

press release

Standard Chartered Renminbi Globalisation Index recorded first year-on-year contraction in March

Driven by declining CNH deposits and Dim Sum bond issuance

9 May 2016, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, fell by 2.7% month-on-month in March, to 2,151 from 2,210 in February. This is the fifth drop in six months and the largest since November 2015. The Index was also down by 1.1% year-on-year, the first yearly contraction since the index started in 2010. The decline was mainly driven by falling CNH deposits in Hong Kong, which was down over 20% year-on-year, and fewer Dim Sum bond issuance ytd.

We continue to see a silver lining in the newfound FX calm and green shoots in recent macro data. Still, confidence takes time to recover, and there is little sign of an RGI turnaround for now: three of four components are negative drags, led by a 1.8 percentage point drag on headline growth from lower Dim Sum bond and Renminbi certificates of deposit (CDs) outstanding. CNH deposits also fell further in March in centres like Hong Kong and Taiwan.

The stability in USD-CNY since February may have calmed market fears in China of significant depreciation, yet many still see longer-term depreciation pressures. And then there are the lingering concerns over China's ability and commitment to keep delivering reforms, opening its capital account, and internationalising its currency.

The Chinese authorities appear comfortable for now with allowing the CNY basket to decline in value instead of letting the CNY reflect more USD weakness. We believe the People's Bank of China's (PBoC's) strategy is to allow the basket to weaken amid USD weakness and then allow the basket level to rise when the USD rises. A higher-value basket amid a strengthening USD would complement the current

regime, as it would minimise some of the market volatility associated with higher USD-CNY. We believe downside room for the basket to fall is increasingly limited, though, because it may undermine the credibility of the authorities who have stated that they aim to keep the basket “basically stable”.

Dim Sum bonds

The primary market was a touch stronger in April, with the Dim Sum bond market embracing the first public issuance from the Republic of Hungary this year. Gross issuance was CNY 32.7bn in April, bringing year-to-date issuance to CNY 77.1bn, down 52% from the same period last year. Outstanding Dim Sum bonds and CDs declined to CNY 719bn as of early May due to ultra-light supply, down 13% from CNY 825bn at end-2015.

We maintain our bullish view on the Dim Sum bond market for Q2 and expect the bonds to grind tighter amid strong redemptions in May and June. Primary issuance is likely to improve further in May as the onshore/offshore yield differential narrows further. The Ministry of Finance (MoF) may also announce this year’s issuance plan soon, with the first batch of issuance in May. The government has been issuing every May and November in the offshore market in recent years.

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

Get the latest RGI interactive infographic in one place by visiting [Global Research's RGI tracker is on BeyondBorders](#),

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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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