

China's yuan seen resuming rise on export recovery from Q2
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China's yuan is expected to tread a steady upward curve for the rest of this year, as investors anticipate an improving export picture from the second quarter and the economy could regain strength on Beijing's policy support, a Reuters poll showed.

The median forecast in a poll of 30 analysts showed the yuan may creep up to 6.13 against the dollar in three months, to 6.05 in six months and to 6.00 in 12 months. That compares with today's close of 6.2107.

The yuan has gained more than 33% since its landmark revaluation in 2005, partly supported by factors such as strong capital inflows into China, including those derived from trade surpluses.

After traditionally weak export data in the first two months of each year, traders and analysts widely expect China's foreign trade to pick up from the second quarter.

Such a recovery trend can also be seen from increased corporate dollar sales this week, traders said.

Additionally, the central government announced yesterday the first batch of measures this year to stabilise the economy, cutting taxes for small firms and speeding up railway construction.

Helen Qiao, chief China economist at Morgan Stanley, also noted that loose monetary policies in developed countries could keep bringing foreign capital into China, although the US Federal Reserve started to gradually withdraw its stimulus in early 2014.

"You cannot ignore the interest spread between China and developed countries, at least in the short term," Qiao said.

"Therefore, we think yuan appreciation will resume."

The previous poll in January had put 12-month gains at about 1.7%.

The yuan depreciated a combined 2.54% against the dollar in February and March, its biggest two-month loss since China established the domestic foreign exchange market in 1994, as the central bank engineered a campaign to punish speculators who were betting on one-way appreciation.

Despite a few cases of PBoC-engineered yuan depreciation, the currency has generally been climbing steadily, rising 2.9% in 2013.

The central bank doubled the yuan's daily trading band to allow for wider fluctuations of the currency and let market forces play a greater role in the foreign exchange market. – Reuters, April 3, 2014.

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