

Emerging Markets Currencies - the traders' views (16-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	Market wanted to own USD again. After Draghi failed to deliver his QE extension, it took the market couple days to digest the information and decided to sell whatever asset it owned, and be long USD. USDUSD wasn't any exception. Macro funds were major buyers of USDUSD. Even if the momentum started to fade above 1.3650, I expect and dip in USDUSD to be bought. Market shouldn't be buying USD because of market expectation on the hike, but more so because of weak domestic economy in Singapore. This week, unemployment rates rose to 2.1% in Q2 from Q1's 1.9%, and the citizen unemployment rate went sharply higher at 3.1% in Q2 from Q1's 2.6%. 9,510 workers were laid off in 1H16, which is the highest since 2009.	Neutral 1.3500	Bearish 1.3700
INR	There was some big excitement in INR this week after CNBC reported that the Commerce Minister was proposing to devalue the INR as exporters lobbying for a weak INR. Even if the Finance Ministry, who is more in control of the Fx policy, later denied, the damage has already been done. USDINR never traded back to 66.83, which is where it was prior to the news. One can suspect this devaluation rumours came before the trade data release, in which both export and import contracted by a smaller magnitude in August in y/y term. August exports came in at -0.3% y/y from July's -6.8% yoy, and August imports is at -14.1%yoy from July's -19%. However, the overall trade deficit remained steady at USD7.7bn in August from July's USD7.8bn. Did this news change any sentiment for USDINR? to me, it definitely did. Market will think twice now to be overweight India.	Neutral 66.80	Bearish 68.00
CNH	PBOC continued to draw the 6.7000 line in the sand for both USDCNY and USDCNH. Whenever the spot reached 6.7000, PBOC would both intervene spot and aggressively drain the funding to curb any speculation. t/n went ballistic, trading at above 30 point per day, and we all felt like it was January again. Since then, spot has moved very far from 6.7000 now, but liquidity has been tight. I don't think it would take long for Chinese banks to flush the market again, but not until when the market felt some serious pain being short CNH funding.	Bearish 6.7000	Bearish 6.7000
MYR	MYR is the last currency that I want to be bullish in a current risk off environment. Market is heavily long MYR asset, and the trade hasn't been performing well. And thus, once the sentiment has changed, there will be a very small room for investor to get out. Even if I don't think the bond will sell off massively as the yield is still attractive, I expect market will come out to hedge FX, and we could potentially some sell off in both spot and NDF points.	Bearish 4.1500	Bearish 4.2000
KRW	USDKRW was running into some key resistance this week at 1130, and hasn't been broken yet. Without a clear theme and US data continue to disappoint, I expect the pair to range between 1110 and 1130. Market should be hedging USD ahead of the FOMC, and USD long would come out to take profit on higher. The bigger trend is still down, so I wouldn't be surprise that this recent rally in USDKRW would reverse back before making another leg higher. Contrarian to the market view, I like to be short USDKRW at 1130 into FOMC, and evaluate after the meeting.	Neutral 1120	Bearish 1160

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EGP	The official exchange rate was left unchanged at EGP 8.78-8.88. Very quiet week in Egypt as the market was shut due to Eid holidays. President Sisi went to the G20 summit after which it emerged that he was negotiating funding from China and the IMF said that there is a good progress on this front. There was also a report that the placement of Eurobond is expected in the second part of October. Thus it is now becoming clearer that the IMF program is not going to be approved in September and that this will most likely happen in October. As a result the devaluation of the pound is now expected by us not earlier than mid-October. The key trigger news should the IMF approval after which the weakening of the pound should follow within a couple of weeks.	Bearish to neutral 8.78	Neutral to bearish 10.50 – 11.00
NGN	The interbank market traded this week between 323-330. The black market rate is creeping higher towards 430-440 and this demonstrates that the CBN is keeping the interbank market artificially low. The CBN reserves keep declining and now stand at around \$25bln instead of increasing because the CBN keeps intervening and selling dollars to FX dealers onshore. 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	The rand has almost reached 14.60 level on Monday this week and since then has been coming off in a very choppy trading. The liquidity is very poor and there is low conviction among the market players on the direction of the next move. The locals are more inclined to see ZAR heading lower towards 13.80 whilst the internationals are still worried about the political infighting at the Ministry of Finance and see the rand going higher. We expect the EM in general and the rand in particular to trade weaker in the week ahead towards 15.00. Next week we have the SARB meeting and no change in interest rates is priced in.	Bearish 14.50-15.00	Bearish 15.00-16.50

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