

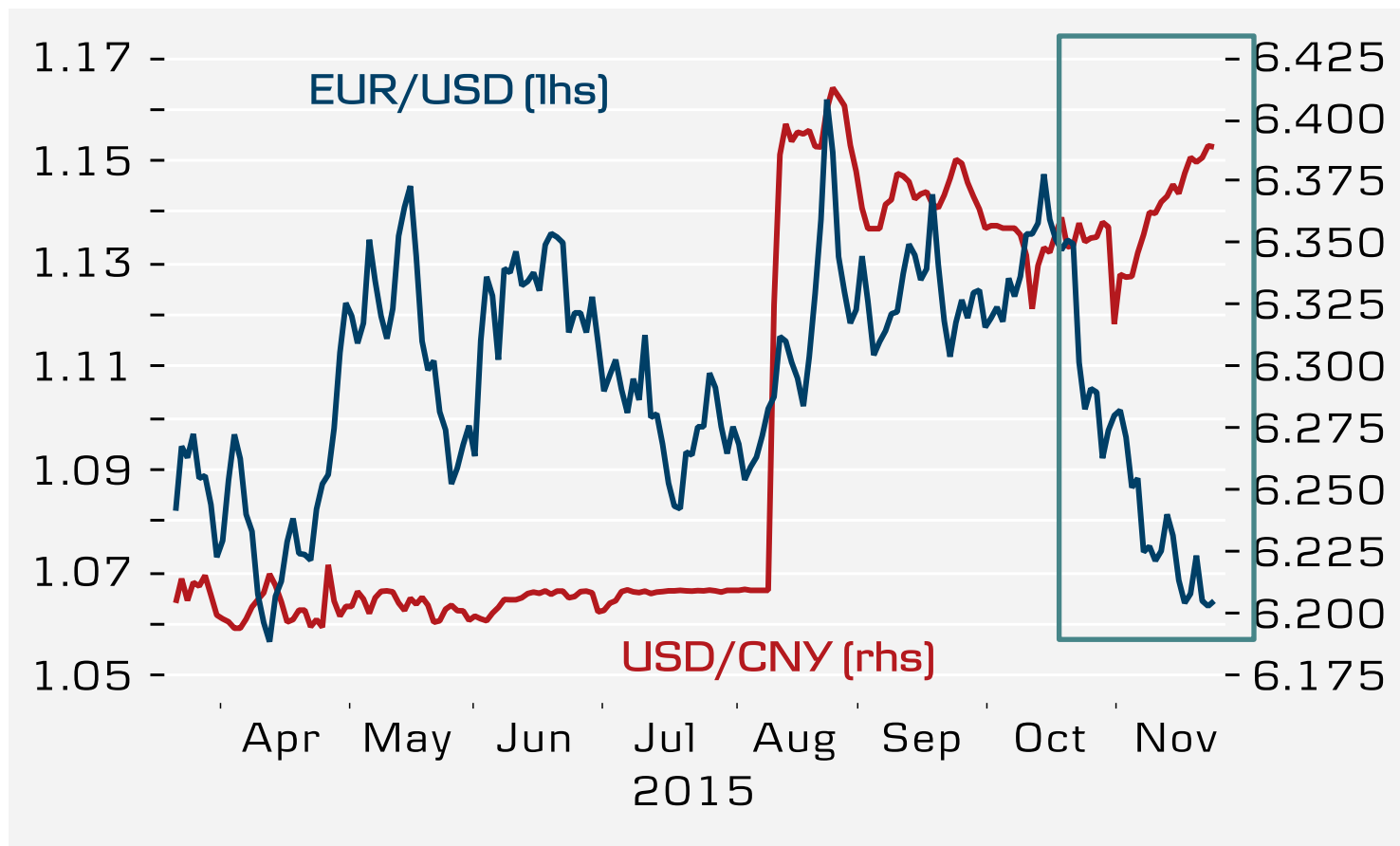
CNY: stronger USD puts depreciation pressure on CNY

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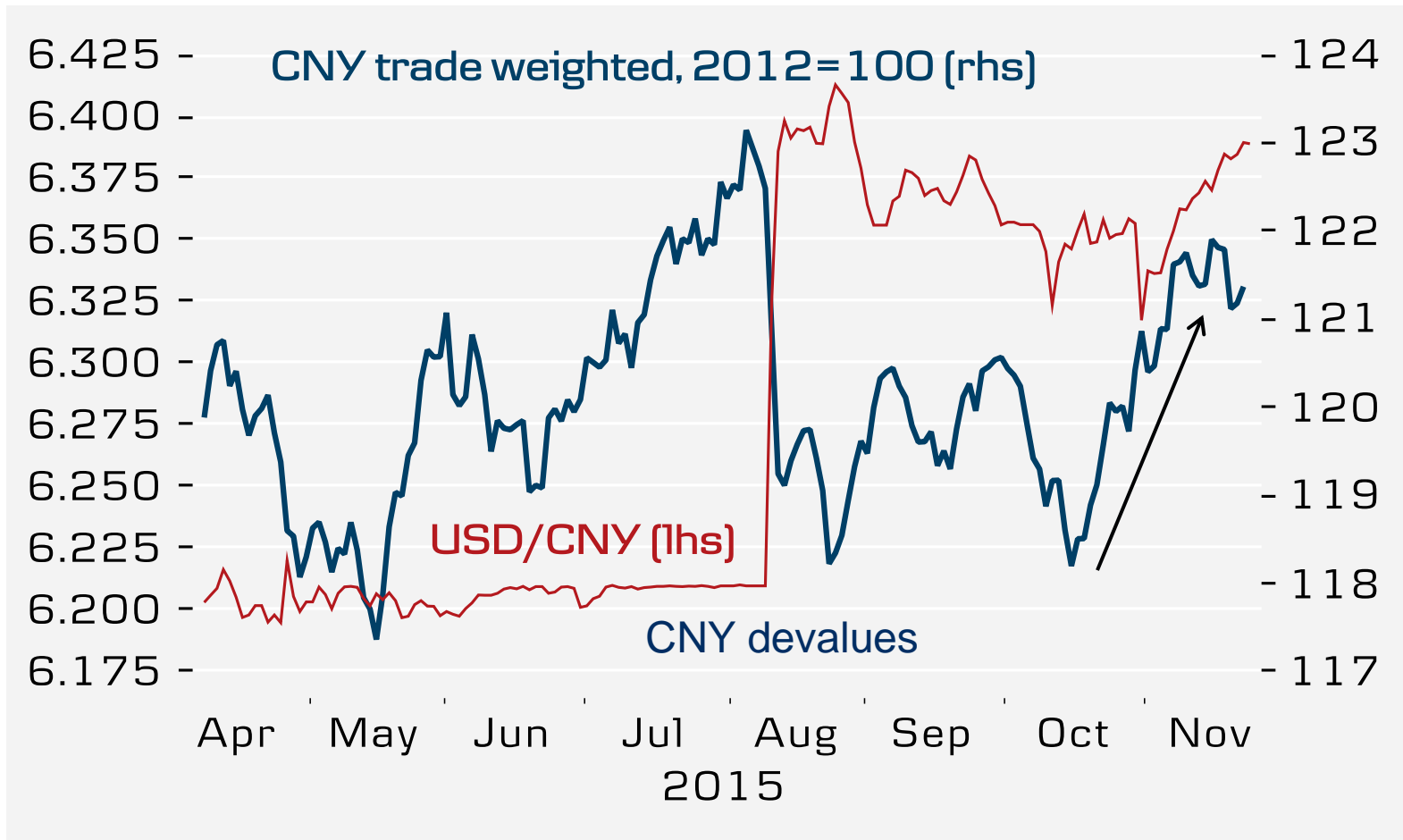
Stronger USD has put depreciation pressure on CNY

Depreciation pressure on the CNY has resumed as the USD strengthened. China will manage the CNY with a closer eye on trade weighted currency. Hence USD strength will generally lead to a weaker CNY versus USD.



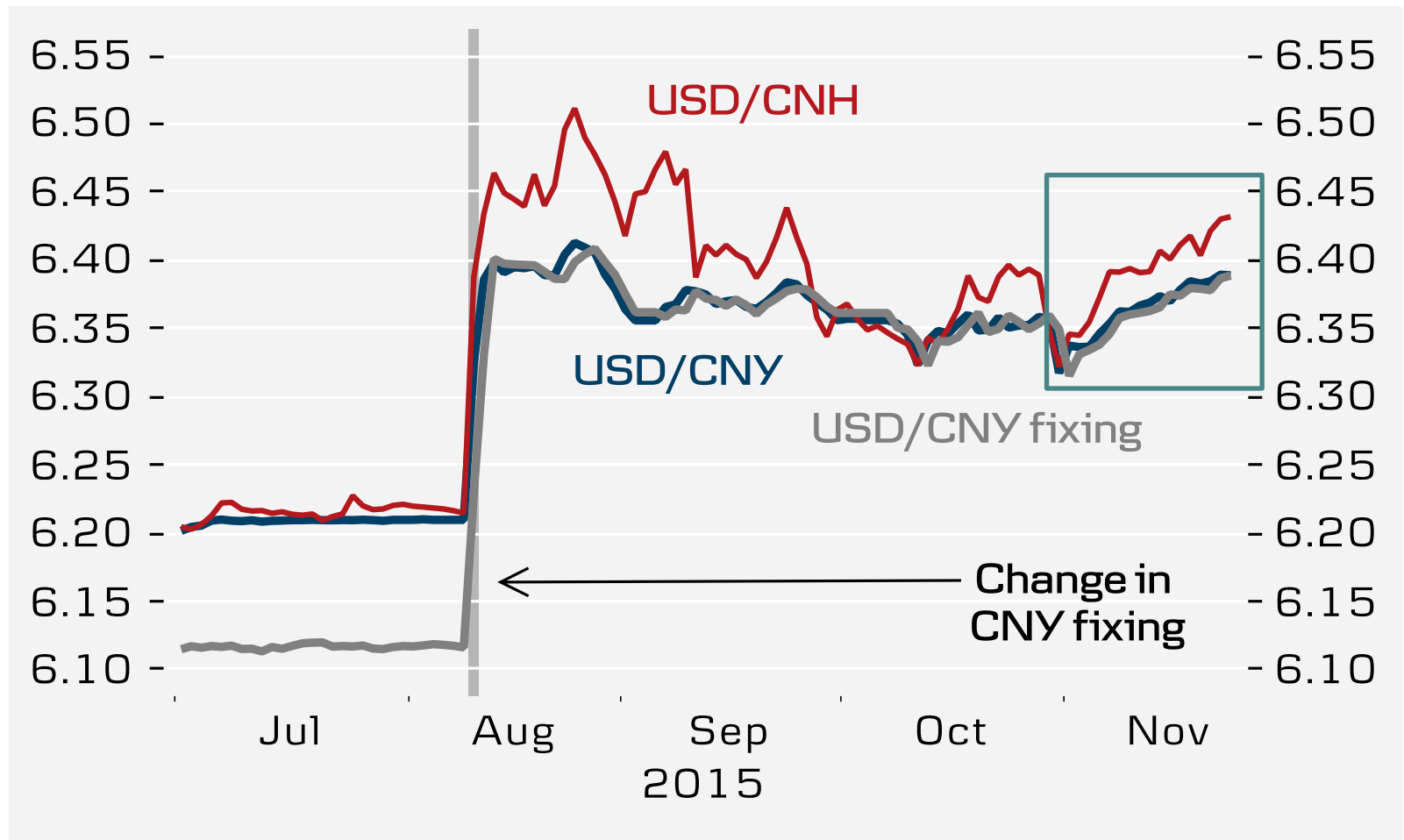
Trade-weighted CNY higher over past month

Trade-weighted CNY close to levels prior to 'devaluation'.



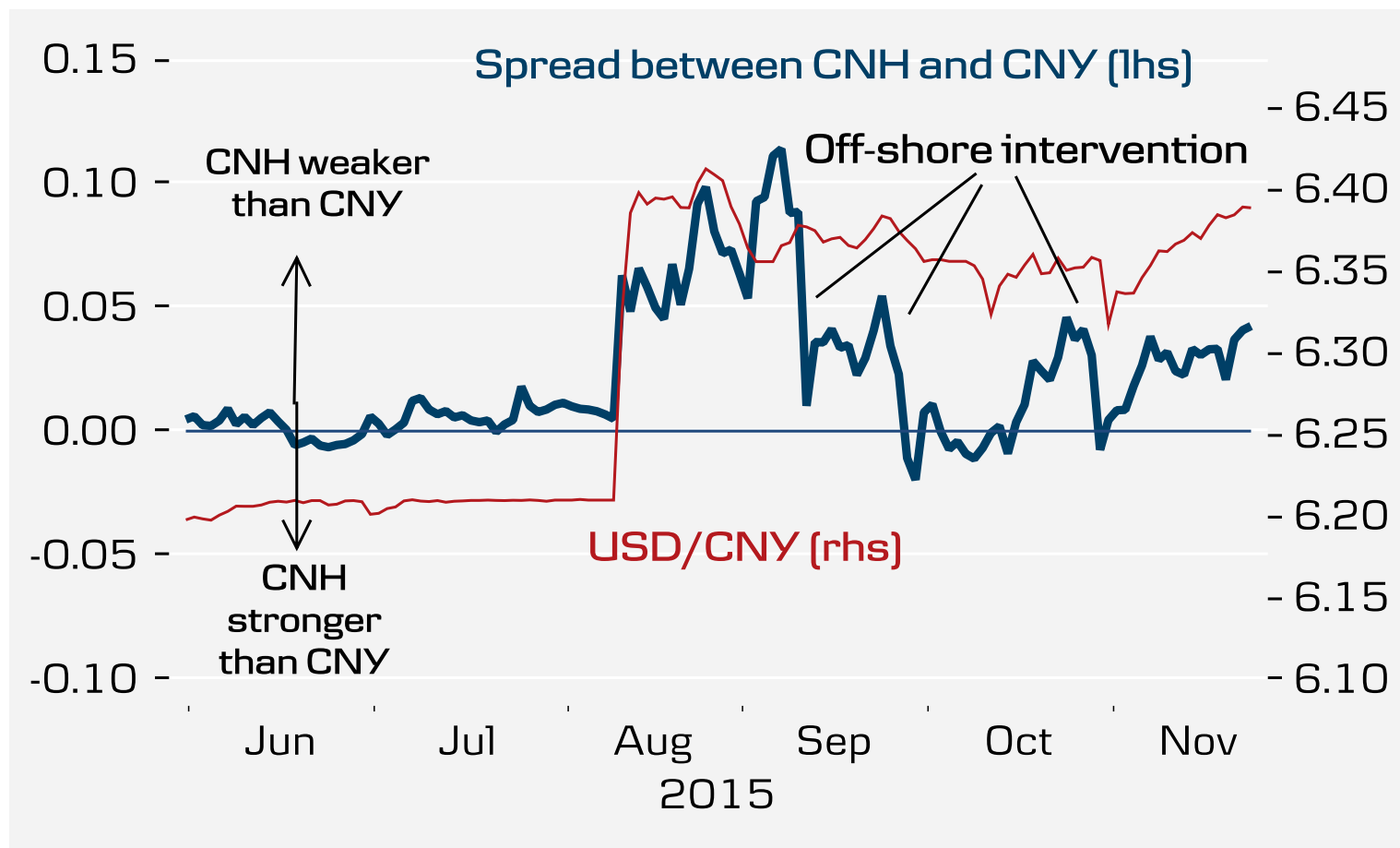
CNH weakening more than CNY

The CNH has weakened more than the CNY, as is normal when the CNY depreciates.

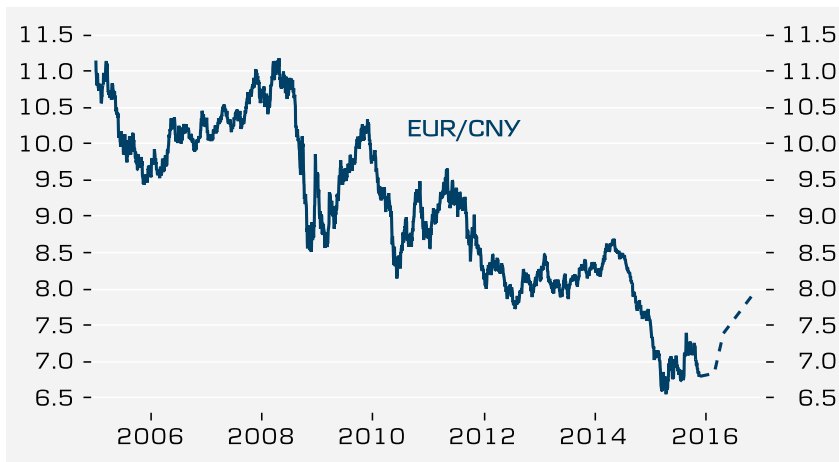
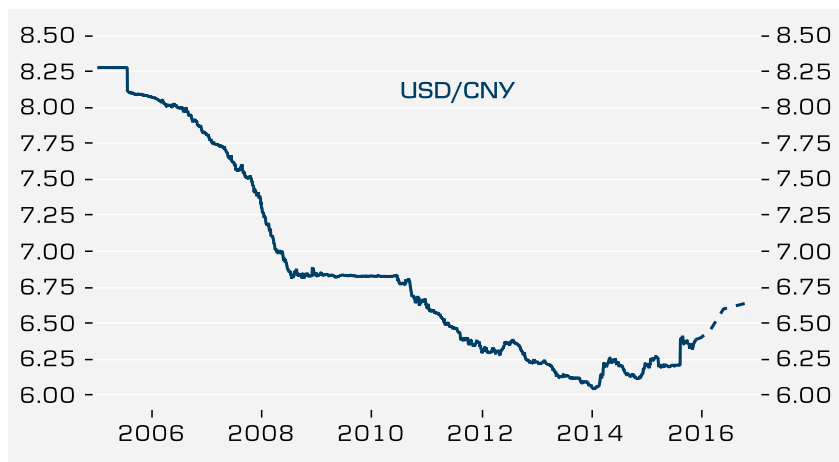


CNH vs CNY: look for intervention soon to narrow spread

The CNH-CNY spread has pushed higher lately. This is normal when USD/CNY increases. However, we are close to levels where the PBoC has intervened to reduce the CNH-CNY spread. It is a requirement of the IMF with regard to SDR inclusion that CNH and CNY are close to the same level.



We look for a further weakening of CNY on a 12M horizon



Source: Bloomberg, Danske Bank Markets

The CNY has become more market based following the FX reform on 11 August. Relative monetary policy between the Fed and the PBoC will work in favour of a weaker CNY versus USD over next year. We do not believe China will allow a big devaluation, as this would trigger capital outflows and be destabilising for China and the world.

	USD/CNY		EUR/CNY	
	Danske	Forward	Danske	Forward
24-Nov	6.39		6.81	
+3M	6.45	6.42	6.84	6.86
+6M	6.60	6.45	7.39	6.91
+12M	6.65	6.50	7.98	7.01
% chng from today				
	USD/CNY		EUR/CNY	
	Danske	Forward	Danske	Forward
24-Nov				
+3M	1.0%	0.5%	0.5%	0.8%
+6M	3.3%	1.0%	8.6%	1.5%
+12M	4.1%	1.7%	17.3%	3.1%

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