

# Offshore Renminbi Weekly Report

<Forex> CNH hit 13-month low of 7.3269 on the back of USD rally

<Interest Rates > CNH liquidity conditions tightened

<Equity > A-shares markets showed resilience to US equities sell-offs

Weekly Price Change	Week Open	Week High	Week Low	Week Close	Weekly change (※)
USD/CNH	7.2814	7.3269	7.2764	7.3044	+285
USD/CNY	7.2724	7.2993	7.2724	7.2975	+284
CNY PBoC Fixing	7.1882	7.1911	7.1880	7.1901	+47
Shanghai Composite Index	3,390.08	3,401.93	3,346.47	3,370.79	-16

※pips in USD/CNY,USD/CNH

Weekly Price Change	HK Close	Weekly Change	HK Close	Weekly Change
CNH Forward (1yr)	-1,410	-155	CNH HIBOR (3mth)	3.58%
CNH Currency Swap (3yr)	2.13%	0.00 ppt	CNH Implied yield (1Y)	2.24%

### 【Weekly review and forecasts】

The CNH slid to a 13-month low of 7.3269 as the USD Index hit 108.5, its highest level since November 2022, following the Fed's hawkish cut. In response, the PBoC ramped up efforts to defend the currency by capping the CNY fixing at 7.2, leading to a widening spread between the actual USD/CNY fixing and the survey to -1232 pips, the largest level since July. The PBoC's strong commitment to limiting RMB depreciation this year helped stabilize the CNY, pulling the CNH back to near the 7.3 level. The tightening of CNH liquidity curbed long USD/CNH carry trade flow.

Chinese banks kept the 1Y and 5Y Loan Prime Rates (LPRs) unchanged at 3.1% and 3.6%, respectively. The widening US-China interest rate differential is expected to keep the CNY under pressure. Following the shift to a moderately loose monetary policy, the 1Y China Government Bond yield dropped below 1%, and the 10Y GGB yield slid to a record low of 1.71%. The PBoC scaled up net liquidity injections to CNY 1139.8bn, compared to CNY 184.4bn the previous week. Offshore RMB liquidity conditions tightened, with Overnight CNH HIBOR spiking to 5% before paring back to 3.7%.

The CNH is expected to fluctuate near the 7.3 level as the PBoC has sent a clear signal to cap the CNY fixing below 7.2, which would anchor the CNY spot below 7.344 within the 2% daily trading band. The widening UST-CGB yield spread and US tariff threats will keep the CNH under pressure in the coming week. By year-end, we expect the PBoC to maintain its CNY fixing guidance to support the currency. Year-end FX settlement flows and window dressing could provide support to the CNY, narrowing its annual depreciation over the last few trading days.

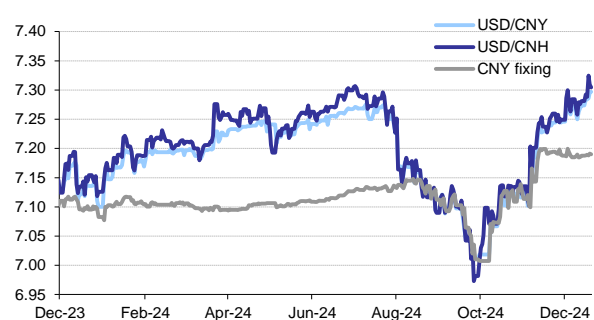
### 【Data & Policy Updates】

The disappointing Chinese data justified the policy pivot and called for stronger stimulus. Despite solid consumption-supportive measures, China's retail sales for November unexpectedly decelerated to 3% YoY (vs. +5.0% YoY expected) from the prior 4.8% YoY. The breakdown showed broad improvements in major items, including automobiles (+6.6% YoY), furniture (+10.5% YoY), building decoration (+2.9% YoY), and catering services (+4.0% YoY), while growth in home appliances slowed to 22.2% YoY from the prior +39.2% YoY amid waning impact from the trade-in scheme. Industrial production picked up to 5.4% YoY as expected from 5.3% YoY, while fixed assets investment YTD surprisingly moderated to 3.3% YoY (vs. 3.5% YoY expected) from 3.4% YoY.

<China home appliance sales slowed>



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



(Sources: Bloomberg, Mizuho HK)

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If you have further questions on market information, please call Mizuho Bank East Asia Treasury Department Mr. Komatsu Mr. Ya mauchi, or Mr. Cheung. Tel: +852-2308-3352(HK)  
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