

EM FX - 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 | <p>Are we finally going see some meaningful USD correction? This million dollar question was put to test this week after the FED finally said that it will start a long awaited quantitative tightening in October. The market pretty much expected this, but no one knows how the market would be reacting to this tightening when it actually starts. In our view, as the term premium begins to rise, USDAsia should find some support and correct higher because the carry trade will not be so attractive more. However, with the global growth continue to stay strong, EM should still be an attractive place to park the money. Therefore, given these dynamics, we see that USDAsia will trade in range until 2018. Thus, one should be cautious for any false break signal. For USDSGD, SGD is currently standing at 0.85% on the strong side of the band. We believe there are more rooms available for SGD to strengthen if EM continues to perform. However, like our overall view of USD correction, we are forecasting USDSGD to be at 1.3650 and 1.3850 by year end respectively.</p> | Bullish 1.3650 | Bullish 1.3850 |
| INR | <p>We have been stressing for a while that USDINR must correct to 65.00 first before making another low. Our view has proven correct as the USDINR finally made a push higher after a series of negative headlines, followed by some bad data. But the headline that seems to have caught people's attention the most was that India may relax fiscal deficit target for this year. This headline sent bond yield higher, triggering sell-off in INR. On the data front, India's current account deficit in Q2 widened significantly at USD14.32bio from Q1 USD3.43bio. The Q2 figure is about 2.4% of GDP, which is the largest print since 2Q2013. Unless we continue to see a sustainable foreign portfolio investment into India, we</p> | Neutral 65.00 | Bearish 63.50 |

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| INR | might see USDINR retraced to 66.00 in the next few weeks. Activity wise, this week INR was the worst performing AXJ currency against the USD as it broke out of the range and made a new high since March 2017. We saw importers buying, and remained well bid the whole week. | Neutral 63.50 | Bullish 65.50 |
| CNH | CNH was making a move again this week as the bull and bear are fighting it out at 6.6000 handle. On one hand, the more hawkish FOMC pushed USDCNH pass 6.6000, with onshore USDCNY short covering triggering the move. But on the other hand, tighter funding (which was traded at +25pips for 3 days roll, implied 5.73%) attracted USDCNH outright sellers to come in. As USDCNH failed to hold above 6.6000, and banks were forced to pay short dated CNH DF to cover funding and keep 1mth points elevated, more fresh USDCNH outright sellers came in to sell USD. So looking at the price action, even if I feel there are more rooms for USD to move higher, it's not a bad idea to have short USDCNH outright in the portfolio as a hedge. | Bearish 6.5500 | Bearish 6.5000 |
| KRW | Last week was uneventful for KRW as the market ignored the NK risk and eventually moved on. Corporates were buying USD towards the end of the week to keep USDKRW above 1130 while the rest of USDAsia didn't move much. We expect exporters to come in at around 1140, which should keep USDKRW from running away higher. So, overall, given the flow we have seen, the range 1125 - 1150 should hold, and prefer to collect USD on dips towards 1125 rather than aggressively chasing the move higher. | Neutral 1130 | Neutral 1130 |
| EGP | It was a quiet week in the FX market in Egypt as investors become familiar with the range of 17.60-17.70. The Minister for the oil and gas industry said that it expects 2018-2019 investments in the industry to be about \$10bn which should boost the local production and make sure that the country becomes self-sufficient in energy. The CBE Governor Tarek Amer said on Bloomberg that the inflation has peaked and that in the medium term the central bank targets 13% +/- 3%. At last week's auction of Tbills, the yields were lower 6-mth at 18.43% and 1-yr at 17.87%. There is an increased demand for dollars in the NDF market as more hedging is taking place. Although the sentiment towards Egypt remains positive, we think it is wise for the investors to start hedging their EGP exposure through NDFs as implied yields are historically low and because most foreign inflows are currency unhedged. | Neutral to bearish USD/EGP 17.60-17.70 | Neutral to bearish 17.00-18.00 |
| NGN | Generally quiet week in the FX market in Nigeria with the NIFEX and NAFEX fixings unchanged around 329 and 360 respectively. As a result, we didn't see any noticeable change in the NDF prices. The CPI for August, at 16%, came out without any surprises and seems to be well under control. Our view is the same 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 |

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| ZAR | <p>The 4.8% inflation for August was printed as per the market expectation. The SARB held rates at 6.75% on Thursday, which was against the consensus of 25 bps cut. ZAR strengthened reacting to the news, but our view still hasn't changed as we see ZAR continue to lose ground to the dollar. We think the USD strength will continue and there are a lot of stale positions in the rand and EMFX broadly. So the risk is clearly skewed towards more upside in USDZAR. There are a number of resistance levels between 13.50 and 14.00.</p> | Bullish USD/ZAR 13.30-13.90 | Neutral 12.50-14.00 |

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