

EM currencies under pressure due to recession fears



By [Andre Cilliers](#)

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Emerging market currencies are on the back foot after warnings of a global recession from both the International Monetary Fund and the World Bank.



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The Chinese yuan has weakened by 1.4% since the start of the week, breaking above the psychological level of 7.00 this morning. The Chinese yuan renminbi (CNY) is currently at 7.0130 despite better-than-expected Chinese economic data and attempts by the People's Bank of China to stop the slide.

The rand closed at R17.55 last night and was trading weaker at R17.59 this morning, tracking losses in the Brazilian real and Mexican peso overnight. Argentina's central bank raised interest rates to 75% yesterday as inflation hit 80%.

Upbeat US retail sales' data reinforced the likelihood of an aggressive rate hike by the Fed next week and pushed US bond yields higher.

The two-year yield is up at 3.90% this morning as calls for a possible 100bps rate-hike grow. The DXY index is at 109.85, with the dollar firmer against the euro and pound at .9980 and 1.1445, respectively. The yen is flat at 143.55 as traders monitor the Bank of Japan for any signs of intervention.

Gold and Palladium closed weaker last night, but Platinum held above \$900. All three metals are marginally softer on the back of the stronger dollar and weakening yuan this morning. Oil ended weaker last night as recession fears weigh.

Brent crude is currently trading at \$91.20 and WTI at \$85.30.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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