

# Offshore Renminbi Weekly Report

- <Forex> CNH trading is set to become volatile next week
- <Interest Rates > The PBoC launched the outright reverse repo
- <Equity > A-shares held steady as investors awaited updates on stimulus

Weekly Price Change	Week Open	Week High	Week Low	Week Close	Weekly change ( % )
USD/CNH	7.1307	7.1642	7.1181	7.1318	+74
USD/CNY	7.1335	7.1446	7.1142	7.1238	+61
CNY PBoC Fixing	7.1307	7.1390	7.1135	7.1135	-151
Shanghai Composite Index	3,300.46	3,340.46	3,244.81	3,272.01	-50

※pips in USD/CNY,USD/CNH

Weekly Price Change	HK Close	Weekly Change	HK Close	Weekly Change
CNH Forward (1yr)	-1,595	-6	CNH HIBOR (3mth)	+0.50 ppt
CNH Currency Swap (3yr)	1.90%	0.25 ppt	CNH Implied yield (1Y)	+0.25 ppt

### 【Weekly review and forecasts】

The CNH spot ranged traded near 7.13 level, as market participants awaited the US elections and updates on China stimulus measures after the National People Congress (NPC) Standing Committee meeting on 8 November. Expectations for more follow-up measures have been rising, especially after the media report that China is considering CNY10tn bond issuances in the coming years. The package will include CNY 6tn special China Government Bond (CGB) for addressing local government bond risks, and the remaining CNY 4tn bond issuances for idle land and property purchases. The stimulus size may increase if in case of Trump's victory. China data for October were encouraging, showing the positive impact from the recent stimulus measures. Both official and private sector manufacturing PMIs climbed more than expected to above 50 expansionary mark. In addition, the new home sales from top 100 developers climbed 7.1%YoY, reversing from a 37.7% slump in September. Notably, the sales figure halted its decline trend for the first time since May 2023.

The PBoC launched a new monetary policy called outright reverse repo agreements. Through this operation, the central bank will conduct reverse repos with primary dealers with a timeframe up to one year on a monthly basis in principle. The tool will aid banks' liquidity management due to the maturing Medium Lending Facility (MLF), reducing the need for the Required Reserves Ratio (RRR) cut. At month-end, official media reported that PBoC net injected CNY 70bn into the money market by conducting its first operation of outright reverse repo. Over the week, the PBoC net drained CNY 851.4bn of liquidity via the open market operations, compared to the CNY 1280.3bn of liquidity injection in the prior week. 10Y CGB yields were little changed near 2.14% as A-share markets held steady, while the back-end CNH-CCS curve climbed.

Next week, the CNH trading is set to become volatile amid the US elections and the NPC Standing Committee meeting. We reckon that the Chinese government is prepared for a potential return of RMB depreciation pressure in the scenario of Trump's victory. In such case, the PBoC is ready to step in to defend the currency by activating the CNY fixing policy support. At the same time, the NPC may revise the potential sovereign bond issuances size upwards to counter tariff shocks. Datawise, China trade figures for October will likely remain weak due to uncertainty over global growth outlook. Import demand may stay soft before the stimulus measures materialize.

### 【Data & Policy Updates】

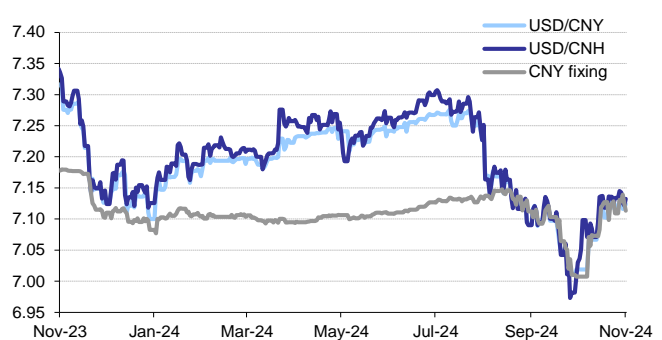
China manufacturing PMI for October surprised to upside, rising to 50.1 (vs. 49.9 expected) from prior 49.8 level, while the non-mfg. PMI climbed to 50.2 (vs. 50.3 expected) from 50.0 level due to increasing business activities in the long holiday. Notably, the mfg. PMI recovered to above 50 expansion mark for the first time since April. Looking at the mfg. PMI breakdown, the sub-indices of Output and raw material led gains by +0.8ppt and +0.5ppt to 52 and 48.2, respectively. However, new export order dropped by -0.2ppt to 47.3, indicating weakening external demand amid the global easing cycle. The size breakdown showed mfg. PMI for large and medium enterprises rose by 0.9ppt and 0.2ppt to 51.5 and 49.4, respectively. However, small enterprises recorded 1ppt decline to 47.5. That said, large and medium enterprises received a boost from new stimulus measures, but small enterprises remained struggling in the economic downturn.

<China mfg. PMI returned to above 50 mark>



(Sources: Bloomberg, Mizuho HK)

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



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