

# Offshore Renminbi Weekly Report

<Forex> CNH tumbled after Trump's victory  
 <Interest Rates > PBoC kept its FX policy stance neutral  
 <Equity > A-shares showed resilience on Trump's risk

Weekly Price Change	Week Open	Week High	Week Low	Week Close	Weekly change (※)
USD/CNH	7.1219	7.2132	7.0869	7.1694	+478
USD/CNY	7.1222	7.1870	7.0867	7.1576	+396
CNY PBoC Fixing	7.1203	7.1659	7.0993	7.1433	+183
Shanghai Composite Index	3,275.68	3,509.82	3,263.84	3,452.30	+142

※pips in USD/CNY,USD/CNH

Weekly Price Change	HK Close	Weekly Change	HK Close	Weekly Change
CNH Forward (1yr)	-1,562	+39	CNH HIBOR (3mth)	2.63%
CNH Currency Swap (3yr)	1.95%	0.50 ppt	CNH Implied yield (1Y)	1.96%

**[Weekly review and forecasts]**

The Trump's victory in the US election dealt a severe blow to CNH spot, which tumbled 1.4% by about 1000pips to near 7.20 level in a single day. Despite the looming threat of US's tariffs hike and renewed RMB depreciation pressure, the PBoC refrained from reactivating FX policy support, leaving the CNY fixing in line with market surveys. The CNH rebounded following Fed's 25bps rate cut but weakened again after the National People Congress Standing Committee meeting failed to deliver upside surprises. The announcement of a CNY 6trn of local government debt swap programme hit the lower bound of market expectations, which were up to CNY 10tn. Strong China exports figure did little to boost the CNH as exporters might be front-loading their orders before tariff implementations.

Over the week, the PBoC net drained CNY 1315.8bn of liquidity via the open market operations, compared to the CNY 851.4bn of liquidity withdrawal in the prior week. 10Y CGB yields dropped to 2.1% again, while China/HK stock markets showed resilience on Trump's victory. The 3Y CNH-CCS held steady near 1.95% alongside the fluctuations in back-end UST yields.

Unlike the trade war 1.0, we believe that RMB depreciation risks will be more manageable. The first trade war under Trump's presidency was a surprise to markets, causing structural changes in global supply chains. While the supply chain redirection had been reshaped after the trade war and Covid period, the marginal impact from the additional tariffs hike is expected to be less severe. Importantly, the PBoC is unlikely to engineer RMB depreciation to counter tariff impacts under current circumstance. Instead, it appears that PBoC will step in to preserve FX stability if necessary, which is important to anchor market confidence on China growth outlook and financial market stability. So far, the PBoC and Chinese government did not rush to make an immediate policy tweak in response to the Trump's victory. That says, policymakers may adopt a counter-strike strategy after the US's action, taking more time to assess the Trump's policies. Without an immediate response to preserve FX stability, the USD/CNH spot may soften to above 7.20 level in the coming week. Moreover, China hard data for October are expected to show further improvement after the introduction of a basket of stimulus measures in late September.

**[Data & Policy Updates]**

China exports for October jumped 12.7%YoY (vs. +5.0%YoY expected), while imports dropped by 2.3%YoY (vs. -2.0%YoY expected). As a result, trade surplus unexpectedly expanded to USD 95.72bn (vs. USD 75bn expected) from prior USD 81.71bn. This may reflect front-loading of export orders before tariff implementation under Trump's presidency (after the US president inauguration on 20 January 2025). Looking at the breakdown, China exports to the US jumped by 8.1%YoY from prior 2.9%YoY before the threat of US tariffs. Exports to ASEAN shot up by 16.2%YoY from prior 7.2%YoY.

<China exports surprised to the upside>



(Sources: Bloomberg, Mizuho HK)

<USD/CNY, USD/CNH vs. USD/CNY fixing>



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