

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 dropped 1.5% this week on the back of a globally weaker US Dollar. The local currency also strengthened slightly against the SGDNEER to trade 0.75% above the mid-point. Risk aversion ahead of North Korea's Foundation day on 9 th Sep led to some unwinding of short SGD positions against other high yielding currencies like IDR and INR. Going forward SGD should continue to track the broad USD move and we prefer to stay on the side-lines at the moment.	Bullish 1.3800	Bullish 1.4000
INR	The Rupee remains struck in the broad range of 63.80/64.25 against the USD. The RBI has been actively buying dollars whenever the pair dipped below 64.00. The FX swap market mostly on the receiving side because of absence of RBI. We still believe and hold on to our view that USDINR must move higher first before making another leg lower. Even if the USD looks heavy at the moment, RBI bidding in the market and short USD market positioning should cap any real INR advance.	Neutral 64.00	Neutral 64.00
CNH	Significant moves seen this past week with CNH strengthening 1.5% against the USD. The USDCNY fixing was lower for 10 consecutive days and looked to remain biased towards further CNY strength driving a fury of selling interest in USD from corporates and triggering stop losses. FX swaps have experienced similar movement with the 1y DF breaking a key 1350 support. However, on Friday there were suggestions that policy makers were beginning to become concerned about such a sharp move in CNY and these comments caused onshore	Bearish 6.6000	Neutral 6.7000

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EM FX	Macroeconomic/Fundamental Analysis	Views (Bearish/Bullish) 2-week Time Frame	Intermediate & Long-term Views (3mth & 12mth Time Frame)
CNH	USD/CNY spot to bounce back up 300 pips from the yearly low at 6.4400 to 6.4700. Fixing on that day was also 200 pips higher than anticipated. Given this new development and ahead of 19th NPC on 18 Oct, our view is that the PBOC will probably prefer the spot to trade roughly around this range provide some stability. We thus expect USDCNH spot to trade between 6.4500 to 6.5500 and maintain our overall neutral stance.	Bearish 6.6000	Neutral 6.7000
KRW	USDKRW traded 0.3% higher this past week despite a weaker USD, due to risk aversion ahead of North Korea's Foundation Day on 9 Sep which could see more aggressive statements and/or actions on the political/military side. Equities and bond flows were also relatively quiet. Given this environment we prefer to stay neutral ahead of possible event risk.	Neutral 1125	Bullish 1150
EGP	A stable past week in the spot USD/EGP market with a tight range of 17.60-17.70. The CBE published its FX reserves for August which showed a small increase from \$36bln to 36.1bln. The NDF market continues to compress to the spot, i.e. the forward prices are decreasing even if the spot market remains unchanged. The reason behind these flows is that the general optimism towards Egypt remains intact. This sentiment was boosted further this week by the news that the backlog demand for dollars has been almost completely cleared and that there is more FX trading among local banks. As of the end of last week the foreign holdings of T-bills were in excess of \$16bln but on the risk side it should be noted that 90-95% of it is not currency hedged. In other words, if any outflows begin to hit the market, the NDF curve will rise very quickly. In light of this we think it is wise for investors to think about hedging their EGP exposure through NDFs.	Neutral to bearish USD/EGP 17.60-17.70	Neutral to bearish 17.00-18.00
NGN	A quiet range-bound week for the Naira too with the NIFEX and NAFEX fixings unchanged around 328 and 360 respectively. Very little to report and our view remains unchanged 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 current global USD weakness benefitted the rand which extended its gains from 12.95 to 12.75. Investors continue to buy ZAR due to carry and see no reason to change the strategy while the US dollar remains on the backfoot. It is hard to argue with the price action and it feels that USDZAR will trade lower again in the week ahead.	Bearish USD/ZAR 12.50-13.00	Neutral 12.50-14.00

GCC FX Commentary

SAR	SAR liquidity is still very tight following the recent Sukuk issuance, but we expect it to ease the coming week as all local banks will be fully operational following the end of the Eid holiday. The FX swap curve shifted slightly to the right this past week.
QAR	The focus remains on FX spot. Corporates still trying to close their USD/QAR exposures with outright forward transactions pushing the spot higher (3.70/71). Average ticket remains USD 2 mio.
KWD	The local FX market remains extremely liquid and Kuwaiti names are offering aggressively up to the 2M tenor.

GCC Rates Commentary

AED & SAR	The AED spread curve is 2bps flatter over the month with the 3y point remaining unchanged. Meanwhile SAR spreads have shrunk by 8bps across the curve except for the 5y which has dropped by more than 10bps driven by a large Local Saudi ALM trade. Firmer oil prices have meant that international speculators have remained absent despite the drop in spreads.
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