

A white wireframe graphic of a tall, tiered tower, resembling the Bank of China Tower, is positioned on the left side of the slide. The background is a gradient of red and orange with light streaks.

An Overview of Offshore RMB Market

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BOCHK ASSET MANAGEMENT LIMITED

Contents

- 1. Outlook of RMB Internationalisation**
- 2. Implications for Offshore RMB Bonds**

Section 1

Outlook of RMB Internationalisation

RMB – The next international currency

China continues to accelerate regulatory reforms towards RMB internationalisation

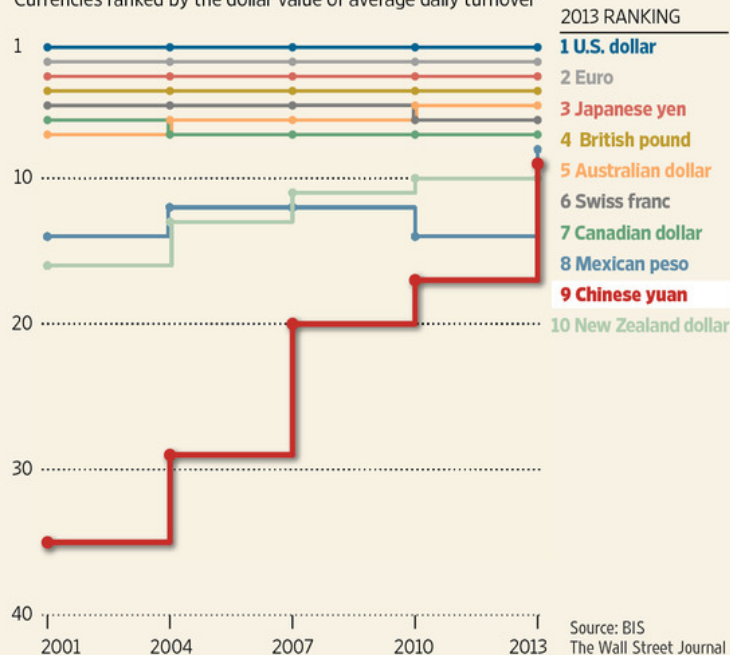


- Second-largest global economy
- Largest exporter and second-largest importer in the world
- Inbound foreign direct investment (FDI) ranks first globally



Top of the Class

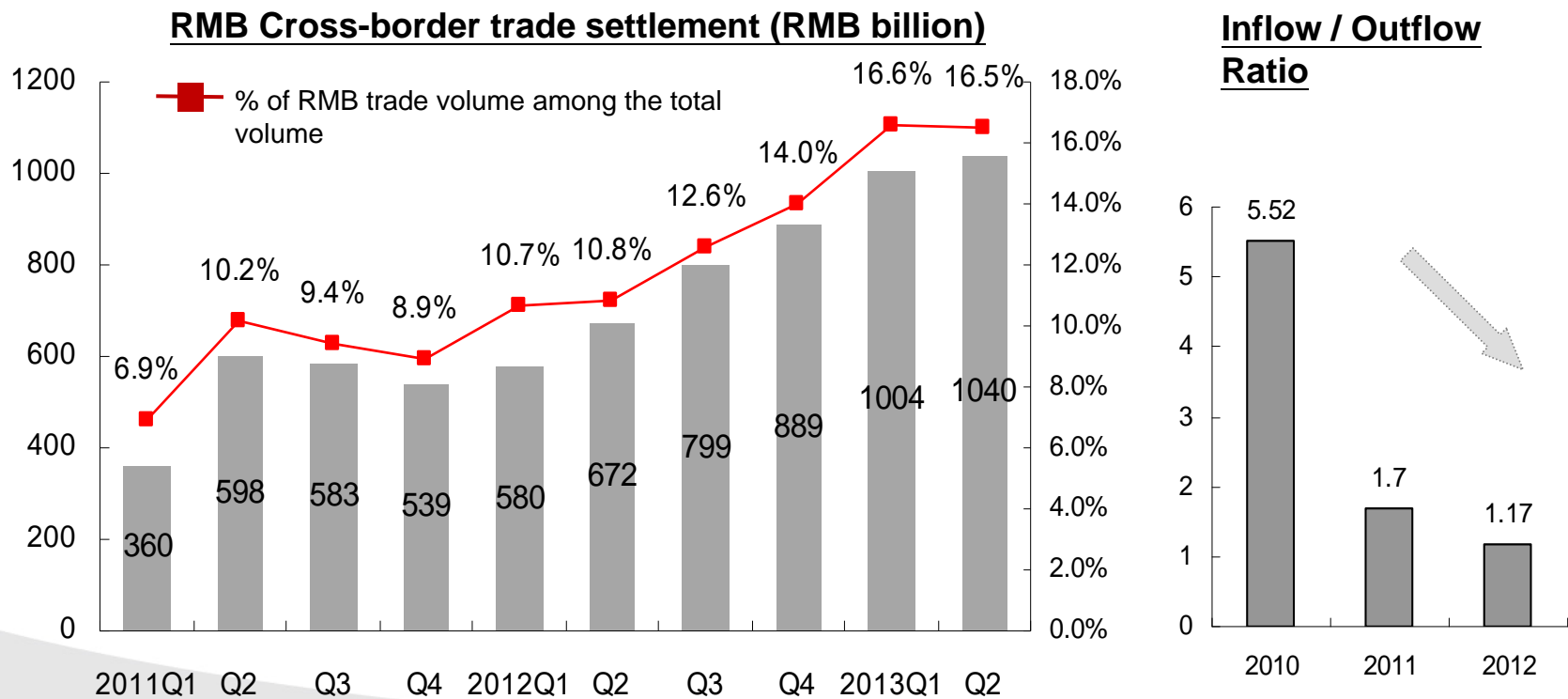
Currencies ranked by the dollar value of average daily turnover



RMB Cross-border Trade Settlement

Cross-border RMB trade settlement business has developed rapidly with more balanced two-way trade flow

- The volume of cross-border RMB trade settlement in the second quarter of 2013 jumped **55%**, compared to the same period in 2012



Strengthening RMB usage outside Asia-pacific

Western developed countries are increasingly involved in RMB businesses. New offshore RMB centers will emerge, and each will have its own niche and strength

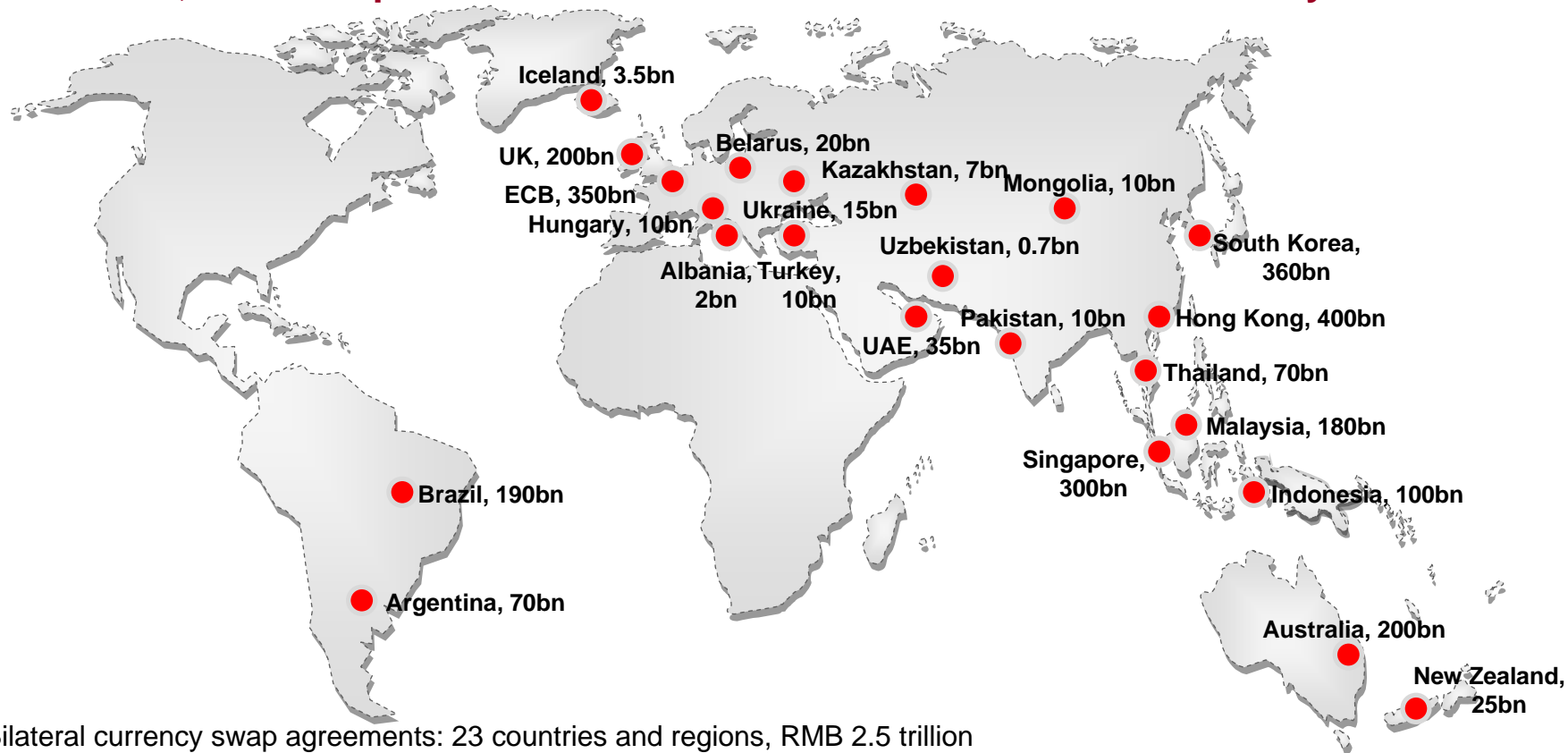
Top 10 Regions – Payment (billion USD)

Region	1H2013			1H2012			YoY Growth
	Rank	Value	%	Rank	Value	%	
Hong Kong	1	17,031	78.6%	1	8,244	79.2%	107%
UK	2	1,121	5.2%	3	370	3.6%	203%
Singapore	3	727	3.4%	2	379	3.6%	92%
Taiwan	4	305	1.4%	9	39	0.4%	671%
France	5	271	1.3%	5	94	0.9%	190%
US	6	262	1.2%	4	105	1.0%	149%
Luxembourg	7	159	0.7%	6	71	0.7%	123%
Australia	8	151	0.7%	11	37	0.4%	303%
Germany	9	127	0.6%	7	56	0.5%	129%
Malaysia	10	91	0.4%	16	15	0.1%	499%
Total		21,670*	100%		10,403*	100%	108%

*Note: SWIFT recorded both sides of an transaction. To adjust the value to equate to the same reporting convention used by BIS, the total value should be divided by two.

RMB as a potential reserve currency – for trade settlement

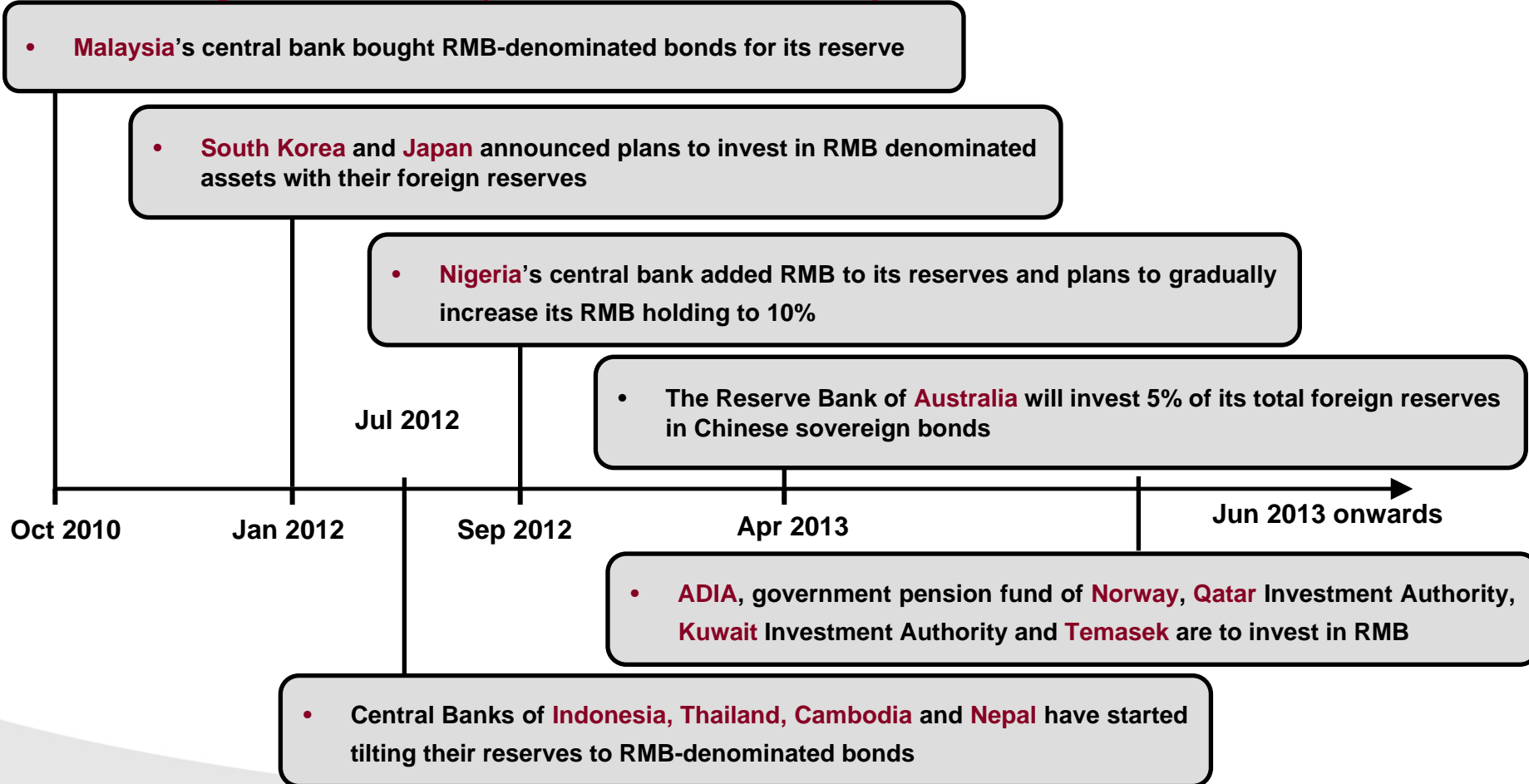
Growing bilateral currency swap lines are to promote the use of RMB in global trade and finance, also a step towards RMB's achievement as a reserve currency



- Bilateral currency swap agreements: 23 countries and regions, RMB 2.5 trillion
- Several central banks/monetary authorities have already borrowed RMB funds from the currency swaps

RMB as a potential reserve currency – for investment

Central banks are diversifying holdings into RMB, already helping RMB gain reserve-like attributes. Over the long run, RMB is likely to become one of the major international reserve currencies

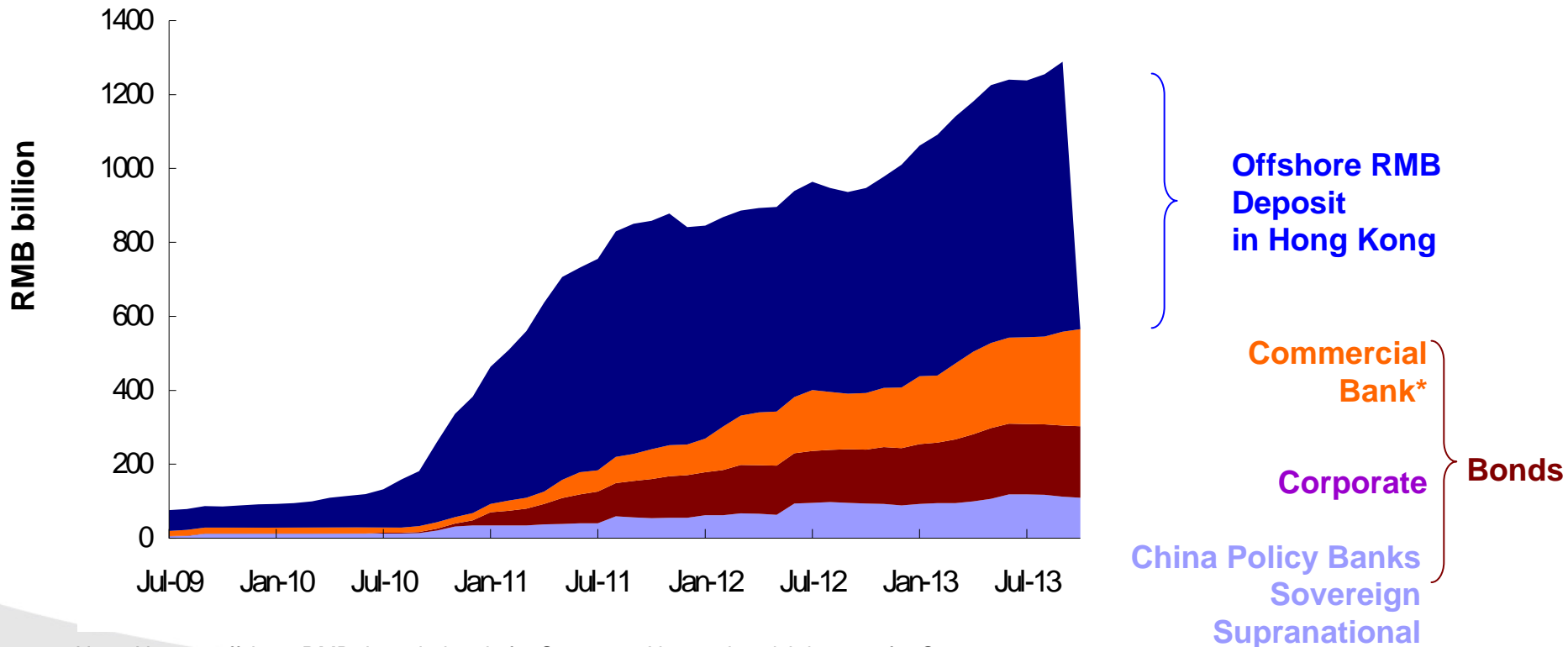


Section 2

Implications for Offshore RMB Bonds

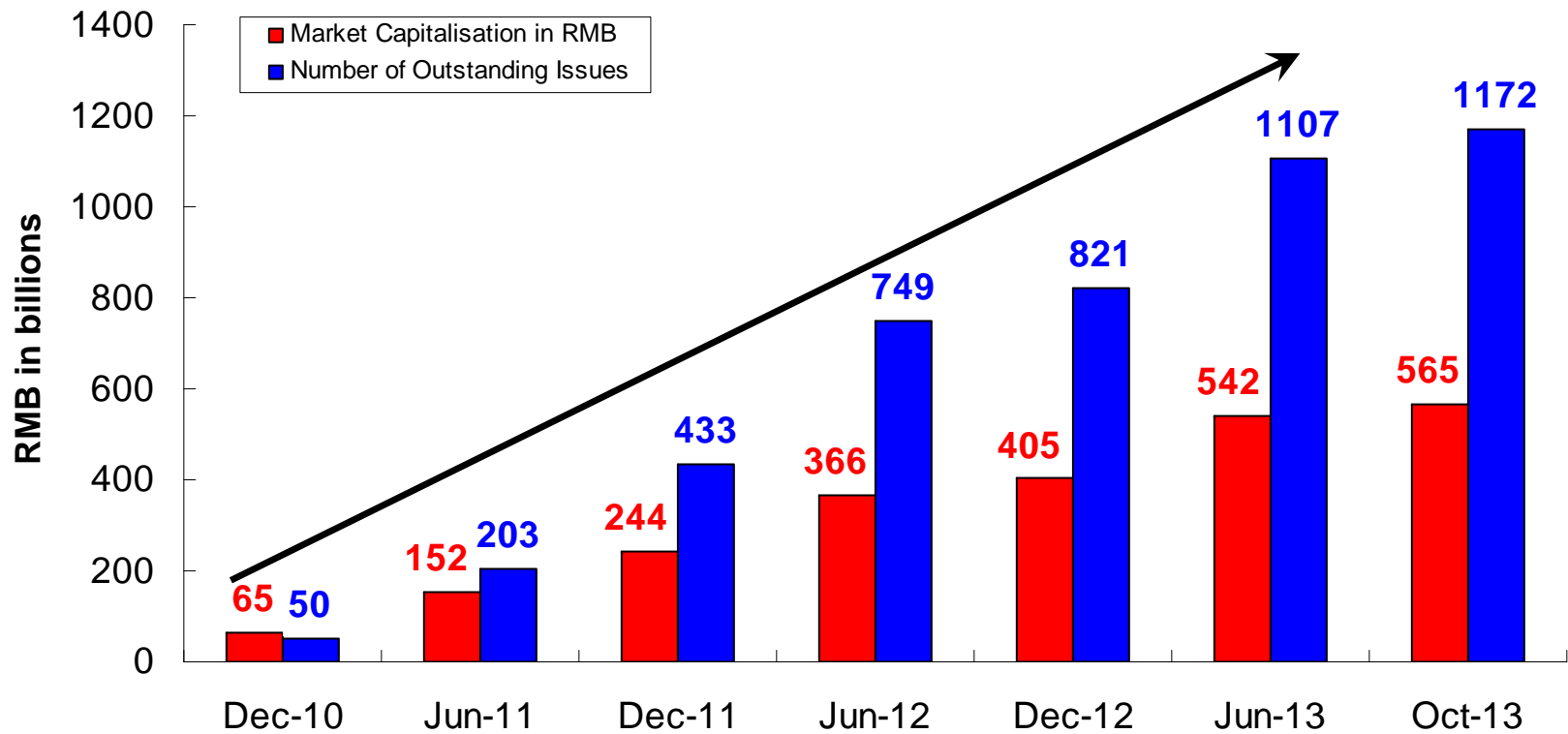
Offshore RMB Bonds Rising Supply & Demand

Aug 2009 – Oct 2013

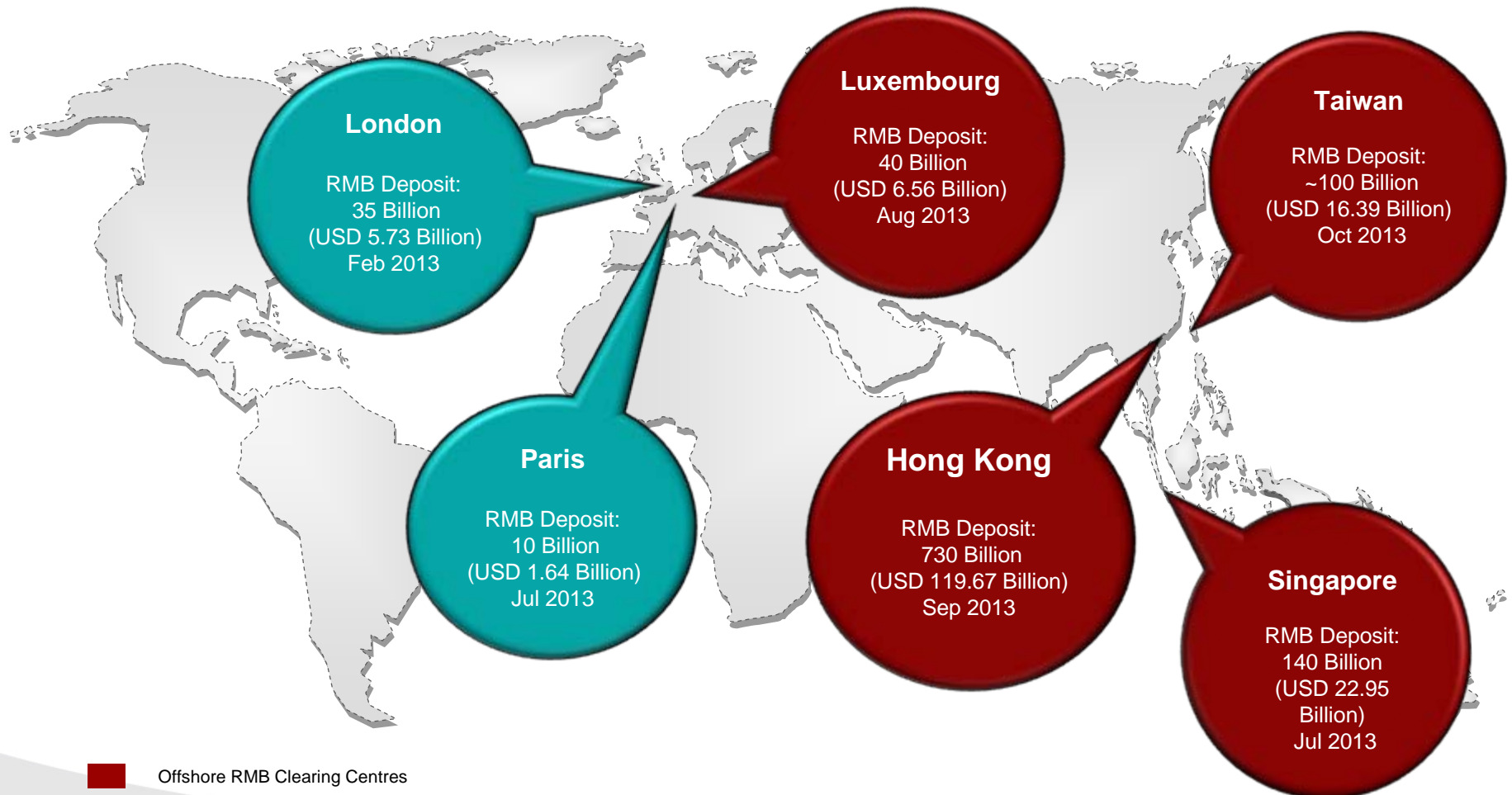


Note: Newest offshore RMB deposit data is for Sep 2013. Newest bonds' data are for Oct 2013.

Offshore RMB Bonds A Growing Asset Class



RMB Offshore Deposits Globally

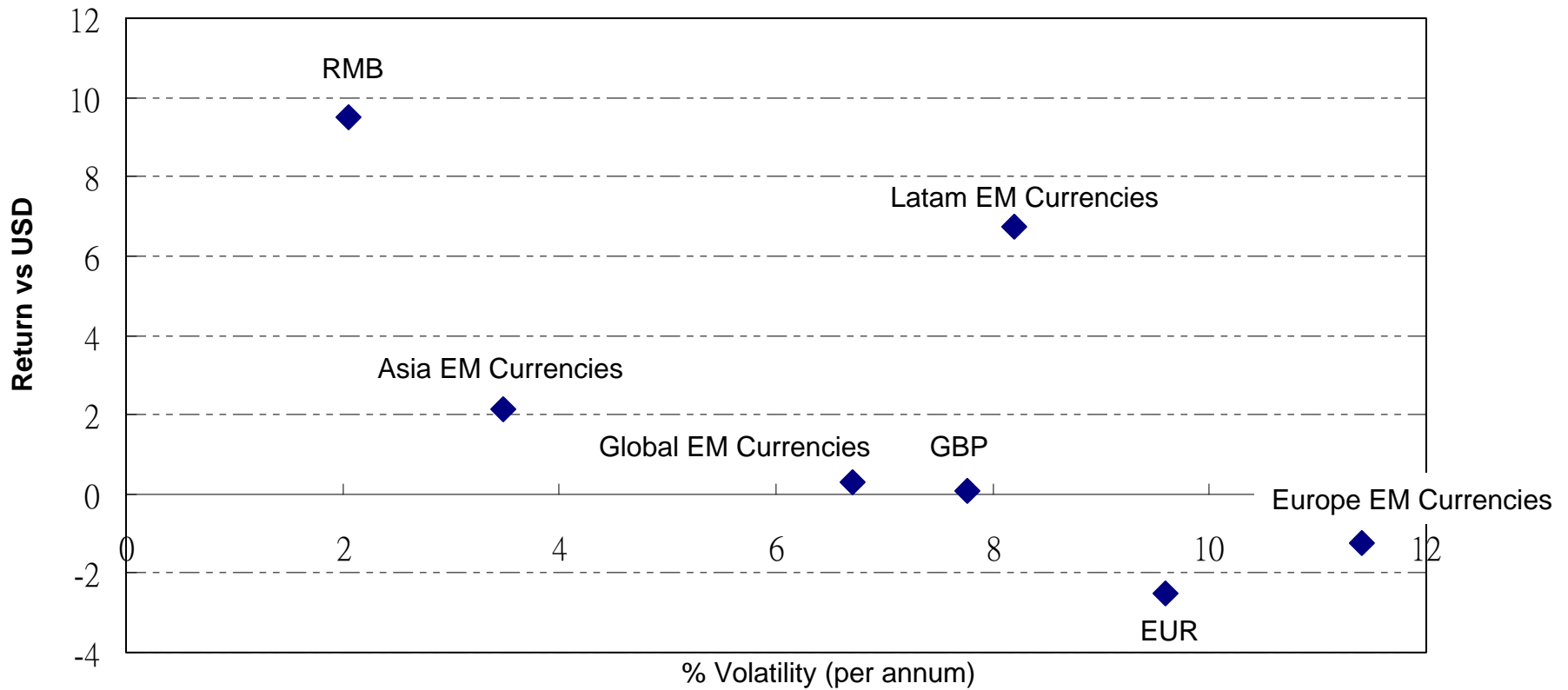


Offshore RMB Clearing Centres

Source: HKMA, MAS, Bloomberg for London, China Post for Taiwan, China.org.cn for Paris, Ministry of Finance, Luxembourg
Note: 1 USD = 6.1 RMB

Onshore RMB vs Other Currencies

Risk and Return vs USD from 1 Nov 2010 to 31 Oct 2013



Asia EM Currencies = JPM Emerging Local Markets ELMI Plus Asia
Europe EM Currencies = JPM Emerging Local Markets ELMI Plus Europe

Global EM Currencies = JPM Emerging Local Markets ELMI Plus Composite
Latam EM Currencies = JPM Emerging Local Markets ELMI Plus Latin

RMB (CNY)'s Resilience in the Last Two Financial Crises

Asian Financial Crisis

Jan 1997
to
Dec 1998



Maximum depreciation against USD

RMB:	0%
JPY:	21% down
ADXY *:	27% down
PHP:	42% down
THB:	54% down
KRW:	57% down
IDR:	85% down

Global Financial Crisis

Jan 2008
to
Dec 2009



RMB:	Appreciated 7%
ADXY *:	11% down
PHP:	18% down
THB:	18% down
IDR:	25% down
KRW:	41% down

*ADXY: JPMorgan Asia Currency Index

Market Comparison: CNH Bonds vs Other Bonds

31 Dec 2010 to 31 Oct 2013 (USD terms)



**FTSE - BOCHK
Offshore RMB
Bond Index –
much lower
volatility**

Conclusions

Investment opportunities Offshore RMB bonds:

- Yield pick-up in both nominal and real terms
- Diversification-low correlation with other major bond markets
- Currency appreciation potential
- Market segmentation conducive to active management
- Opportunities arisen from RMB internationalization
- A new tool for wealth storage

Advantages of the FTSE-BOCHK Offshore RMB Bond Index Series

- Combining the index expertise of FTSE and market knowledge of Bank of China (Hong Kong) Ltd
- Independent index committee for good Corporate Governance
- Part of the FTSE global index family for Quality and Consistency

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Thank you