZAR 13.90-14.50</p>	<p>Neutral 12.50-14.00</p>

GCC FX Commentary

SAR	The SAR FX curve was flatter for a second week running. The 1Y FX swap remained unchanged at 120 mid, while the 2Y and 3Y swaps moved 30 and 80 points higher on strong demand for these tenors. Longer maturities moved lower by 20 points following a 25 point drop the prior week.
AED	There has been little change in the AED FX swap curve over the past two weeks. The 1Y AED swap moved 2 points higher over the week to trade at 57 points mid.
QAR	We saw yet another volatile week of trading in USD/QAR spot. The pair is trading at 3.8050, 3 big figures weaker and just shy of the 3.8100 level reached in June last year. The previous trading range of USD/QAR was 3.7050-3.7200 in which it had been trading since the beginning of September and which was broken two weeks ago. FX Swap moved higher following two weeks of sharp downward movement. The 1Y FX swap is 20 points higher on the week; it is now trading at 105 mid.
BHD	Bahrain had another successful T-bill tender this week with the yield demanded by investors increasing 7bps week-on-week to 2.73% for the 3-month issue, and by 12bps month-on-month for the 12-month issue to 3.41%. The 3-month issuance was 100% subscribed, while the 12-month issuance was 118% oversubscribed. The 1Y Bahrain FX swap is now trading at 160 points mid, up 20 points on the week.

GCC Rates Commentary

Fixings	Interbank Fixings, EIBOR 3M and SAIBOR 3M, were unchanged during the past week, which is putting tightening pressure on AED and SAR spreads in the front end.
AED	AED IRS war relatively stable on limited flows and 5Y trades at 78 points mid.
SAR	On SAR, recent commentary from SAMA governor about leaving the repo rate at 2% after the Fed hike should potentially make the curve steeper and hence we like paying 2y5y spread at current levels.

Contributors

FAB Global Markets FX & Rates

G10

Alison Higgins

Alison.Higgins@nbad.com

Nourah Al Zahmi

Nourah.Alzahmi@nbad.com

Meera Al Marar

Meera.AIMarar@nbad.com

GCC & EM FX

Husain Askar

Husain.Askar@nbad.com

Ahmed El Alami

Ahmed.ElAlami@nbad.com

Pinrath Wongtrangan

Pinrath.Wongtrangan@nbad.com

Danay Sarypbekov

Danay.Sarypbekov@nbad.com

Rashid Rasul

Rashid.Rasul@nbad.com

Tel: +971 2611 0111

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