



Emerging Markets - Forex

Technical Strategy Economic Research

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► **Latin America and Central America:**

The expected rally in base metals and soft commodities together with the rebound in equities promoted risk attraction strategies and favoured the bullish view of emerging market currencies. Whilst the BRL and CLP were the favoured currencies, the optimistic wave has seen a broad rally in emerging markets. Although a near term correction is favoured, the outlook remains supportive over the coming months.

► **Asia/Asean:**

The positive outlook for the KRW continues with prospects for a major topping formation. Under performance of the THB was expected, but this should now regain some lost ground both regionally and against the dollar. The INR was stronger than anticipated and has breached key support at 50.00. The Chinese stock market has led the global equity rally, but Asian stocks continue to look attractive from a medium to long term perspective, under pinning the bullish outlook.

► **Africa and the Middle East:**

The bullish view of the ZAR unfolded in line with a rally in platinum. A major topping formation continues to develop implying further strength for the currency. The sharp rebound in the TRL looks set to continue. Targets remain at 1.50.

► **Eastern Europe:**

The rally in this regions' currencies unfolded as expected with topping formations (particularly in the CZK) signalling a bullish trend. Whilst the market looks set for a breather in the near term, an extension of these moves should develop over the coming months. A pause in RUR strength may occur, but the trend stays cautiously positive.

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Emerging Markets Currencies

Latin America and Central America

► **USD/ARS:** Key resistance at 3.85 has not been reached, but a counter-trend retracement looks to be unfolding. Buy the peso at the current 3.6750, stop 3.7310, target 3.50.

USD/ARS



► **USD/BRL:** The bullish view of the real remains. Interim targets at 2.20 have been hit with 2.00 the next objective into May. Watch 2.16 as interim support, but the real is still regarded as one of the leading EM currencies. Stops are now over 2.30.

USD/BRL



► **USD/COP:** A peso rally was expected in the last release with targets at 2400. This was over shot to 2300 and the market has since rallied back to 2550. The upshot of this volatility is difficult to predict, but a short term positive peso bias should be maintained. Hence look for a retest and potential break of 2323. Sell retracements to 2450 on stops over 2510.

USD/COP

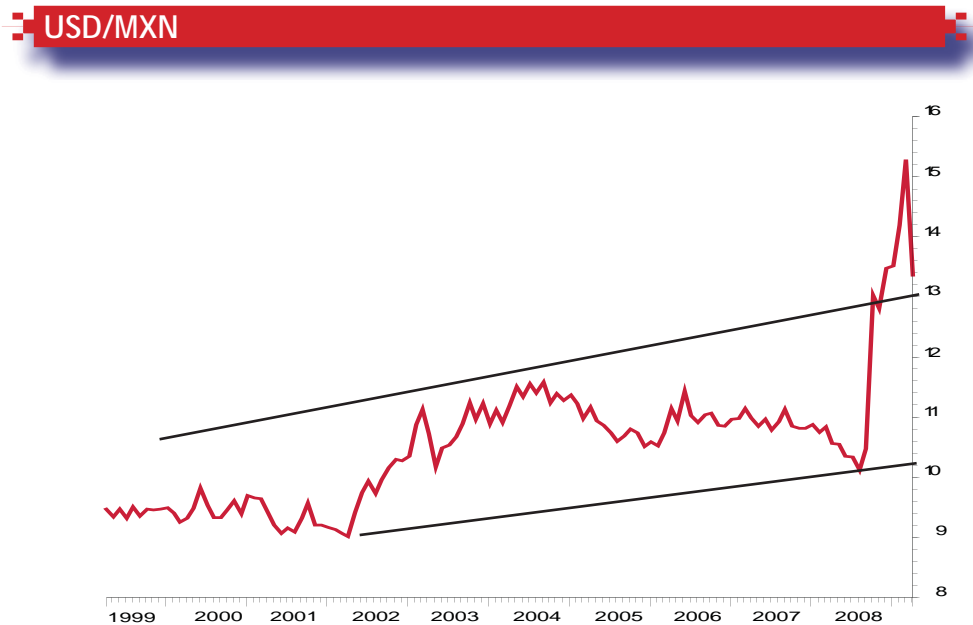


Emerging Markets Currencies

- ▶ **USD/CLP:** Despite the expected strong rally in copper, traction in the CLP has been limited. However, there is still potential for further strength and targets at 535 remain. Stops are on a two day close over 585.

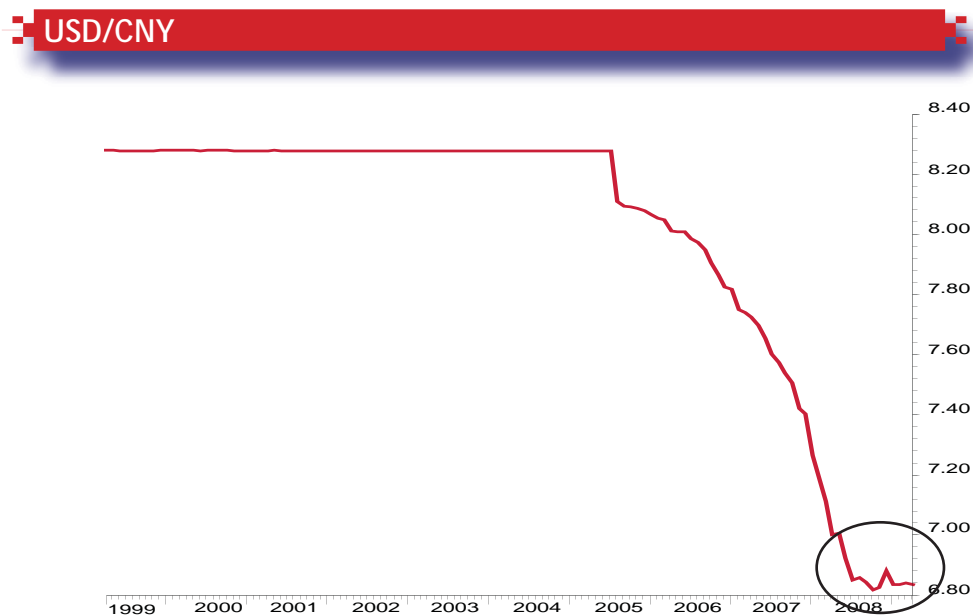


- ▶ **USD/MXN:** Strength in the peso has accelerated in the past week with a key level at 12.96 approaching. The short term trend has been quite sharp, hence a rebound should be considered. However, resistance at 13.50 should contain the bounce with 12.44 the next main target.



Asia/Asean

- ▶ **USD/CNY:** Lack of movement continues giving little indication of the next trend direction. Break-out parameters are at 6.89 and 6.80.



Emerging Markets Currencies

- ▶ **USD/KRW:** The bullish won view remains with progress developing towards the extended target at 1320. Sentiment should stay bullish over the coming weeks with the above target completing a major top. Stop are over 1380.



- ▶ **USD/INR:** The rupee has strengthened due to a strong performance of Indian equities and is currently hovering above a key level at 50.00. Given prospects of further upside for the Sensex, the next support at 49.24 should be tested. Sell dollars into 50.30, with stops above 50.62.



- ▶ **USD/IDR:** Gap support at 11,500 has been hit with the momentum staying rupiah positive. Look to sell dollars whilst below this level with 10,800 the next target.



Emerging Markets Currencies

► **USD/SGD:** The bullish Singaporean dollar view remains with targets at 1.5000 hit. The next objective is at 1.4800. Only a two day close over 1.5250 would negate the view.

USD/SGD



► **USD/TWD:** The oversold rebound from 35.00 continues to unfold, much as expected. Support at 33.00 is key, but should see a break into May, with an extended retracement towards 30.00. Only a one week close above 34.20 would negate this view.

USD/TWD



► **USD/THB:** The correction in the baht has been weaker than some Asian counter parts which suggests further range bound price action going forwards. 34.20/36.40 should contain the range with a bias towards baht strength in the short term. A close outside these parameters would signal the next trend.

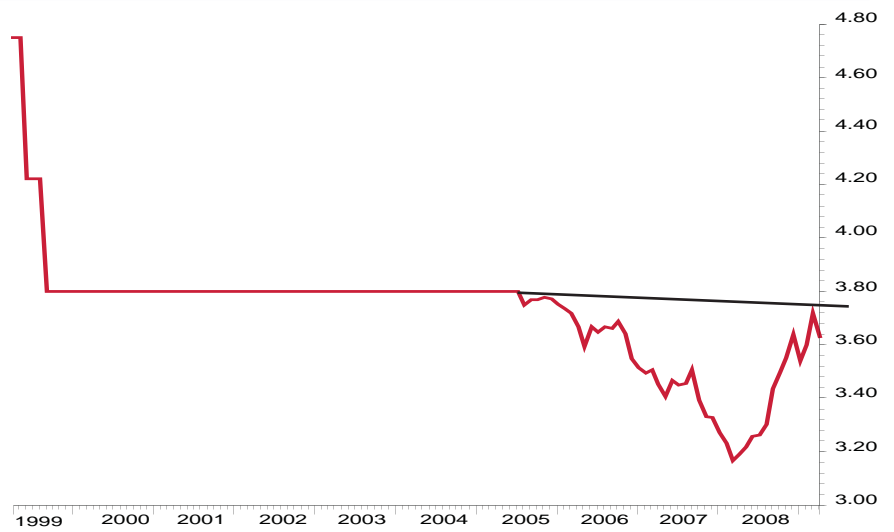
USD/THB



Emerging Markets Currencies

- ▶ **USD/MYR:** A short term bullish phase for the ringgit from key resistance at 3.75 has managed to extend beyond the 3.60 target. From a short term perspective, a consolidation is likely, followed by a move down towards 3.43. Stops are on a close over 3.64.

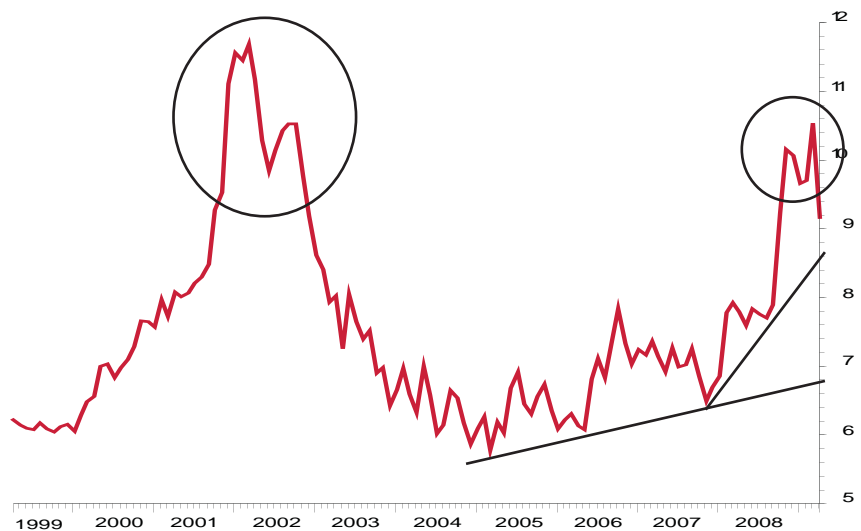
USD/MYR



Africa and the Middle East

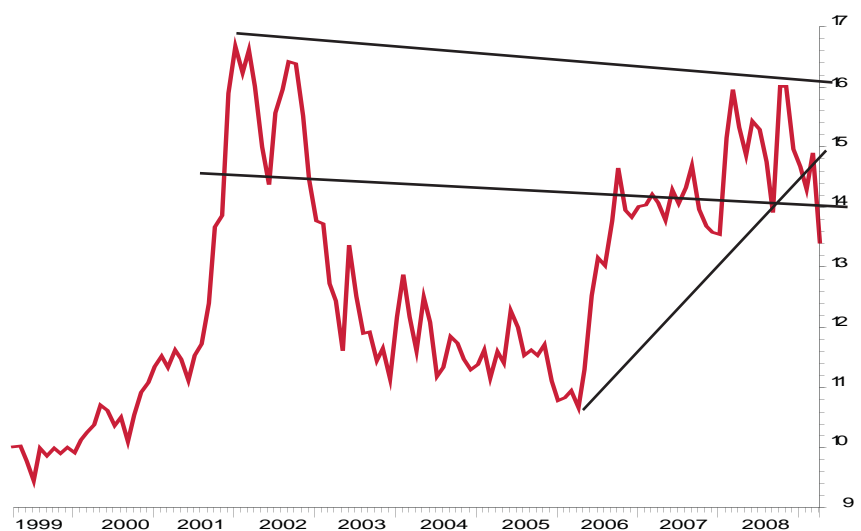
- ▶ **USD/ZAR:** A double top reversal has been completed following the break of 9.20. This implies a move towards 8.20 over the coming months although volatility could remain elevated. Sell retracements to 9.21 with targets at 8.20. Stop are over 9.31.

USD/ZAR



- ▶ **GBP/ZAR:** Targets remain at 10.50, but the revival of sterling will see a range developing between 13.00 & 14.00- making the above target an H2 objective. Only a one week close over 14.10 would suggest a reversal.

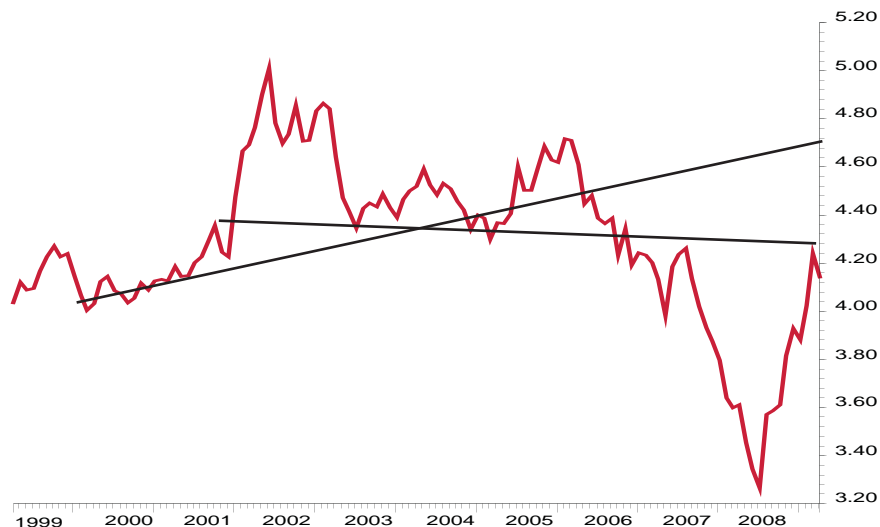
GBP/ZAR



Emerging Markets Currencies

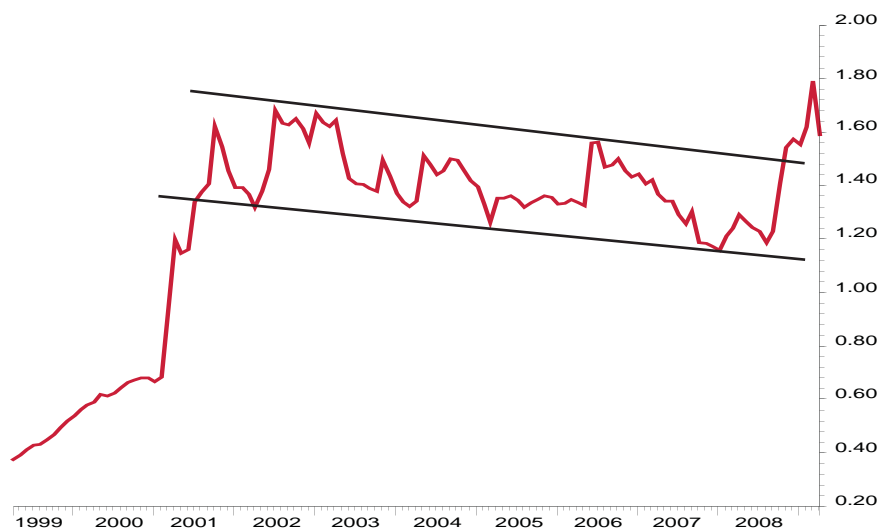
- ▶ **USD/ILS:** The shekel buy zone between 4.20 & 4.30 was hit, but despite the fast move to 4.00, the market has stalled in the short term. However, the outlook remains cautiously positive with the break of support at 4.00 the catalyst for the next bullish phase towards 3.66. A close over 3.21 negates this view.

USD/ILS



- ▶ **USD/TRL:** The retracement from the TRL buy level at 1.800 has been powerful but from here a range should unfold. Retracements back towards 1.6300 are a sell zone with targets at 1.5000. Stops are on a close over 1.6400.

USD/TRL



Eastern Europe

- ▶ **USD/CZK:** The bullish CZK view from 23.50 continues with targets at 20.00 hit. Whilst an extension of this move is expected, in the short term a retracement back towards 20.75 should be expected. Sell into this rally with targets at 18.00 into June. Stops are over 21.55.

USD/CZK



Emerging Markets Currencies

- ▶ EUR/CZK: The bullish CZK view continues with targets at 26.30 nearly hit. For the moment a range is expected with a short term rebound to 27.00. However, sell into this rally with targets at 25.00 into H2. Stops are on a two day close over 27.55.

EUR/CZK



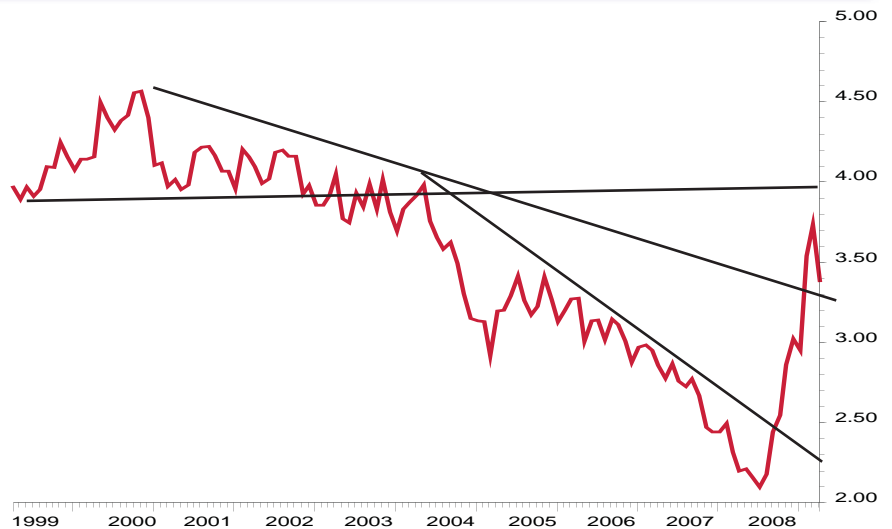
- ▶ USD/HUF: Targets at 200 remain, but given the extent of the HUF rebound, a consolidation phase is expected. Sell retracements into 225 with stops over 228.00.

USD/HUF



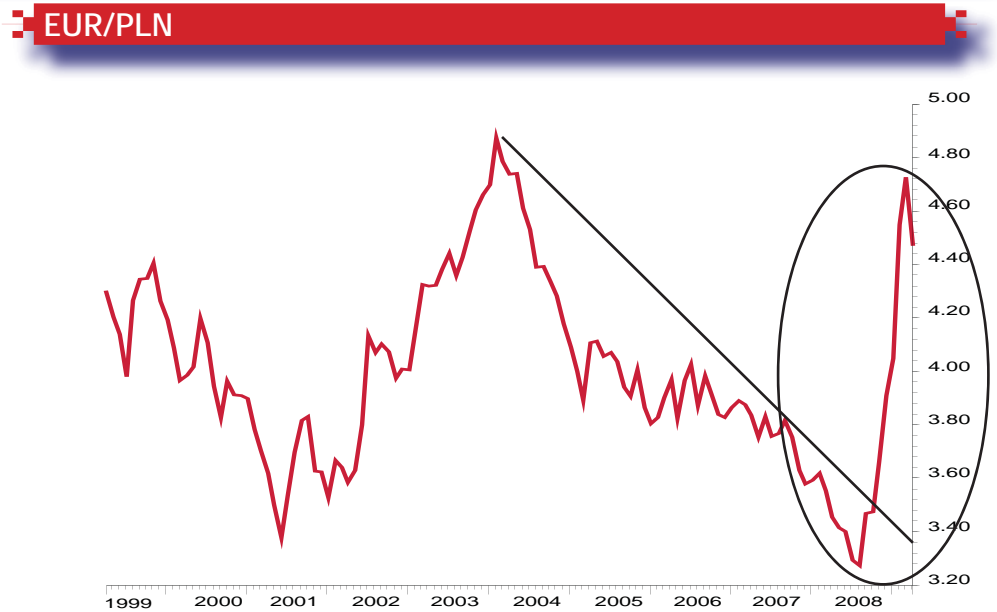
- ▶ USD/PLN: Targets at 3.20 are close and after a consolidation, a correction towards 3.12 should unfold. Sell retracements to 3.38 on stops over 3.41.

USD/PLN

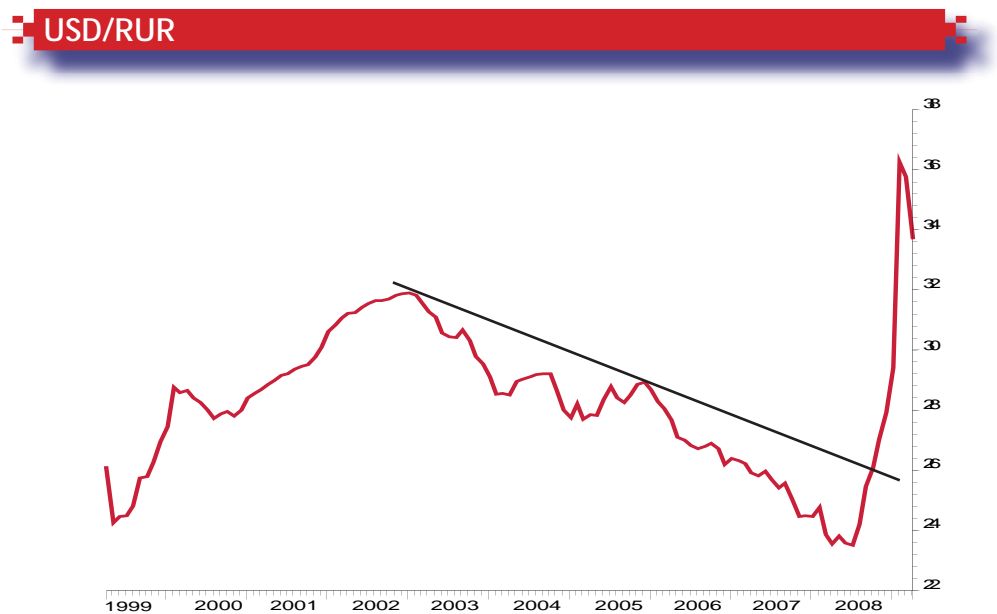


Emerging Markets Currencies

- ▶ **EUR/PLN:** The oversold nature of the PLN continues to unwind with targets at 4.20 approaching. The bias remains to sell euros into 4.42, with objectives at 4.00. Stops are on a two day close over 4.45.



- ▶ **USD/RUR:** Following the short term buy signal, the rouble has strengthened, but has not yet achieved the 32.50/33.00 target zone. In the interim, the outlook remains cautiously bullish for the rouble with outside prospects for 30.85 support into June. Stops are on a two day close over 34.00.



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