



Bullish Latin Currencies

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Risk Watchdog and his colleagues at Business Monitor International (BMI) have grown very bullish Latin American currencies. Three views in particular stand out and form part of the BMI Global Key Market Views portfolio:

Last Friday, my colleagues at BMI initiated a long Chilean peso/short US dollar view, which hit the initial CLP510.00/US\$ target within days, and is now on track to strike BMI's next target of CLP495.00/US\$. Although intervention by the central bank remains a distinct short-term risk, Risk Watchdog believes that there is significant further room to the upside, especially when looking at the appreciatory trend channel currently in play (see chart, click to enlarge).

BMI is also bullish the Brazilian real against the Japanese yen, and continue to target JPY54.00/BRL in the short term. However, real is currently trading along key trendline support at JPY51.87/BRL, which if breached could suggest further weakness in the short term, as the government's 2% securities transactions tax on foreign investors appears to have the desired effect of preventing further currency appreciation. That said, however, Risk Watchdog remains a BRL bull, though increasingly favouring the unit against the ever-weakening US dollar instead.

Another interesting FX view for Latin America expressed by BMI recently, is a long 1-Year Non-Deliverable Forward (NDF) for the Argentine peso. This 1-Year NDF for the peso mirrors where the market currently expects the peso to trade in 12 months time. The current rate prices in significant depreciation over the coming year, which in light of recent moves in the debt markets, and overtures by the Argentine authorities towards rapprochement with the IMF may be overly pessimistic. The 1-Year NDF has already moved in BMI's favour to ARS4.2000/US\$.