

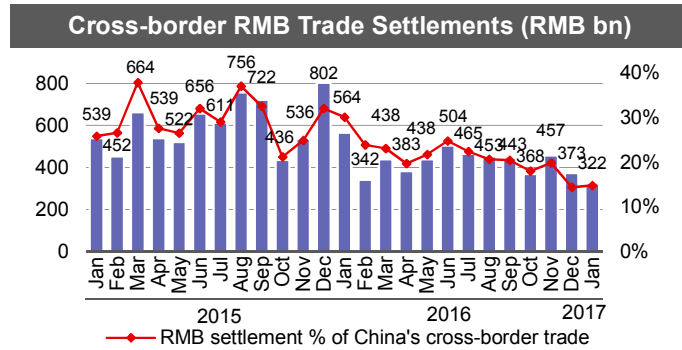
## Global RMB Updates

27 FEB 2017

RMB Internationalization  
Business Promotion Office  
(Hong Kong)

### Monthly RMB trade settlements declined in January 2017

Cross-border RMB trade settlements volume continues to decrease. In January 2017, as the chart on the right side shows, it dropped by 13.5% to RMB322.4bn from the previous month; the lowest level since February 2013. We believe that the decline is likely to be caused by Chinese regulators' continuous capital controls and currency volatility. The percentage of RMB used for cross-border trade settlement with China is also declining, accounting for 14.8% in January 2017. According to latest data from SWIFT, RMB is the 6th currency position in January with a share of 1.68% for international payments, followed by USD (40.72%), EUR (32.87%), GBP (7.49%), JPY (3.06%), CAD (1.87%).

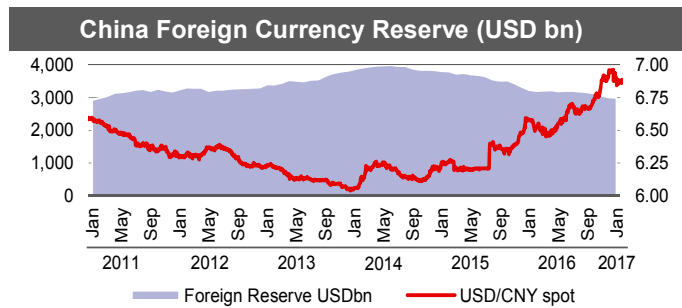


(Source) PBOC, CEIC

### Chinese Foreign Currency Reserve decreased low USD3tn

In January 2017, PBoC says Foreign Currency Reserve in China fell to USD2.99tn, below USD3tn for the first time since February 2011 and dipped by around USD1.0tn from a peak of USD3.99tn in June 2014. It has also continued to decline over the past 7 months. Due to the capital outflow from China, which is attributed to an uncertain Chinese economy, the RMB weakened by 7% in December 2016, compared to December 2015.

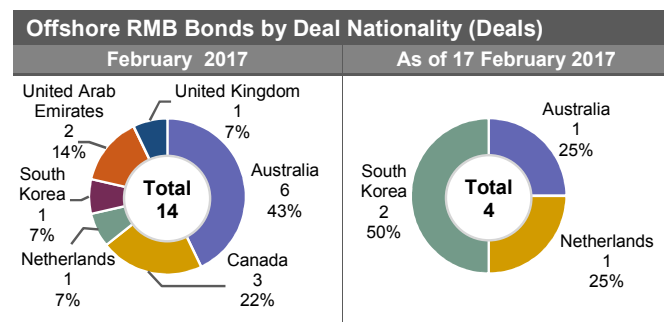
Though RMB joined SDR in October 2016, China's falling reserve may be one evidence that Chinese authorities put much value on capital controls and a higher onshore rate to keep the currency stable.



(Source) SAFE

### Update of RMB bond Market

As of 17 February 2017, the total number of offshore RMB issuance counted only four deals. The capital control and FX concern caused tight RMB liquidity in the offshore market resulting in higher funding costs. China's Panda bond has no issue at present but Russian aluminum producer Rusal plans to issue Panda bond (RMB10bn, 7year). They have registered a prospectus on the Shanghai Stock Exchange. Considering this, we expect foreign companies will issue Panda bond more in this year.



(Source) Dialogic, MUFG Securities

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