

Emerging Markets Currencies - the traders' views (30-September-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 had been grinding higher slowly all week. But this has been a typical pattern of the pair ahead of the MAS meeting which will be scheduled around mid-October. USDSGD has moved back to par against the SGDNEER, and most likely to continue to head towards negative of the band going into MAS. Fundamentals in Singapore hasn't been improving either, so there's still a chance the MAS will adjust the slope of its policy band. Market likes to be short SGD against IDR and INR. But I rather to be fade USDSGD move higher after the meeting. | Neutral 1.3500 | Bearish 1.3700 |
| INR | USDINR had a pop and some excitement this week after Indian Army attacked terrorist camps over India-Pakistan border. This was an retaliation to Pakistani terrorist killing 18 Indian solders last week. This was more like a noise to me. Equities were down 1.65% on the day and INR depreciated 0.66% against the USD. But, given a positive carry in INR, any noise that caused panic buying could trigger a chain of event. Also, I think market is quite short gamma in USDINR, so I would be chasing if there's any break in USDINR on the upside. All eyes will be on the MPC meeting on Oct 4 now, which will be the first policy chaired by the new RBI Governor Patel. | Neutral 66.40 | Bearish 67.00 |
| CNH | Another wild week in CNH, and the madness continued. The mid-autumn festival 11-day run went down to only -3 FX points for the entire period. It was trading at +90 at one point. On Friday, t/n went back up to +6 and +9 again, and this dragged up the whole curve. 1y traded at +1500 before we started seeing local supply. Spot hovered around 6.6800 as the market awaits how it will move after the SDR inclusion. | Bearish 6.7000 | Bearish 6.7000 |
| MYR | Given so many reasons to be long MYR at the correct level, especially after OPEC decided to cut oil production quota, USDMYR has been surprisingly well bid. And this worried me. Any dip were bought, and it felt like some real money are looking to hedge their MYR exposure on any dip in spot. I was on the short USDMYR camp for the whole week, but wasn't so confident with the trade, so decided to close it ahead of the weekend. I will stay on the sideline, until the MAS meeting, and hopefully to see some opportunity in the SGDMYR cross space. | Bearish 4.1500 | Bearish 4.2000 |
| KRW | Real money has been and still is on the LHS of USDKRW, and USDKRW kept moving lower, so to me, there are no reasons not to follow them. But, when the valuation looked stretch towards 1090, then I took some off the table before looking to re sell the pair again. I suspected BoK was down below 1100 to support USDKRW, but they weren't so aggressive in buying. Market was unwinding JPYKRW trade too, putting pressure on USDKRW. I will be looking to sell USDKRW at 1120. | Neutral 1120 | Neutral 1120 |
| EGP | The official exchange rate was left unchanged at EGP 8.78-8.88. No news this week. The market is awaiting the inevitable. Currently we think that the imminent devaluation will take place in 2-3 weeks in the second half of October once the IMF program is approved. We still expect the devaluation to the level around 11.00 with a change in the exchange rate regime to a managed float with a weakening bias going forward. | Bearish to neutral 8.78 | Neutral to bearish 10.50 – 11.00 |

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| NGN | The interbank market traded this week between 305-330. This week was all about the black market where the exchange rate hit record highs of 470-48. There is a clear understanding that the CBN is keeping the interbank market artificially low and this is not sustainable. We think that current levels in NDFs are attractive in 2-6 month tenors to buy USD and sell NGN as the risk are skewed to the upside in the coming months. Our spot target is 350 at the moment. | Neutral to bearish 325-345 | Bullish 300 - 320 |
| ZAR | This week the rand attempted to break below 13.40 but having failed to do that it has now retraced back to 14.00 as of writing. The risk-off sentiment driven by worries about a possible collapse of Deutsche Bank has given a boost to the weakening of ZAR. We think that the rand more to go and expect to see it making further gains above 14.00 next week. | Bearish 14.00-14.75 | Bearish 15.00-16.50 |

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