The New RMB Reality

China’s high ambitions on the yuan are facing challenging economic headwinds as the currency moves toward a more market-set exchange rate and wider international use.
UNDER THE HOOD OF CHINA’S ASSET MANAGEMENT OPPORTUNITY

By Tim Moloney, Global Head of FX Investor Sales, ANZ

THE OPENING OF CHINA’S CAPITAL MARKETS IS UNDOUBTEDLY THE LARGEST LONG-TERM POTENTIAL DRIVER OF ASSET MANAGEMENT ACTIVITY IN ASIA - BOTH IN TERMS OF FUND INFLOWS AS RENMINBI-DENOMINATED ASSETS BECOME MORE WIDELY INVESTIBLE AND POTENTIAL OUTFLOWS AS ONSHORE RETAIL AND INSTITUTIONAL INVESTORS LOOK TO DIVERSIFY. HOWEVER, IN RECENT MONTHS QUESTIONS HAVE BEEN RAISED ABOUT THE SPEED WITH WHICH GLOBAL ASSET MANAGERS WILL BE ABLE TO CAPITALIZE ON THESE OPPORTUNITIES, AND THE APPROPRIATE STRATEGY TO DO SO.

TIGHTENING THE TAPS

The opportunity is massive, and growing fast. China’s asset management sector grew sixfold from 2012 to end-2016, according to the main industry regulator, to over US$7 trillion. Assets in Chinese pension funds ranked among the largest globally by Willis Towers Watson rose 17.8% in dollar terms annually between 2010 and 2015, compared to growth of 5.6% for North America funds and 3.6% in Europe.

The extent to which, and when, China will fulfill its potential for global asset managers depends heavily on the options available to Mainland investors. The Mutual Recognition of Funds (MRF) is one of several schemes designed to ease access to offshore markets, like the Qualified Domestic institutional investor (QDII) programme and the ‘Stock Connects’ linking the Shenzhen and Shanghai exchanges with Hong Kong.

Efforts to move capital offshore will accelerate only as fast as China’s regulators allow, as any instability typically prompts authorities to tighten outflows, as seen in late 2016. This had already delayed approvals under various programmes, including the Qualified Domestic Limited Partner (QDLP) initiative and funds under the MRF scheme. Meanwhile, wholly foreign-owned entities (WFOEs) are also waiting for clarity on the asset-management services they can provide.

EASING INBOUND INVESTMENT

China has steadily become more open to inbound investment. In February 2016 international institutional investors were granted quota-free access to the US$3.1tn onshore interbank bond market, quota rules for the Qualified Foreign Institutional Investor (QFII) programme were relaxed, and rules on the RMB QFII scheme were relaxed along similar lines in September.

Such efforts are part of China’s bid to transform the RMB into a global investment currency—something given an official imprimatur by its inclusion in the reference basket for the IMF’s Special Drawing Rights in October 2016.

By easing quota restrictions, authorities aimed to satisfy the criteria of global benchmark providers before they can include Chinese assets in their influential indices. Such inclusion would theoretically boost inflows to China dramatically as investors who track these benchmarks would have to add RMB assets according to their weightings in the indices.

Some estimates suggest the inclusion of Chinese equities in MSCI’s Emerging Markets Index will lead to an initial inflow of around US$20bn, rising to as much as US$180bn if all A-shares are included at their full weight.

However, Chinese authorities’ responses to market events in 2015 have seriously dampened global fund managers’ enthusiasm about Chinese equities. The appeal of the onshore bond market, meanwhile, despite superficially attractive yields, is undermined by opaque risk metrics. The yuan’s recent decline and the official response have also spooked some investors.

DELAYS AHEAD

Only a minority of fund managers in a recent ANZ/FT Confidential Research poll said it would be “a given” that allocations to China will rise, owing to structural problems facing the economy (such as rising indebtedness) and country risk.

Indeed, liberalisation is not expected by most respondents to be a big driver in increasing asset allocations to Asia in general. Given recent events, many are either rethinking their mainland approaches or are content for now to watch and wait.

This is an edited version of an article that appeared in the ‘Signals from the Noise: Distinguishing Hype from Opportunity in Asian Asset Management’ series, produced in collaboration with FT Confidential Research.

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BLOOMBERG INTELLIGENCE ECONOMICS forecasts the yuan to depreciate to 7.0 to the dollar by the end of the year, down 1.4 percent from 6.9 in early May. With China's currency swinging between market and policy control, 7.0 is the average of two separate models.

First, a forecast of where the yuan would be based on U.S.-China rate differentials. That puts the yuan down 0.9 percent to 6.96. Second, a forecast of where it would be assuming the People’s Bank of China targets 3 percent trade-weighted depreciation over the course of the year. That would see the currency fall 1.9 percent to 7.04.

Interest rate differentials are a key determinant of yuan movements. In general, a 1 percentage point narrowing of the U.S.-China one-year sovereign bond yield gap results in a 3.5 percent drop in the yuan against the dollar. BI Economics’ U.S. team forecasts the Federal Reserve will raise rates two more times in 2017, with 25 basis point hikes in the second quarter and the fourth quarter.

Based on current behavior, the PBOC will follow with 10 basis point increases in market rates. If that happens, the yuan would depreciate 0.9 percent to 6.96 by end-2017. By end-2018, it would be down 2.5 percent to 7.08, assuming another three Fed hikes.

Of course, when it comes to China, the markets don’t always get their way. The PBOC takes a view on where the currency should be, and sometimes imposes that view. Assuming the central bank targets 3 percent annual depreciation in the CFETS index, and given consensus forecasts for the 24 currencies in the index, the yuan would decline 1.9 percent to 7.04 at end-2017 and 3.7 percent to 7.17 by end-2018. (The China Foreign Exchange Trade System index is the PBOC’s preferred gauge of the yuan’s trade-weighted exchange rate.)

The simple average of the market-based rate differential forecast and policy-based yuan basket forecast puts China’s currency at 7.0 at end-2017, down 1.4 percent from its current level. At end-2018 – assuming three further Fed hikes and an unchanged PBOC policy, it would be down 3.1 percent to 7.12. The current forward rate at the end of 2017 is 7.03, and for end-2018 it’s 7.23. That suggests the market is expecting some kind of shift in China’s foreign exchange strategy in 2018,
When it comes to China, the markets don’t always get their way perhaps with the PBOC allowing the markets a greater say — resulting in an accelerated pace of depreciation.

There are important assumptions in both components of the model, and in how it fits together. Changing those assumptions would change the forecast:

- If interest rates in the U.S. or China move onto a different track, that would change the impact of the yield differential on the exchange rate. For example, if the Fed moves three times this year the differential would narrow more than expected, resulting in more downward pressure on the yuan. The relationship between rate differentials and the yuan could also change, if the PBOC adopts a different approach to managing the currency.

- If the PBOC targets a different trajectory for the CFETS basket, or dollar moves against other major currencies differ from the consensus forecasts, that would change the trajectory for the yuan. For example, if the PBOC targets more rapid depreciation, or the dollar strengthens more than anticipated, the result would be a weaker-than-expected yuan.

- Finally, if the PBOC shifts its approach to managing the yuan, for example by stepping back and allowing the markets to play a larger role, that would also have a significant impact. In theory, that could move the yuan closer to the forecast suggested by rate differentials. In practice, the range of possible outcomes would be wide.

In backtests, the model puts in a reasonable performance. To backtest the model, BI Economics looked at the period from the first quarter of 2016 to the first quarter of 2017. On average, the absolute deviation of quarterly forecasts from outcomes was 1.4 percent. Over the same period, the consensus forecast was on average off by 1.5 percent.

For the backtest, the forecasts assumed that the pace of CFETS depreciation in each quarter would be the same as the observed pace of decline in the previous quarter. It’s not possible to backtest the model over a longer period, as the PBOC’s foreign exchange regime changed substantially in the third quarter of 2015.

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Yuan Spot, BI Economics Forecast Backtest, Consensus Forecast

- Bloomberg Consensus Forecast
- Interest Rate Differential Approach
- “Basket of Currencies” Approach
- Bloomberg Intelligence Dollar-Yuan Rate Forecast
- Spot Rate

![Graph showing USDCNY values from March 2016 to March 2017.](source: Bloomberg Intelligence)
Gauge Shows Credit Risk Down, Moody's Misses Mark

By FIELDING CHEN and TOM ORLIK, BI Economists

BLOOMBERG INTELLIGENCE ECONOMICS’ measure of China’s financial stability rebounded in the first quarter from a trough in the fourth quarter of 2016, and early indicators point to further improvement in the second quarter – suggesting Moody’s Investors Service missed the mark in downgrading its credit rating. A slowdown in capital outflows, tighter monetary conditions, and a stable equity market were behind the better reading.

The improvement in the Financial Stability Index suggests the likelihood of an economic hard-landing or financial crisis has declined near term. Even so, the gauge remains low in historical terms, a sign of China’s elevated financial risks. The authorities still face huge challenges to temper credit expansion and bubbly housing prices to bolster the economy’s financial soundness.

The Financial Stability Index provides a comprehensive reading on risks to stability over time. A rise in the index points to an improvement in financial stability. The index rose to minus 5.63 in the first quarter from minus 7.02 in the fourth quarter, the lowest point in data back to 2006. Slower capital outflows were the main reason for the improvement. Tighter monetary conditions and a stable stock market also helped. Going the other way – lower inflation and higher interbank rates. Other components of the index were broadly unchanged.

Trading in credit default swaps has also been pointing to declining risks for China since the start of the year, though a cross-country comparison of CDS spreads with ratings suggests China could move into a lower bucket.

Looking ahead, the signals from early data suggest stability may strengthen further in the second quarter, although at a modest pace. The Bloomberg China Monetary Conditions Index fell to 87.4 in April from 96.2 in January, pointing to tighter monetary conditions in the second quarter. There are signs that housing price growth will decelerate in the second quarter on the government’s tightening measures. Both are forces for financial stability. On the negative side, slower growth momentum, a falling stock market, and signs of slightly increased capital outflows act against financial stability.

Looking at the details, the index is a composite of 10 indicators intended to capture different stability risks:

- GDP measures the pace of growth. Faster growth creates more resources that can be used to repay borrowing. In the first quarter, GDP growth accelerated to 6.9 percent from 6.8 percent in the fourth quarter. That was above the government’s 6.5 percent target for 2017.
- CPI measures the level of inflation. Both high inflation, which is associated with asset-price bubbles, or low inflation, which makes debt repayment harder, are potential risks. Inflation slowed to 1.4 percent year on year from 2.2 percent, moving away from the government’s 3 percent target.
- Bloomberg’s Monetary Conditions Index measures the monetary policy stance. A tighter policy stance – as seen in the first quarter – counters excess lending and bubbly asset prices.
- The ratio of M2 to GDP gauges the money supply relative to the size of the economy. Rapid expansion in M2 relative

![China Financial Stability Index](image-url)
to GDP points to an unsustainable expansion in lending. The ratio was broadly unchanged in the first quarter, with nominal GDP growth picking up and M2 growth falling.

- The seven-day repo rate measures liquidity conditions. A cash crunch can trigger a crisis even if financial institutions are solvent – as the U.S. discovered in 2008. Liquidity conditions in the first quarter were a bit tighter than in the fourth quarter.

- Cross-border ‘portfolio investment’ and ‘other investment’ – two categories in the balance of payments – measure cross-border capital flows. A larger volume of cross-border flows contributes to asset bubbles on the way in and sucks funds out of the financial system on the way out. Cross-border outflows declined substantially in the first quarter.

- Shadow banking as a share of total financing measures risks in the unregulated portion of the financial system. A growing share of shadow-bank lending relative to conventional lending points to an increase in risk. In the first quarter, off-balance sheet lending edged up to 15.5 percent of total aggregate financing.

- Non-performing loans measure risks in the banking system. A rise in the NPL ratio shows deterioration in bank asset quality. The NPL ratio was stable at 1.74 percent in the first quarter.

- Housing prices measure risks in the real estate sector. Property prices increasing faster than inflation suggest a real estate bubble. Price gains slower than inflation flag the chance of a bust. High housing prices, up 8.8 percent year on year in the first quarter in real terms, raised concerns about a bubble in tier-one markets.

- The change in stock prices measures risks in the equity markets. Increases in stock prices above inflation point to risks from an equity bubble. Falling stock prices signal investor concerns about corporate earnings. Stock prices in the first quarter were up about 10 percent from a year earlier – the period when the equity market ended its collapse.

For each of the measures, the index is based on the standard deviation of the latest score from the sample average. For example, GDP growth of 6.9 percent year on year in the first quarter of 2017 is 1 standard deviation below the average growth rate of 9.4 percent since 2005. The Financial Stability Index is the sum of the 10 component index scores.
China's Monetary Turbocharger Is Running at an All-Time High

By BLOOMBERG NEWS

FOR EVERY YUAN that the People’s Bank of China injects into the nation’s financial system, it’s up to the banks to decide how far they stretch it in the form of loans to the economy.

Right now, they’re working overtime.

China’s money multiplier – the ratio between the broadest measure of money in use, M2, and base money created by the central bank – has climbed to the highest on records that date to 1997, data compiled by Bloomberg show. Each yuan of base money is being turned into more than 5 in the real economy.

The turbocharged multiplier is helping compensate for the drainage of cash caused by Chinese savers and companies venturing abroad. It’s also helping economic growth hold comfortably above the government’s target for at least 6.5 percent this year, even as China’s leadership tries to rein in excessive leverage in the financial system.

Yet the fact that the PBOC is getting more bang for its yuan doesn’t say anything about the productivity of the uses to which the money is put, according to Bloomberg Intelligence Chief Asia Economist Tom Orlik. Wasteful or risky lending could backfire on the economy – with the ratings cut by Moody’s Investors Service last month highlighting such concerns.

Looking forward, the government’s efforts to stem the issuance of risky debt may curb the money multiplier, in which case the PBOC may need to step in more via open market operations to ensure there’s enough cash sloshing around to keep the economy humming, according to a recent report by China International Capital Corp. economists led by Eva Yi.

A further headwind: the cost of borrowing on the interbank market has risen above the rate at which banks lend to their best customers, cutting into profit margins. If lenders stop doling out loans, the money multiplier could decelerate just as abruptly as it accelerated.

Given its financial deleveraging goal, the PBOC may allow money supply to grow slightly below the annual target of around 12 percent, but it won’t allow it to slow too abruptly, according to Zhu Qibing, chief macro economy analyst at BOC International China Ltd. in Beijing.

Jin Bei, a researcher at the government-backed Chinese Academy of Social Sciences, has written that potential economic growth will be lower than 6 percent in the period to 2020, and growth will slow until then. If he’s right, those forces may overpower whatever the multiplier can do.

“The money multiplier is coming close to the limit in April” because banks can’t lend out all the money they have on hand, Zhu said. “Credit expansion is very likely to slow.”
Yuan Appeal Fades Amid Capital Controls as Global Usage Declines

By BLOOMBERG NEWS

**THE YUAN’S SHARE** of global payments shrank to the lowest level in two-and-a-half years in April, with tighter capital controls seen diminishing its appeal for overseas funds.

The Chinese currency accounted for 1.6 percent of transactions in April, the smallest since October 2014, according to data from the Society for Worldwide Interbank Financial Telecommunications released on May 25. It fell behind the Swiss franc in the agency’s global ranking, coming in at seventh, compared with sixth a year ago.

China’s policy makers have taken several steps since late last year to curb capital outflows as they looked to steady the yuan. While this helped turn the tide – February saw the first net fund inflows via cross-border payments since June 2015 – the restrictions have drawn fire from some quarters. Developer Shandong Tyan Home Co. in April blamed the checks for backing out of talks to acquire an Australian mine stake for $1.3 billion, while a $1 billion overseas purchase by Dalian Wanda Group Co. was called off in March.

“The yuan’s share has dropped due to previous depreciation pressures and tighter capital controls,” said Gao Qi, a currency strategist at Scotiabank. “The yuan’s use is currently at the bottom, and it will rebound as China seeks to attract more long-term foreign investors like central banks and sovereign wealth funds.”

President Xi Jinping recently signaled a new drive to push the yuan’s global usage, pledging 100 billion yuan ($14.5 billion) of funding in the Chinese currency for the Silk Road Fund and encouraging financial institutions to develop their overseas yuan fund business. The campaign to popularize the yuan had gained fresh impetus two years ago, when China was pushing for its inclusion in the International Monetary Fund’s Special Drawing Rights. That effort was seen easing off in late 2016 as the discouraging of capital outflows took priority.

“While the decline in payments share is the result of the administrative measures imposed since last year to curb capital outflows, it doesn’t signal a reversal of yuan internationalization,” said Khoon Goh, head of Asia research for Australia & New Zealand Banking Group in Singapore. “The government remains committed to it. Once it is more comfortable that outflow pressures are under control, then it will continue with the drive.”

In a new drive to push the yuan’s global usage, President Xi Jinping pledged 100 billion yuan ($14.5 billion) of funding in the Chinese currency for the Silk Road Fund and encouraged financial institutions to develop their overseas yuan fund business.
QuickTake

Path to Liberated Yuan Includes Tighter Grip

By ROBIN GANGULY
China is an economic giant, but its money is still a bit of a runt. Unlike the U.S. dollar, euro and British pound, it’s little used away from home. The No. 1 exporter has kept its currency off world markets in the past and still restricts buying and selling. That’s walled off China from boom-and-bust capital flows and kept its goods cheap. Now it has reason to loosen the grip on the yuan. To fuel a slowing economy, attract foreign capital and back rising political ambitions, China is promoting the use of the yuan throughout the world, a slow-moving process known as internationalization. It’s one of the biggest changes since the creation of the euro, a beckoning bonanza for bankers and traders — as well as a threat to China’s economic stability and credibility. Long accused of keeping its currency artificially weak, China is now doing whatever it takes to stop it falling.

The Situation
U.S. President Donald Trump has branded China a “grand master” at currency manipulation, a nation that effectively taxes overseas goods by keeping the yuan undervalued. Yet since devaluing the yuan in a surprise move in August 2015, Chinese authorities have shifted their focus to stemming a slide in the currency.

China has burned through $1 trillion, or one-quarter, of its foreign exchange reserves since mid-2014, as well as tightened rules on capital outflows. Private investors – both Chinese and non-Chinese – can legally move their money in and out of the mainland only through approved programs and in limited amounts. But companies and individuals have found ways to get their funds out, with favored methods ranging from buying insurance policies to overseas property.

The slowing Chinese economy and a surging U.S. dollar also contributed to the currency’s decline, with the offshore rate reaching its lowest level on record at the end of 2016. The yuan’s fluctuations have continually tested a pledge by the government to give market forces a bigger role in determining the exchange rate.

At the same time, the yuan’s internationalization has a long way to go: China accounts for more than 10 percent of world trade, but 1.6 percent of global payments are made in yuan. In recent moves to widen its use, President Xi Jinping pledged 100 billion yuan of funding for his “Belt and Road initiative.”

The Background
China has been reluctant to open its doors throughout history; a scornful 1793 letter from the emperor to King George III dismisses all requests to ease restrictions on British traders. The economy was closed to non-socialist countries under Mao Zedong for 30 years and then China started liberalizing at its own pace, an approach the late leader Deng Xiaoping called “crossing the river by feeling the stones.” In 1994, it set a fixed rate for the yuan against the U.S. dollar, a peg that endured for a decade.

Yuan’s Long March Into Global Markets
Onshore yuan appreciation vs. U.S. dollar since 1994

Source: Bloomberg, pricing via China Foreign Exchange Trade System
After China joined the World Trade Organization in 2001, selected foreign institutional investors were permitted to buy yuan-denominated stocks in limited amounts. The yuan’s peg was dropped in 2005 and then unofficially slapped back on in 2008 to insulate China from the global financial crisis. In 2010, China’s economy overtook Japan as the world’s second-largest and yuan use took off.

In 2016, the yuan joined four other currencies in the International Monetary Fund’s Special Drawing Rights, a kind of overdraft account it holds for global central banks. That was a milestone some analysts estimated could trigger a $1 trillion switch into Chinese assets. The country’s leaders have said they aim to make the yuan convertible by 2020.

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More than a dozen countries are vying to become yuan trading hubs and have signed emergency swap agreements. Inside China, the yuan can trade 2 percent on either side of a daily fixing set by the central bank; a freely traded offshore rate tracks it.

The Argument
The U.S., which had scolded China on and off for decades for keeping the exchange rate weak to boost exports, stopped calling the yuan “significantly undervalued” and backed its bid for IMF reserve-currency status. Yet Trump revived the criticism and threatened to impose tariffs on imports from the country, while also going back on a campaign pledge to brand China a currency manipulator.

The yuan’s advance into global markets demonstrates President Xi Jinping’s ambition to challenge the hegemony of the dollar and a global economic order dominated by the U.S. and Europe. Inclusion in the IMF’s reserve-currency basket is expected to accelerate the pace of reform.

A more widely used currency would raise China’s influence in setting prices of commodities from oil to iron ore and give individuals and companies on the mainland more choice with their savings. As the yuan makes the long march to convertibility, China becomes vulnerable to swings in the currency and money flows that could aggravate its economic slowdown.
Functions for the Market

Yuan Global Currency Bid Boosted by Low Volatility, Asia Linkage

By HARRY KE and ROBERT JEN, Application Specialists

THE YUAN’S BID to challenge the dollar as a global currency may get a boost as Asian exchange rates stabilize and synchronize, while U.S. politics buffet the greenback.

Use Bloomberg’s Graph Volatility tool to show falling swings for China’s currency against Asian counterparts and Correlation Matrices to show how often they move together. Run the Volatility Surface tool to compare hedging costs and Trade Flow to track regional commerce.

With China starting to dominate regional trade, transacting in yuan instead of dollars means at least one counterparty won’t face currency risk. Even so, the yuan’s share of global payments via the SWIFT system slumped to 1.6 percent as of April 30 from as high as 2.8 percent in August 2015, when regulators devalued the currency. The offshore yuan gained 1.4 percent against the greenback this year. While that was only the eighth best performance among Asian currencies against a plunging dollar, exchange-rate stability may help encourage trade settlement.

- Type “asia dollar index” in the command line and pick ADXY Index - Bloomberg JPMorgan Asia Dollar Index from the dropdown. This is a trade and liquidity weighted index for Asian currencies against the dollar.
- Type “graph volatility” in the command line and choose GV from the drop down.
- Check the box for the second security and enter .ADXYCNH Index. This is a customized index that tracks the Asia Dollar Index against the offshore yuan. It is calculated by multiplying the ADXY index and USDCNH Currency and then normalizing that as 100 on Aug. 11.
- Choose HVol historical volatility for both securities in the Type box. Select volatility period of 90 days in the next box and CLV for classical model.
- Change the Period to Daily: 2Y.

The historical volatility for Asian currencies against the offshore yuan has fallen to 2.1 percent from almost 4.7 percent after the August 2015 devaluation. It is lower than the 3.1 percent for swings against the dollar.
While the low volatility partly reflects the yuan’s 40 percent weighting in the ADXY basket, the table above shows a strong correlation between its exchange rate to the dollar and that of the Singapore dollar, Thai baht and Taiwan dollar.

- Type “correlation” in the command line and choose CORR - My Correlation Matrices from the drop down.
- Click on Create New on the red toolbar.
- Change Date Range to 05/23/2015 – 05/23/2017 and Period to Daily. Click Next.
- Type “CNH vs Asian Currencies” as the Title. Hit Finish.

We can see that CNH is highly correlated with most Asian Currencies. White means the most statistically significant, while orange is less significant. The highest correlation is for the Singapore dollar at 0.556, the Thai baht at 0.348 and the Taiwan dollar at 0.286. A reading of one would mean the currencies move in lockstep. By shifting the date range two years earlier, we can see these correlations have risen from 0.385, 0.256 and 0.14 respectively.

The high levels of correlation mean that when it comes to hedging, it’s often cheaper to use renminbi options than those against the dollar for Asian companies.

- Type “singapore dollar renminbi” in the command line and choose SGDCNH Currency - Singapore Dollar/Offshore Chinese Renminbi Cross.
- Type “volatility surface” and choose OVDV - Volatility Surface. The shortcut is SGDCNH Currency OVDV.
Click on the gray Correlation tab top right and click the Common Currency amber box to choose USD.

Click on 3M in the table.

At-the-money volatility for an option expiring in three months on the Singapore dollar-U.S. dollar exchange rate is 4.380, higher than the 3.585 for the Singapore dollar-offshore yuan (see top image). The Quick Calculator shows implied correlation between the offshore yuan and Singapore dollar of 0.612.

China is the biggest trading partner for Singapore. The same is true for all the other currencies in ADXY index: Malaysia, South Korea, Hong Kong, India, Indonesia, Philippines, Thailand and Japan. To see trade between Singapore and China:

Type "trade flow" in the command line and choose ECTR - Trade Flow (see second image). Type Singapore in the first amber box and select it from the dropdown.

As China’s trading heft grows, the yuan is more in sync with other Asian currencies. Now its exchange rate is showing greater stability, the renminbi’s rise in global trade may resume.

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