

# Offshore Renminbi Weekly Report

<Forex> CNH recovered to below 7.3 level on the delayed Trump's reciprocal tariffs

<Interest Rates > The 1Y MLF rate and LPRs are expected to remain unchanged

<Equity > China/HK equities gained traction amid the AI rallies

Weekly Price Change	Week Open	Week High	Week Low	Week Close	Weekly change (※)
USD/CNH	7.3035	7.3247	7.2678	7.2738	-146
USD/CNY	7.3014	7.3098	7.2728	7.2750	-102
CNY PBoC Fixing	7.1707	7.1719	7.1706	7.1706	+15
Shanghai Composite Index	3,308.04	3,359.18	3,299.24	3,346.72	+25

※pips in USD/CNY,USD/CNH

Weekly Price Change	HK Close	Weekly Change	HK Close	Weekly Change
CNH Forward (1yr)	-1,560	-112	CNH HIBOR (3mth)	2.74%
CNH Currency Swap (3yr)	2.02%	0.15 ppt	CNH Implied yield (1Y)	2.08%

## 【Weekly review and forecasts】

Despite the escalating global trade war, the CNH and CNY spot rates strengthened to below the 7.30 handle. US President Trump ordered his administration to consider imposing reciprocal tariffs on numerous trade partners. However, given the higher US tariffs on Chinese goods following the recent 10% hike, the marginal impact of Trump's reciprocal tariffs on Chinese goods should be mild. In addition to the trade war, Trump floated the idea of a three-way meeting with Chinese President Xi and Russian President Putin. Any ceasefire in the Russia-Ukraine war is expected to de-escalate geopolitical tensions and dampen safe-haven demand for the USD, thereby supporting Asian currencies. Such a multifront meeting should also give China an opportunity to participate more in international affairs. On the policy front, the PBoC maintained persistent CNY fixing support, while a CNY fixing weakening to above the 7.17 level may signal a tolerance for more two-way volatility.

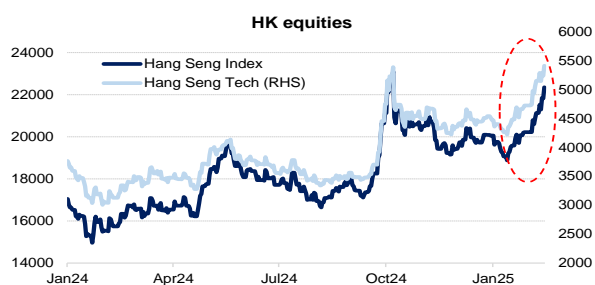
The PBoC withdrew liquidity for the second consecutive week, net draining CNY 588.9 billion over the week. Onshore RMB liquidity conditions tightened, with the 7-day interbank repo rate rising to near 1.8%. In the offshore RMB market, front-end CNH rates dropped, with Overnight CNH HIBOR falling back to as low as 1.5%. In the Q4 Monetary Policy Implementation Report, the PBoC reiterated its commitment to firmly maintain RMB stability and implement a moderately loose monetary policy.

So far this year, the CNY has fluctuated near the 7.3 level while refraining from extending the depreciation trend, as Trump stayed away from his plan of an extreme 60% tariff on Chinese goods. Additionally, the PBoC's persistent FX policy support, improving risk appetite towards Chinese investments due to the AI rally, and contained China-US tensions could provide some resilience to the RMB exchange rate. On the data front, the 1Y Medium Lending Facility (MLF) and Loan Prime Rates (LPRs) are expected to remain unchanged as RMB depreciation pressure might have postponed the PBoC's easing.

## 【Data & Policy Updates】

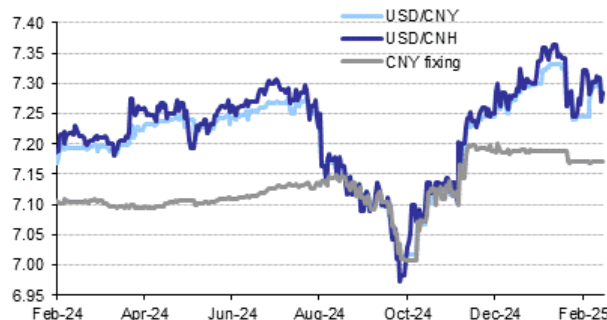
In the Q4 Monetary Policy Implementation Report, the PBoC confirmed a policy shift to a moderately loose stance from the prior prudent stance. While keeping its monetary policy guidance for the next stage broadly unchanged, the PBoC added that it would adjust policy intensity and pace based on domestic and foreign economic and financial market conditions, highlighting how evolving external factors will influence the timing of PBoC's easing. This may hint that RMB depreciation amid trade war uncertainties could restrain the magnitude of monetary easing under the moderately loose policy stance.

<Improving sentiment towards China/HK equities >



(Sources: Bloomberg, Mizuho HK)

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



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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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