press release

Standard Chartered Renminbi Globalisation Index Up 2.3% m/m to 2,140 in July

First rise in four months; short-term pain ahead but greater chance of SDR inclusion

8 September 2015, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, rose for the first time in four months, to 2,140 in July from a revised 2,092 in June.

Cross-border Renminbi payments was the biggest contributor, led by larger flows via key offshore centres like Hong Kong, London and New York. CNH deposits and Dim Sum bonds outstanding also stabilised after a challenging Q2-2015. But that was before the stock market plummeted further in August, and the surprise Renminbi fixing reform on August 11. Sentiment towards China's growth and currency prospects has worsened materially since.

While the bold reform move is encouraging, the RGI is likely to face more near-term setbacks. This is supported by preliminary August data that we track. CNY depreciation normally does not bode well for CNH deposit accumulation. Besides possible contraction in CNH deposits in the coming months, gross issuance of Dim Sum bonds, certificates of deposits, and Formosa bonds was CNY 27bn in August, down from CNY 31bn in July and CNY 46bn in June, extending its monthly downtrend since March -2015.

We believe China's latest fixing reform, to meet the IMF's recent call for a more market-driven FX regime, increases the Renminbi's chance of Special Drawing Rights (SDR) basket inclusion before end-2015. An eventual SDR inclusion should materially boost CNH usage, making any short-term pain from FX reform much more worth bearing. We are also hopeful that China will allow more cross-border flows to promote CNY-CNH convergence, which is another pre-condition for SDR inclusion identified by the IMF staff report.

We recently revised up our USD-CNY forecasts for late-2015 and 2016 in the wake of the August China FX policy adjustment. In our forecast profile, China's economic fundamentals – particularly its growth/inflation mix – simply do not justify new trade-weighted CNY appreciation in the next few months. We also expect a series of important global developments in the coming months that may have a bigger impact on USD-CNY and USD-CNH under the new FX policy regime. We still expect the Fed to announce its first rate hike this year (now most likely in December). Our new forecast profile still incorporates a mild appreciation path for the CNY next year, but onshore USD-CNY will likely remain above early-August 2015 levels even by end-2016 (we forecast 6.35, versus 6.15 prior to the August FX adjustment).

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

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Note to editors:

Standard Chartered

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