



ECB Contact Group Market update

CURRENCIES – November 2020



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CURRENCIES

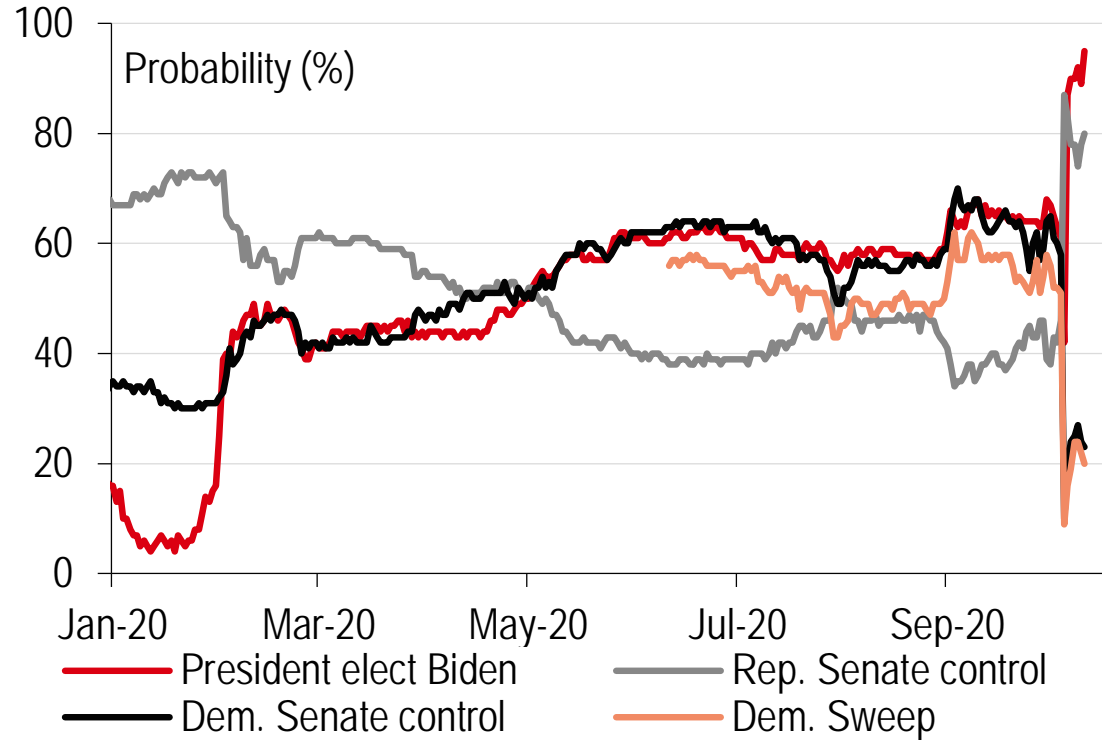
GLOBAL

Issuer of report: HSBC Bank plc

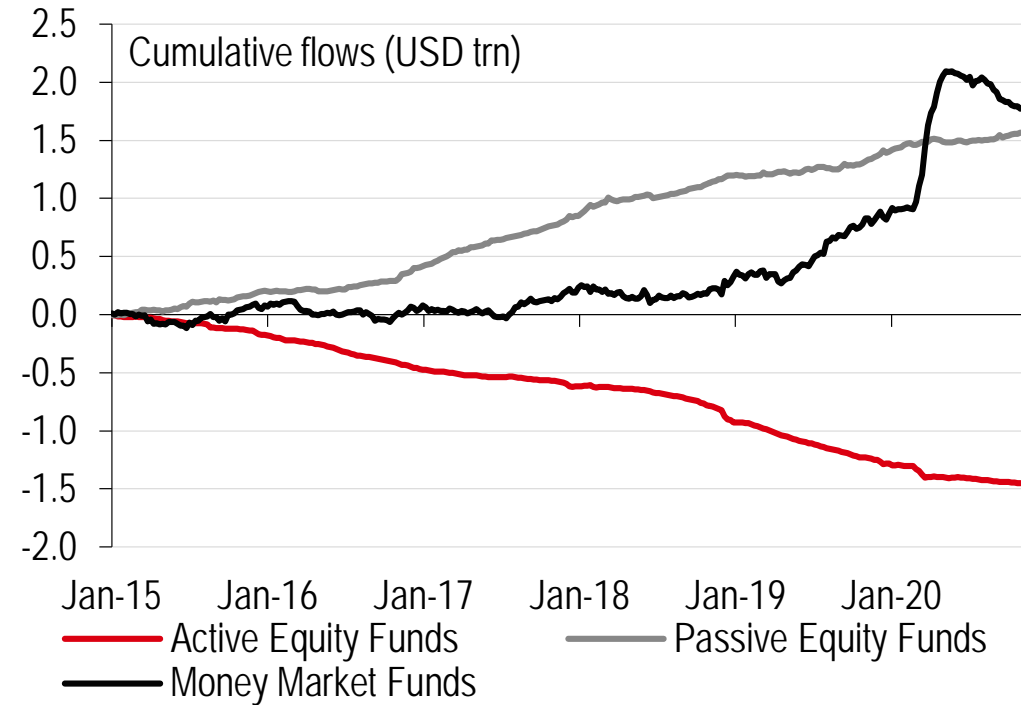
Disclosures & Disclaimer: This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

3. The US election – now what?

Probability of Republican Senate control has shifted higher



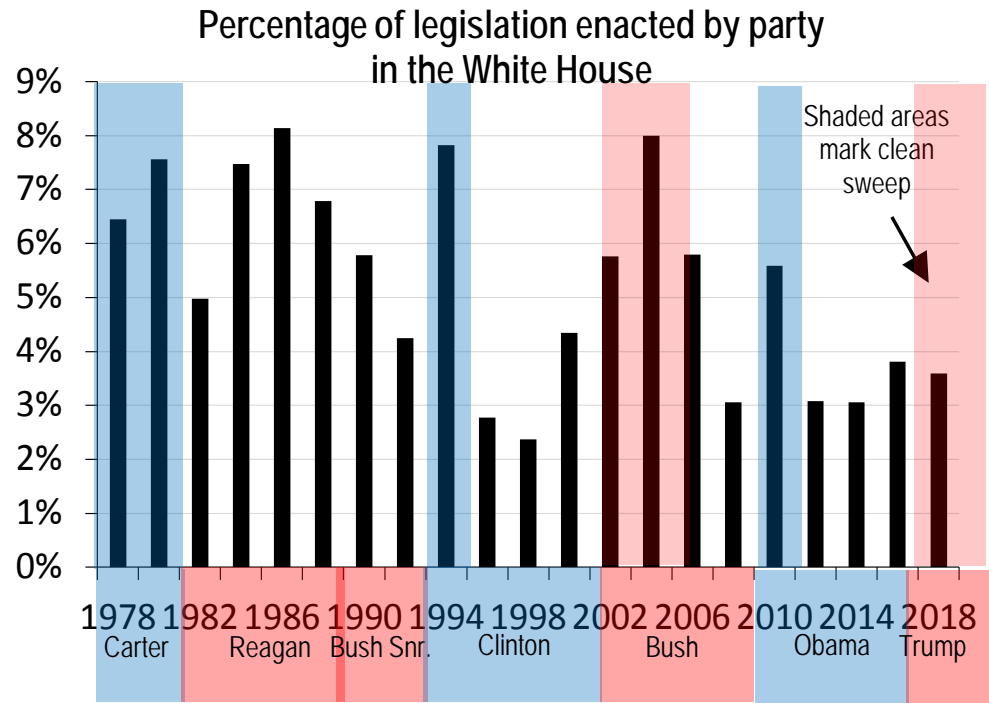
Lower volatility in financial markets should boost fund flows into risky assets



Source: Bloomberg, Predictt, EFPR, HSBC

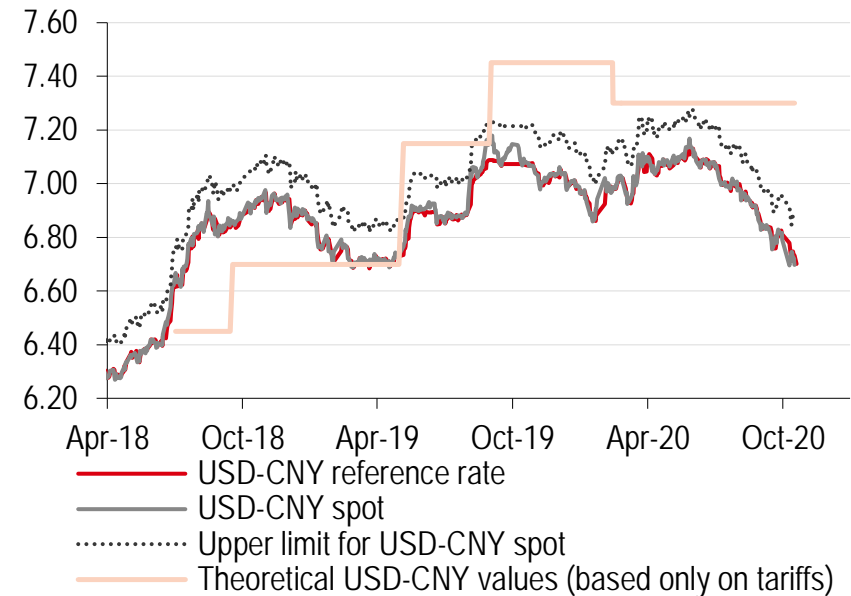
4. Biden – policies and China

Clean sweeps usually see greater legislation passed but
not always



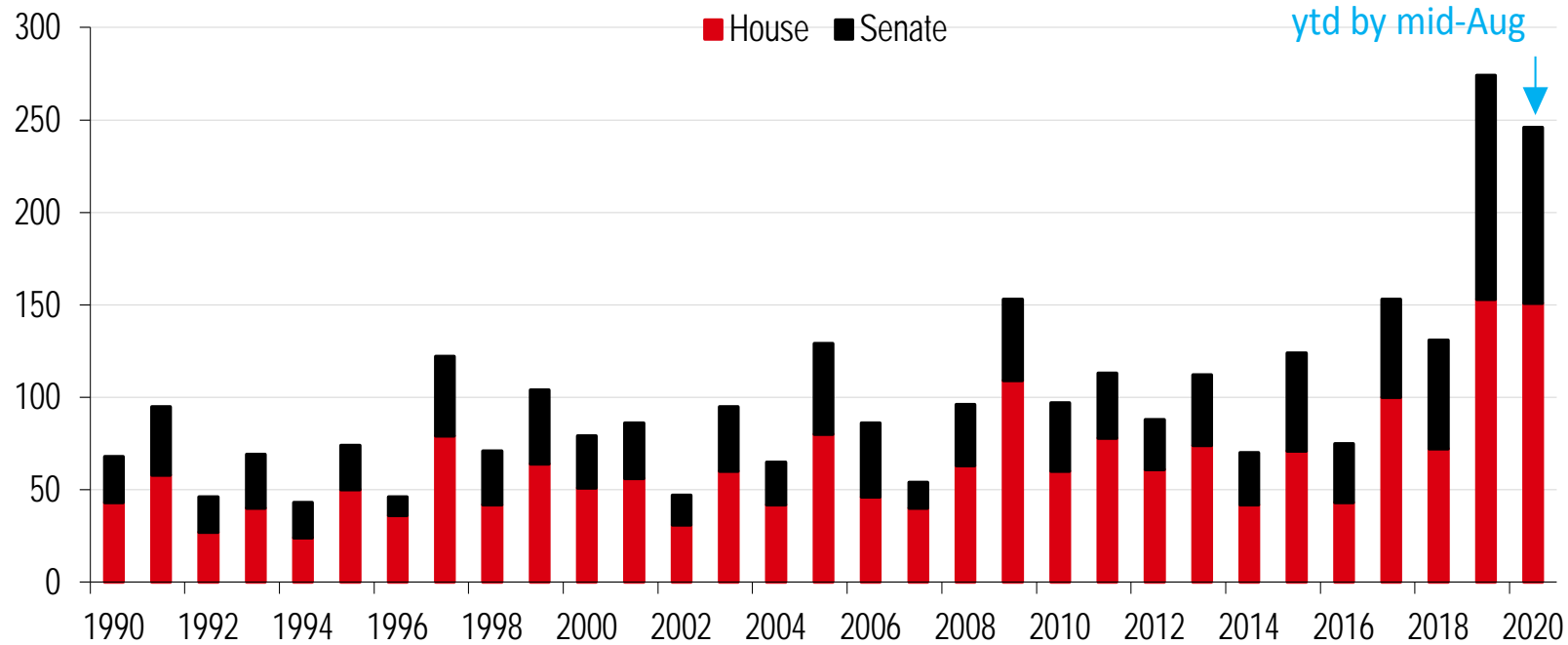
Source: Predictit.org, Bloomberg, HSBC

Implied tariffs on China and USD-CNY;
lower tariffs could boost the CNY



5. US-China tensions to persist

Number of China-related legislative proposals and resolutions introduced into US Congress



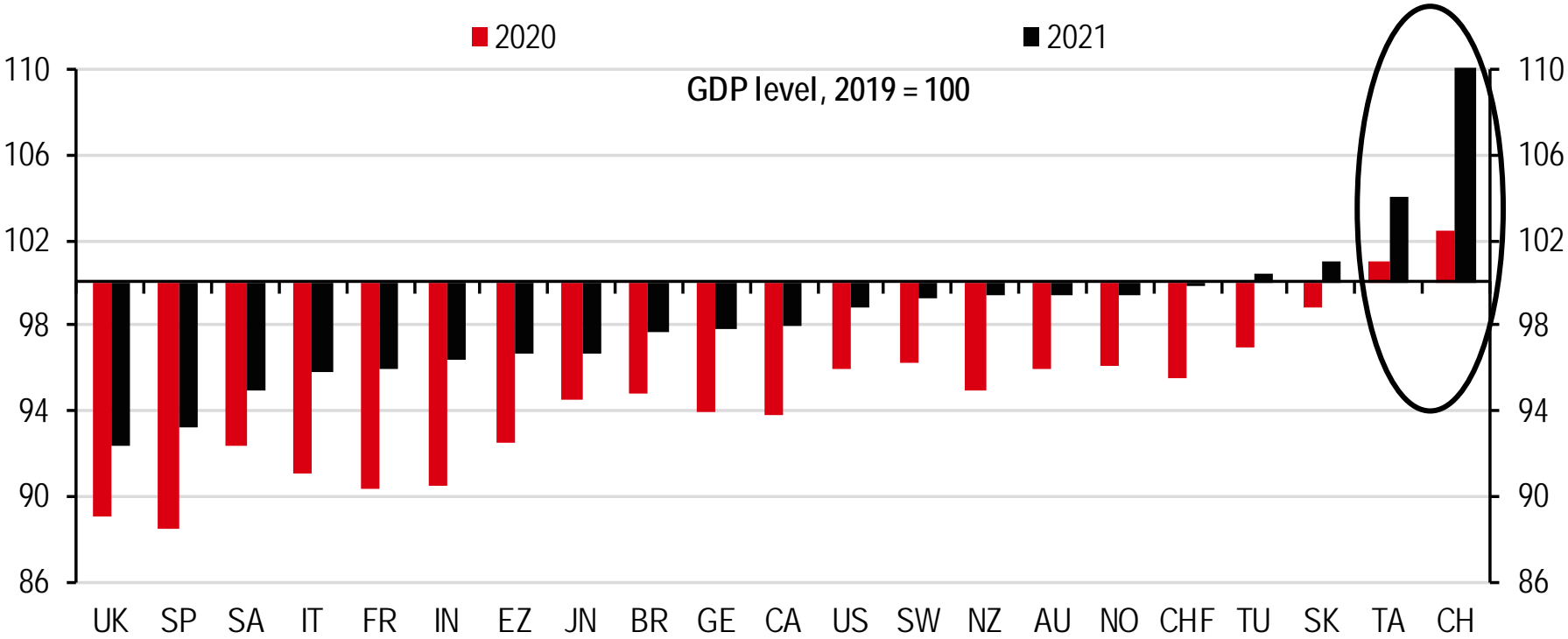
...annualized from mid-August, 2020 China legislative proposal on track to rise 30% over 2019

Source: US Congress, HSBC



6. The scarring from Covid & the recovery

Economic scarring set to be less evident in low debt countries and the US

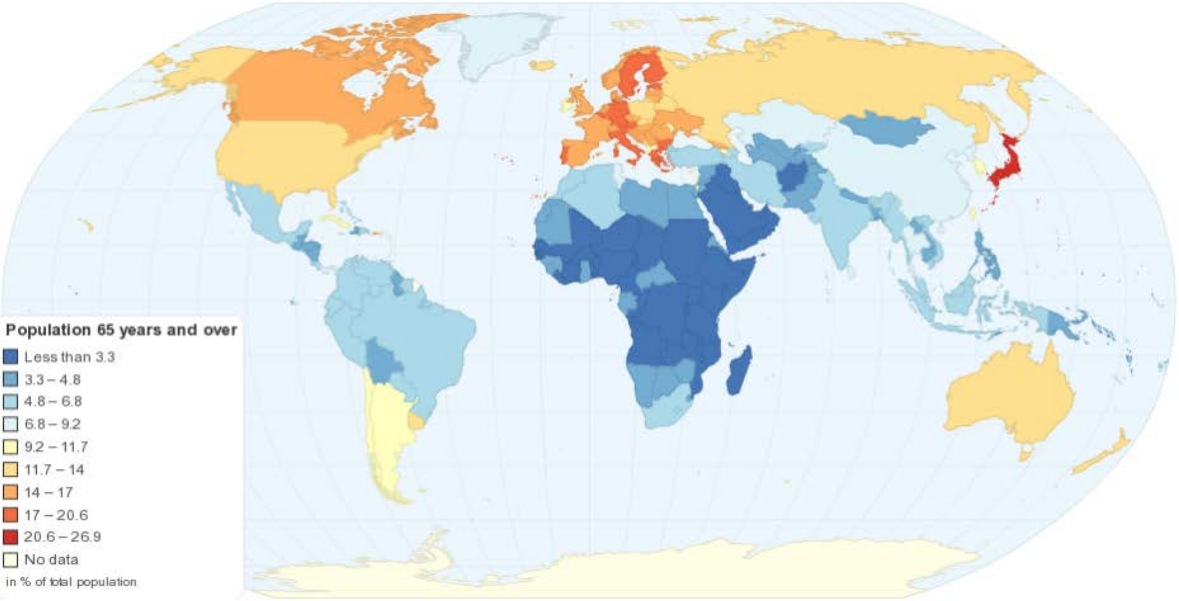


Source: Bloomberg, HSBC

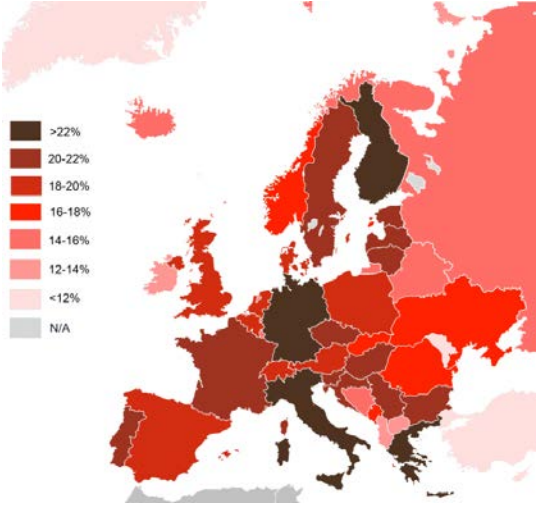


7. The Demographic Investment Story

Global look at populations > 65 years



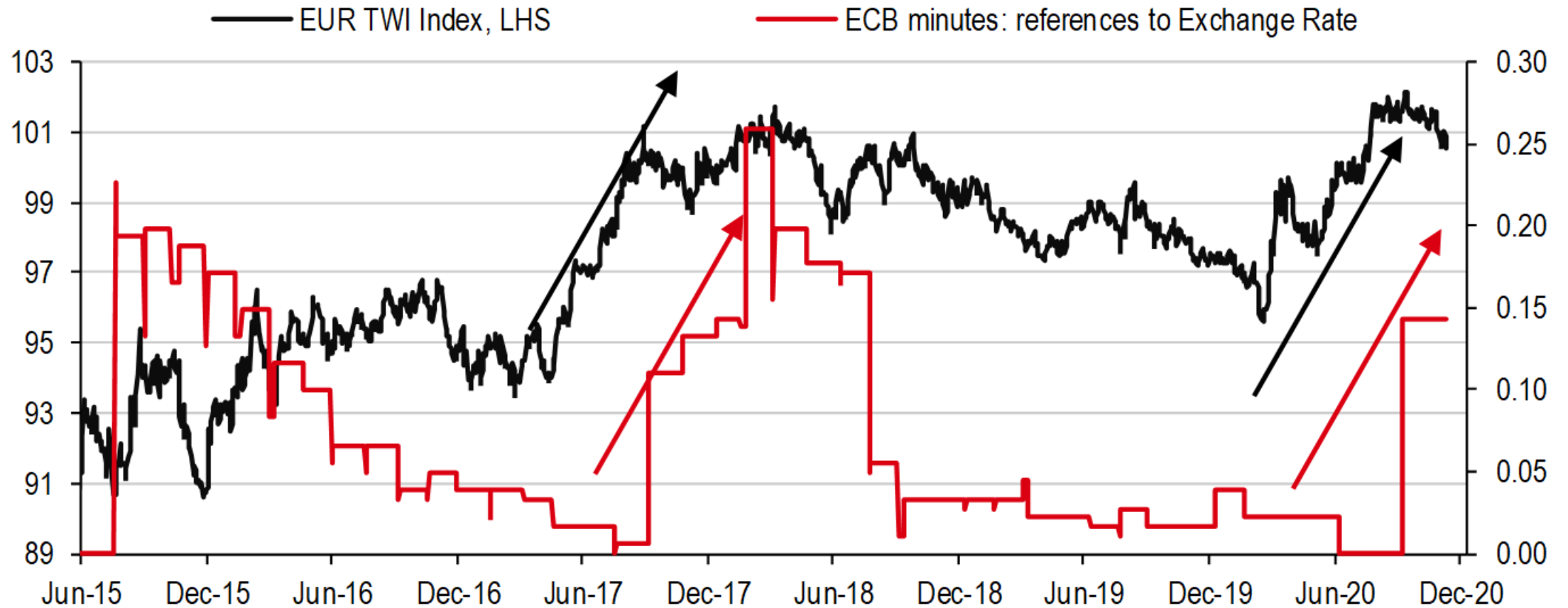
A closer look at Europe



Sources: <http://chartsbin.com/view/1239>
https://en.wikipedia.org/wiki/Ageing_of_Europe

8. The EUR is in focus too

ECB references to the exchange rate have been rising lately

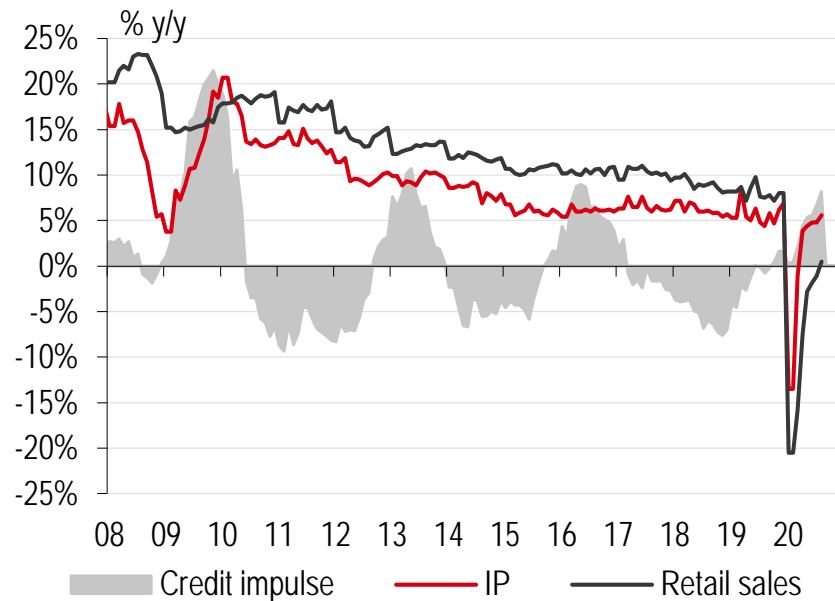


Source: Bloomberg, HSBC

China & the RMB

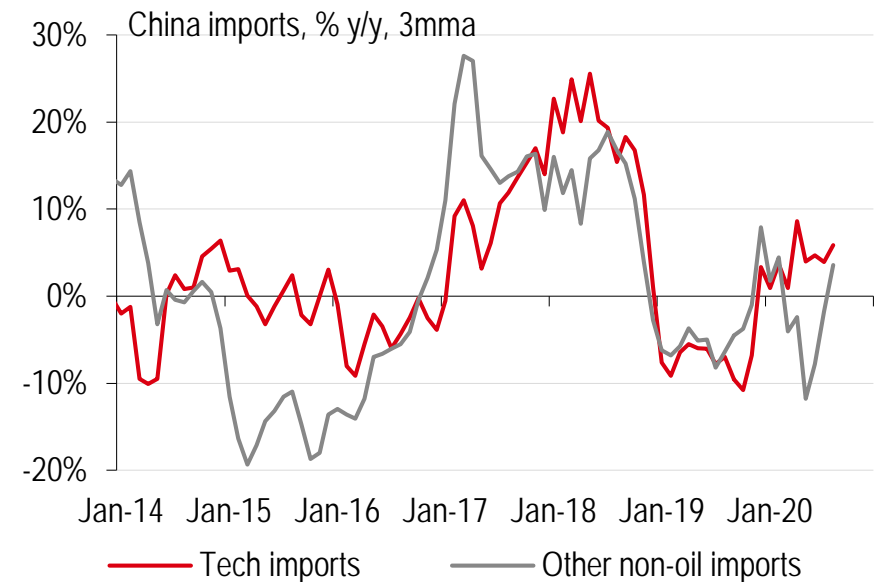
9. China's economic recovery is broadening

China's recovery is broadening from production to consumption



Source: Bloomberg, HSBC

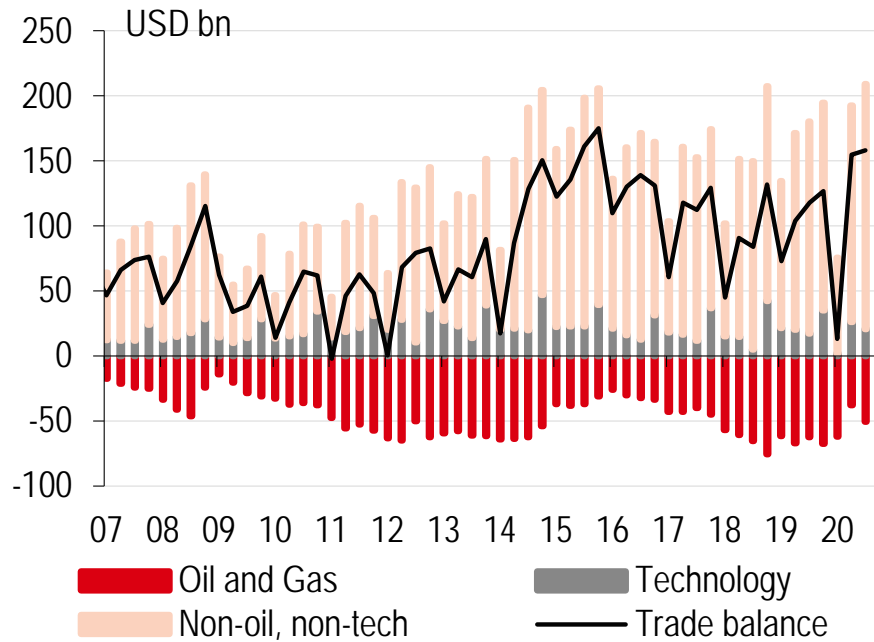
China's import demand is also broadening from tech-led to include other products



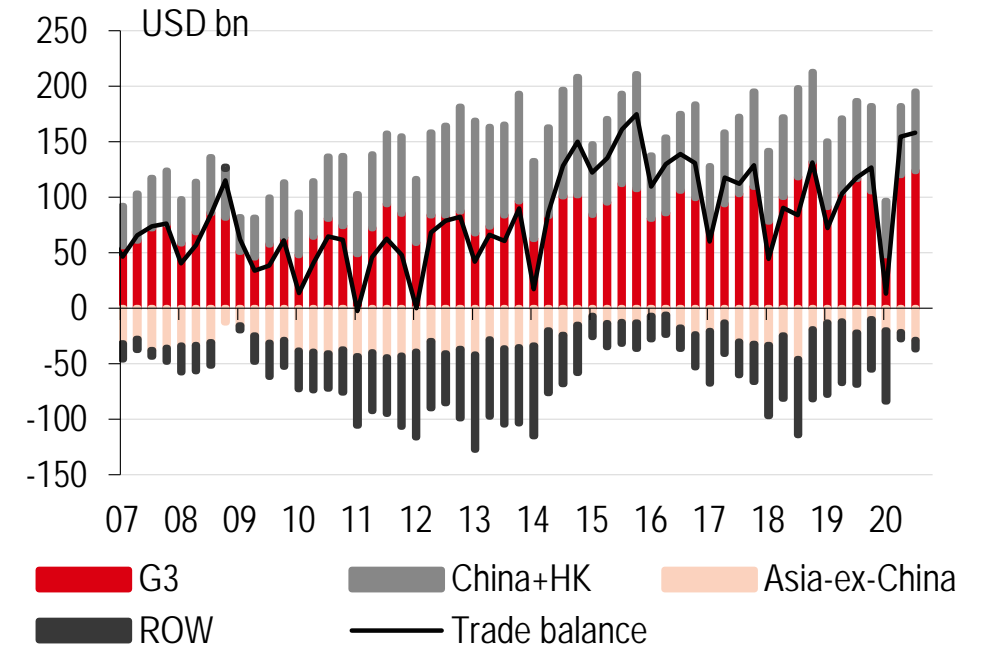
Source: CEIC, HSBC

10. RMB – a strong current account position

China's trade surplus is very wide



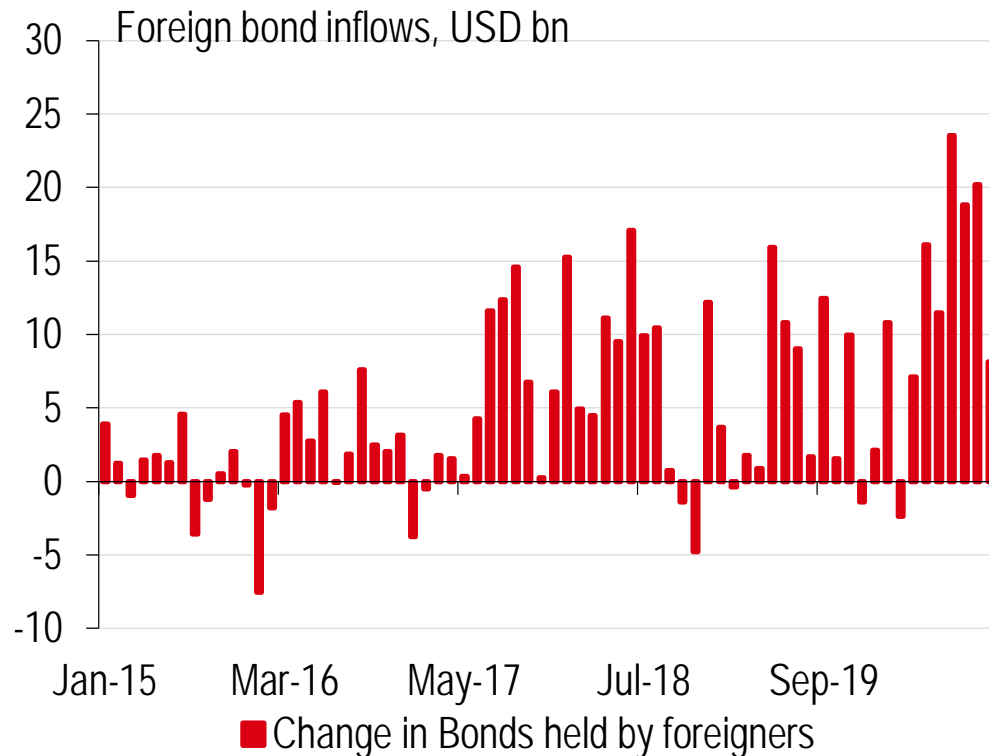
Strong exports to 'G3'



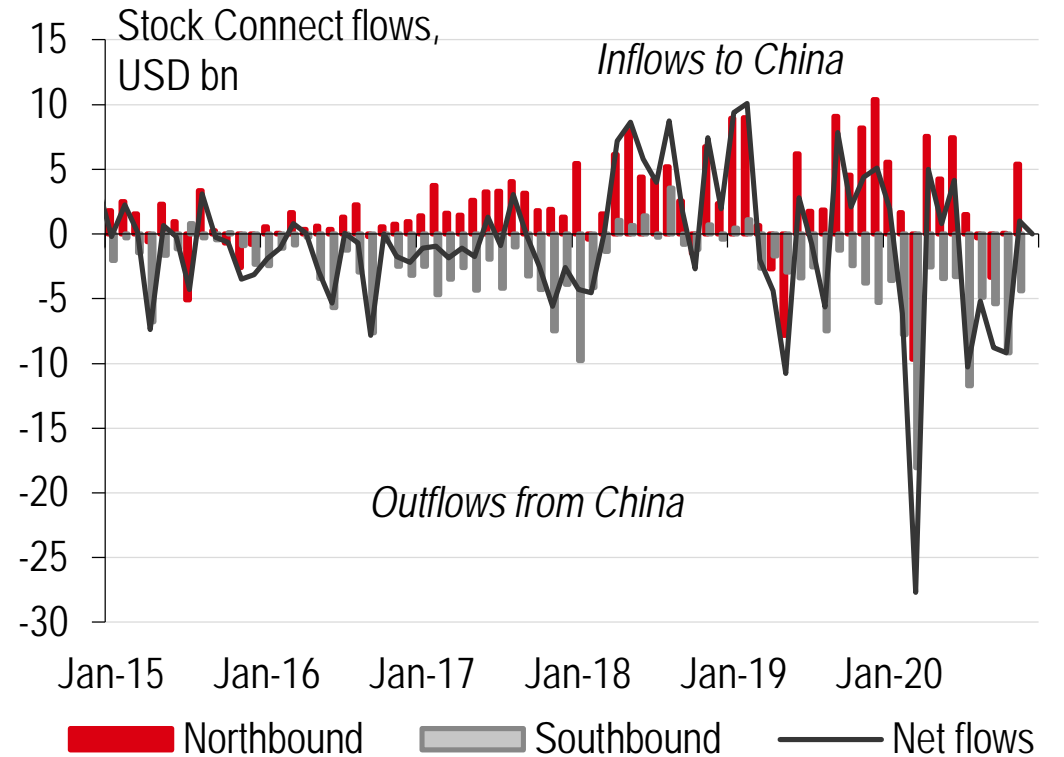
Source for both charts: CEIC, HSBC

11. RMB – More sensitive to portfolio flows

Foreigners' bond investments have increased due in part to index inclusion



Net Stock Connect flows

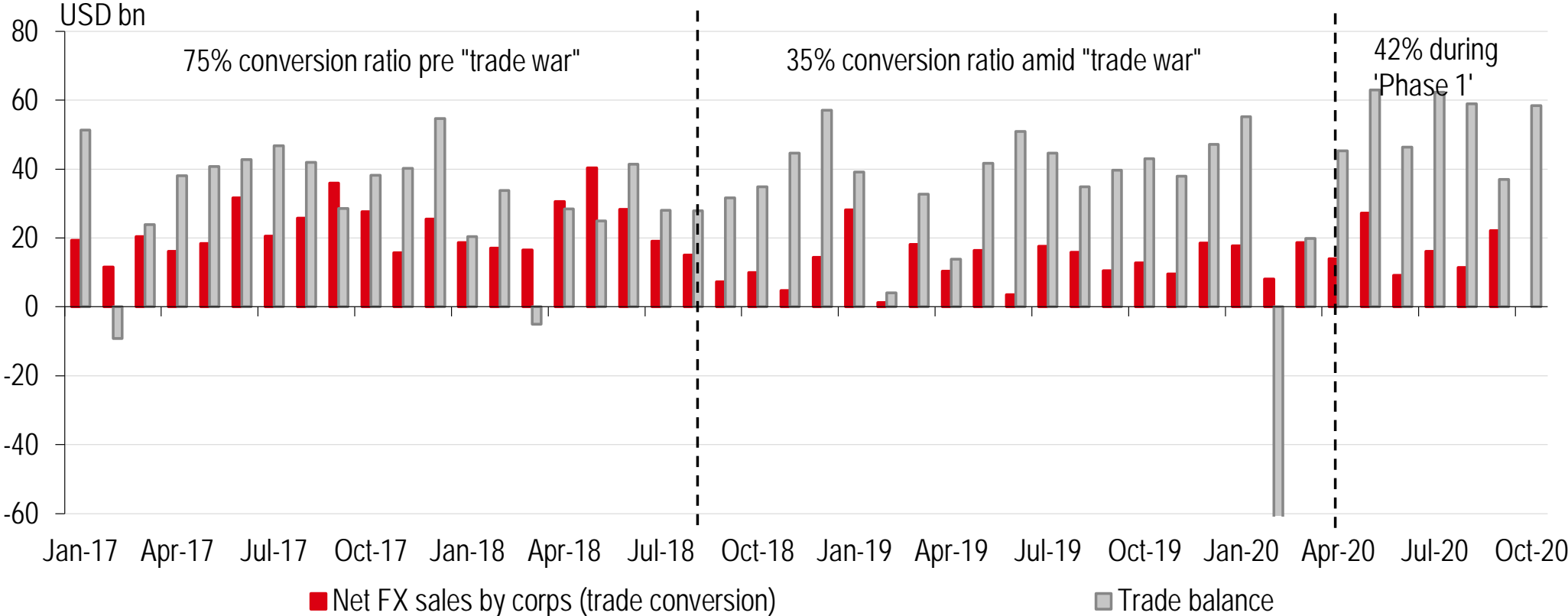


Source for both charts: CEIC, HSBC



12. Chinese corporates & hoarding USDs

Net FX settlement for goods trade purposes in China

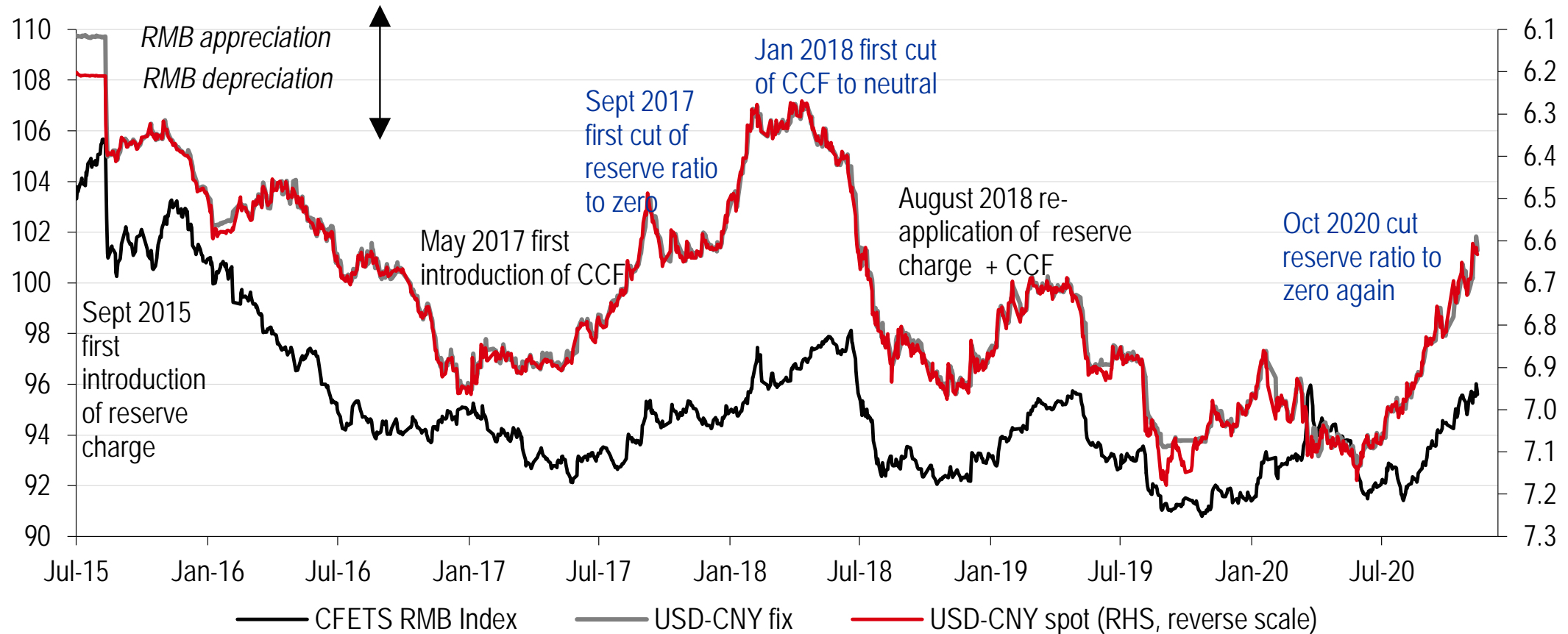


Source: CEIC, HSBC



13. History of the PBoC's counter cyclical FX policy tools

Guiding the RMB without direct intervention

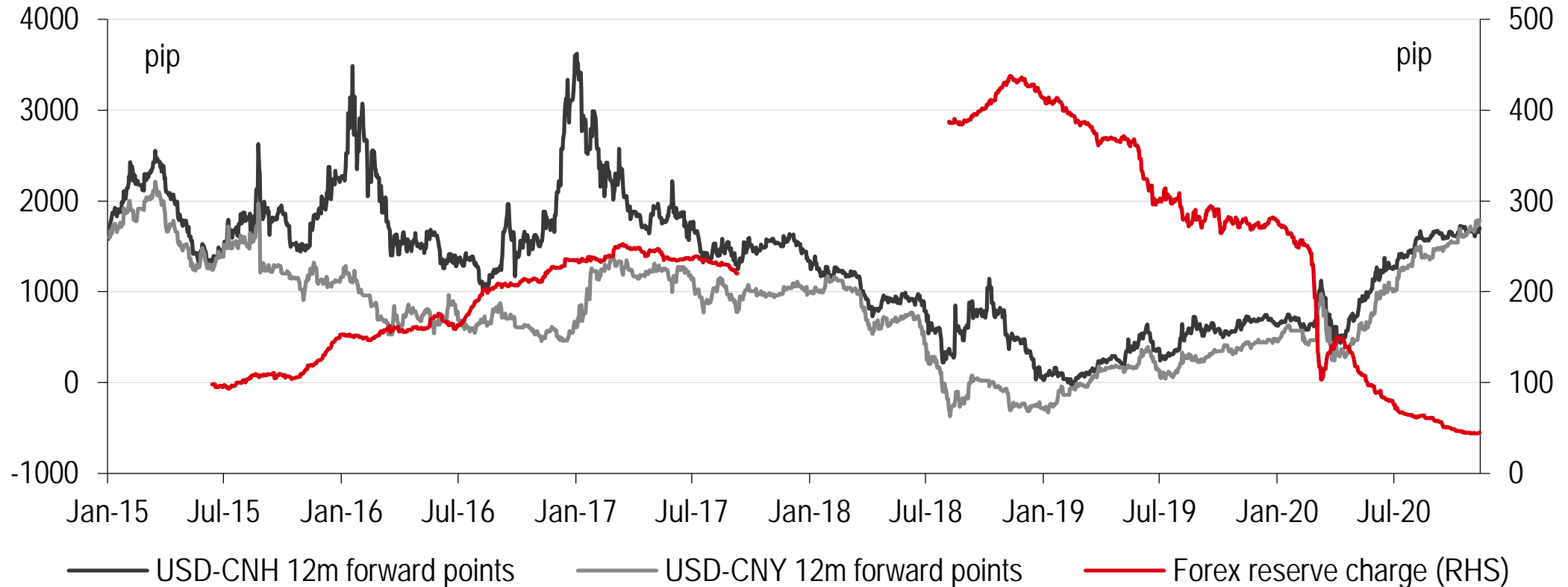


Source: Bloomberg, HSBC



14. History of CNH and onshore CNY FX points and effective cost of 20% reserve charge

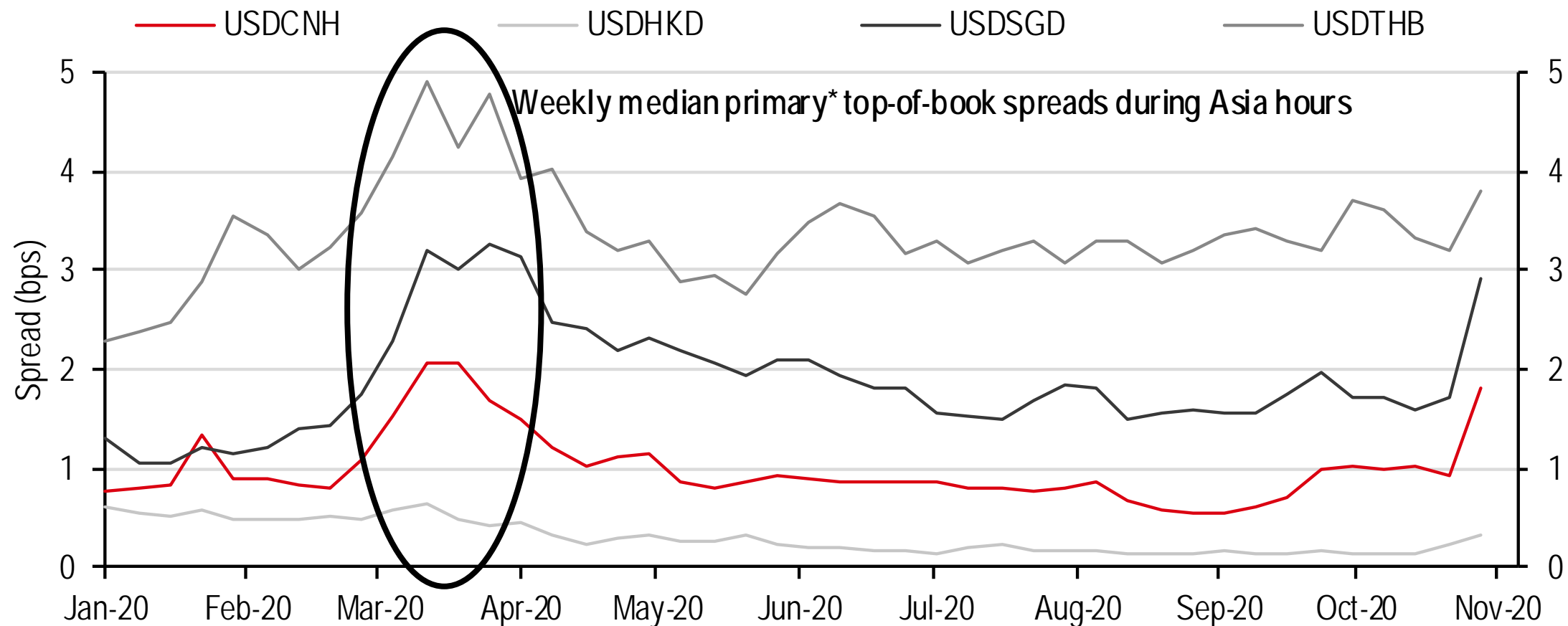
Reserve charge is adjusted according to FX flow condition



Source: Bloomberg, HSBC *Note: The red line represents, for example, the additional cost of buying the one-year USD forward onshore with the 20% reserve charge; **for instance, the additional cost on 1y RHS outright forward is currently around 50pip (20%*35*6.70), assuming 1y US libor at 35bp.**

Asia FX liquidity

15. Top-of-book spreads during Asia hours

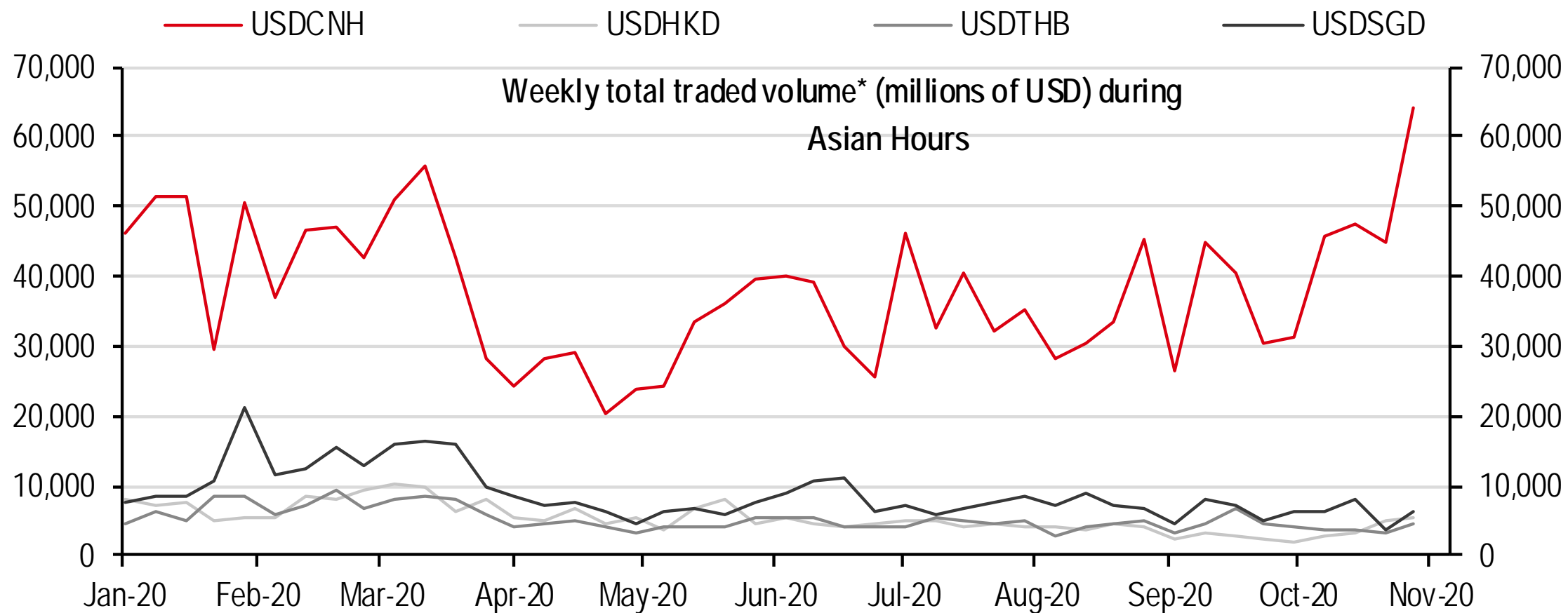


Source: HSBC,

* EBS for USD/CNH and Reuters for USD/HKD, USD/SGD and USD/THB



16. Traded volume

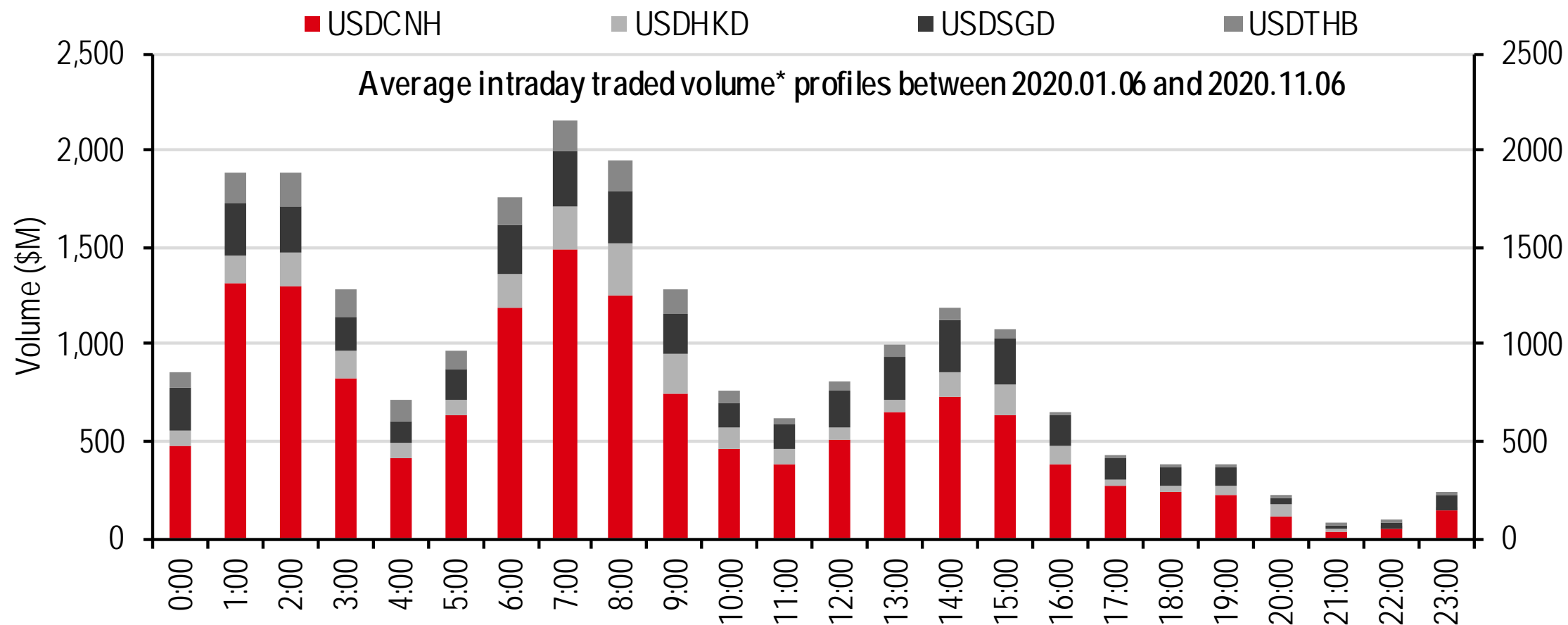


Source: HSBC

*On EBS, Reuters, Hotspot, Currenex, LMAX, ParFX, Gain GTX and FXall



17. Intraday traded FX volume



Source:

*On EBS, Reuters, Hotspot, Currenex, LMAX, ParFX, Gain GTX and FXall



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