

press release

Standard Chartered Renminbi Globalisation Index Up 9.4% m/m to 2,312 in August

Boost from temporary surge in FX turnover, liberalisation supports long-term outlook

7 October 2015, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, boosted 9.4% m/m, to 2,312 in August from a revised 2,113 in July fuelled by increased FX volatility temporarily boosting CNH FX turnover.

CNH FX turnover accounted for 8.4ppt of the 9.4% m/m RGI jump in August, while the other components improved only modestly from a weak Q2-2015. By our measure, spurred by greater deleveraging and hedging dynamics since the 11 August Renminbi fixing reform, the average daily CNH FX turnover surged roughly 90% m/m in August, almost 60% higher than its previous peak in March. Deleveraging adjustments – largely the unwinding of short USD positions by corporates – are healthy and a rise in willingness and awareness to hedge Renminbi exposures would help ensure more sustainable CNH development driven by genuine demand as the Renminbi becomes more ‘two-way’.

The authorities have attempted to anchor the CNH through a steadier onshore spot. This is key to supporting sentiment; that said, the RGI could spend much of Q4-2015 paying back the boost it got from volatile spot actions in August, as onshore Chinese yuan (CNY) actions have been ‘managed’ more since.

A narrowing of the CNY-CNH basis small aids the CNY’s bid for SDR inclusion. We continue to expect the authorities to ensure that the smaller basis persists before gradually stepping back from the market and allowing a ‘new normal’ for the CNY. They will likely step away from regular FX intervention, except in periods of abnormal volatility.

We see more policy liberalisation moves since the August fixing reform, which are going to support the RGI over the longer-term. Such liberalisation moves have been to (1) counter depreciation-induced outflows; (2) anchor market confidence in Beijing's reform commitment; and/or (3) strengthen the Renminbi's chances of SDR inclusion by end-2015. Closer Renminbi ties between China and the UK, new CNH products in South Korea, and the imminent launch of the new cross-border Renminbi settlement system in CIPS (Cross Border Interbank Payment System) should also all help anchor confidence and bolster future CNH use.

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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For further information, please contact:

Standard Chartered Bank (Hong Kong) Limited

Joanne Chung
Corporate Affairs, Hong Kong
2820 3871 joanne-cy.chung@sc.com

Note to editors:

Standard Chartered

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Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

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