

press release

Standard Chartered Renminbi Globalisation Index Up 6.8% despite volatile CNY *Entered March with plenty of momentum*

7 April 2014, Hong Kong – Standard Chartered announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, rose to a new high of 1,586 in February, up 6.8% from the previous month and 86.5% year-on-year. The February increase was broad-based, led by rising offshore deposits and cross-border Renminbi payments. Despite the recent shake-out of one-sided Renminbi appreciation expectations could weigh on near-term market sentiment, we expect any RGI slowdown in the coming months to be marginal.

Preliminary numbers show that CNH FX turnover rose across all major offshore centres in March. In particular, increased FX variability has fuelled more two-way interest from institutional investors. Less one-sided Renminbi appreciation expectations and the recent widening of the CNY trading band should also start to boost hedging activity among corporates in the medium term.

The performance Dim Sum bonds was also strong in March. Primary issuance of Dim Sum bonds and Renminbi-denominated certificates of deposit rose to a new quarterly record of CNY 213bn. We expect China's external trade to benefit from an improving global backdrop in 2014. This, together with the Renminbi's rising share of invoicing, should further fuel the currency's internationalisation.

President Xi Jinping's first official trip to Europe brought a series of milestone events for key Renminbi offshore centres. Joint talks to complete a China-EU Free Trade Agreement are making headway. Increased Renminbi usage within the EU, including settlement of a larger share of annual China-EU trade directly in Renminbi, would be a natural by-product of closer trade ties. Another significant step is the signing of MoUs recently with Germany and the UK to set up clearing services for Renminbi trading.

The recent build up of Renminbi liquidity pool in Taiwan has been rapid. The size of Renminbi deposit in Taiwan has risen significantly to 24% of total foreign-currency deposit in February, up from just 4% a year ago. However, there are some near-term concerns. The approval of CNY 100bn R-QFII quota from mainland China may depend on the outcome of the cross-straits Trade Service Pact. Taiwan Central Bank is also in talks to sign a currency swap agreement with the People's Bank of China. Both are considered crucial next steps in terms of helping Taiwan to develop its offshore Renminbi market.

Standard Chartered launched the RGI in November 2012. Prior to adding New York, the Index covered four markets in offshore RMB business: Hong Kong, London, Singapore and Taiwan. It measures business growth in four key areas: deposits (denoting store of wealth), Dim Sum bonds and Certificate of Deposits (as vehicles for capital raising), trade settlement and other international payments (unit of international commerce) and foreign exchange (unit of exchange). As the Renminbi further internationalises, there is capacity to include additional parameters and markets.

Standard Chartered Renminbi Globalisation Index

Objective	The first industry benchmark that effectively tracks the progress of RMB business activity. Offers corporates and investors a quantifiable view of the latest trends, size and levels of offshore activity that are driving RMB adoption
Index Parameters	Deposits Dim Sum Bonds and Certificate of Deposits Trade Settlement & Other International Payments Foreign Exchange Turnover
Markets	Hong Kong London Singapore Taiwan New York
Investability	Non-tradable
Frequency	Monthly
Base value and date	100 at 31 December 2010
Inception Date	14 November 2012
Methodology	Weight of each of the four parameters are inversely proportional to their respective variances

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