

press release

Standard Chartered Renminbi Globalisation Index Settling into a New Norm

*Resumption of downtrend in February;
CNH FX, liquidity, Dim Sum bond performance improve*

8 April, 2016, Hong Kong – Standard Chartered announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, fell to 2,210 in February from 2,228 in January (Figure 1). The 0.8% m/m drop resumes the downtrend since the RGI peaked in September, confirming that the jump in January was transitory, driven by a surge in CNH FX turnover following a bout of depreciation at the beginning of the year. Outside of FX turnover, all other RGI components subtracted from the headline index. The good news, however, is that headwinds to the Renminbi have greatly receded since February.

On the rates front, flush CNH liquidity conditions have returned and are likely to stay that way in the coming months thanks to a narrowed CNH-CNY basis, subdued CNH asset growth, and rising monthly maturities of Dim Sum bonds and certificates of deposit. Confidence takes time to recover, but we believe the newfound calmness in CNH FX and liquidity, if sustained, should form the base for the RGI to recover in H2-2016.

Three of four RGI subcomponents fell in February. We expect the positive contribution from CNH FX turnover to keep fading in the coming months (much like it did after August 2015) given the much more stable CNY fixing and spot rates recently. The Dim Sum subcomponent looks set to remain the largest negative RGI contributor. CNH deposits in Hong Kong fell to CNY 803bn in February from CNY 994bn as of July 2015. The cross-border payments subcomponent – which includes Renminbi trade settlement flows – fell 0.55% m/m in February. This is partly a result of seasonality, but we do not expect a strong rebound.

The CNY has seen welcome developments in recent weeks – continued USD weakening, an uptick in China data and a surprise release of the People's Bank of China's (PBoC's) forward book showing a smaller-than-expected USD short position. These have allowed USD-CNY to fall to its lowest level since December 2015. The authorities did not intervene as much in CNY forwards as the market had expected, boosting confidence in the authorities' ability to stabilise CNY sentiment. The USD may see renewed volatility, with the Fed meeting coming up this month, which will likely give the authorities more opportunities to showcase the new regime.

We are constructive on Dim Sum bonds' near-term performance, although primary issuance will likely remain weak in Q2. The Dim Sum bond market posted the best monthly total return in Renminbi terms since the iBoxx index became available in March 2011. We expect primary issuance to decline 41-46% to CNY 230-250bn and the outstanding market size to drop 16-18% this year.

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 Seoul

	Paris
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

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

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Note to editors:

Standard Chartered

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