Conclusion: Answering 4 key questions

What is the view on broader EM FX for 2018? We believe EM FX can perform well for the remainder of 2017 and in 2018. This is based on the following factors: 1) EM FX valuations are still attractive; 2) There is room for further EM inflows (particularly into equities); 3) Higher, more synchronized growth and narrowing gaps are supportive for EM currencies; 4) EM's external vulnerabilities have reduced, and are far lower than in 2013.

Which specific EM currencies stand out as attractive? We divide our prospective longs into three categories: 1) 'Defensive' longs – currencies that have stronger buffers/fundamentals and hence should be able to perform in a broad range of external environments (even more difficult ones); these include RUB, BRL, THB and KRW; 2) Idiosyncratic revaluation longs – MYR, PLN, HUF, CLP, and PEN; 3) Wild cards – currencies dependent on specific sources of risk – the ZAR falls in this camp with substantial room for appreciation in a positive scenario. On the other hand MXN seems poised for a significant bout of weakness in the event its negative risks materialize.

Which specific EM currencies stand out as vulnerable? We are bearish on COP, INR, and ILS due to either domestic concerns, valuations or external vulnerabilities.

What are the outstanding RV trades? We like the 'good vs. bad EM' commodity RV trade of long RUB and BRL vs. short COP.

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