

press release

Standard Chartered Renminbi Globalisation Index Down 0.24% m/m to 2,145 in May due to low Dim Sum issuances

RGI likely to pick up in H2; CNY trading band tips to widen to +/- 3% by year-end

8 Jul 2015, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, fell 0.24% m/m to 2,145 in May from a revised 2,150 in April, as Dim Sum bonds weakness offset the increase from trade settlement.

Trade settlement contributed the most to the index in May, adding 0.64ppt to growth. The share of Renminbi-denominated cross-border payments rose to 1.58% of global flows in May. 23.2% of China's total goods trade was settled in Renminbi in May. We forecast that the Renminbi's share will increase to 38% by 2017 and that 46% of China's total trade will be denominated in Renminbi by 2020. In addition, China's pre-eminence as a commodity importer is also likely to further the use of the Renminbi as a major trade currency and we expect more commodity suppliers to turn to Renminbi settlement. We forecast that the Renminbi will move to the third most used international currency by 2020 from its position as the eighth currently, surpassing the Japanese yen and the British pound.

Dim Sum bonds offset the increase from trade settlement in May, detracting 0.74ppt from the RGI. However, we expect Dim Sum bonds to be well supported in July, despite potentially higher market volatility amid the situation in Greece and a potential rebound in USD-CNH CCS. The market recovered in Q2 on a revival in primary issuance and a drop in average yields. Primary issuance was CNY45 billion in June – CNY23.5 billion in Dim Sum bonds, CNY17 billion in certificates of deposit (CDs), and CNY4.4 billion in Formosa bonds. We expect primary issuance of CNY250-270 billion in H2-2015 and maintain our full-year issuance forecast of CNY480-500 billion. For this reason we believe the RGI is close to bottoming. The

recent wave of policy liberalisation steps will likely be reflected in May-June data. We think the recent lull is temporary and that the RGI will start rising in H2-2015.

The People's Bank of China's (PBoC's) announced in early June that it will allow offshore Renminbi clearing banks and settlement banks to access China's onshore repo market, using cash bonds purchased under the PBoC China interbank bond market (CIBM) programme as collaterals. It will allow proceeds to be repatriated for offshore usage. This will likely allow CNH liquidity condition to improve over time and to be more correlated with onshore interbank liquidity conditions going forward. In addition to the PBoC's strong commitment to keep onshore liquidity accommodative, we expect the Chinese authorities to reform the exchange rate system further, to facilitate greater two-way volatility. We forecast that the band will widen to +/- 3% by end-2015 and +/- 5% by end-2017.

Standard Chartered launched the RGI in November 2012. The Index covers seven markets in offshore RMB business: Hong Kong, London, Singapore, Taiwan, New York, Seoul and Paris. 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 Paris

	Seoul
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 24-month normalized standard deviations

- **Ends** -

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Note to editors:

Standard Chartered

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