

# Offshore Renminbi Weekly Report

<Forex> PBoC scaled back its CNY fixing support

<Interest Rates> CNH liquidity conditions tightened slightly at month-end

<Equity> Shanghai Composite was trading sideways around 3300 level

Weekly Price Change	Week Open	Week High	Week Low	Week Close	Weekly change ( % )
USD/CNH	7.1739	7.2087	7.1616	7.1960	-84
USD/CNY	7.1810	7.2104	7.1679	7.1955	-101
CNY PBoC Fixing	7.1833	7.1907	7.1833	7.1848	-55
Shanghai Composite Index	3,346.56	3,368.63	3,332.49	3,347.49	+1

※pips in USD/CNY,USD/CNH

Weekly Price Change	HK Close	Weekly Change		HK Close	Weekly Change
CNH Forward (1yr)	-1,870	+57	CNH HIBOR (3mth)	1.77%	+0.61 ppt
CNH Currency Swap (3yr)	1.44%	0.00 ppt	CNH Implied yield (1Y)	1.38%	+0.50 ppt

## Weekly review and forecasts

The CNH spot remained supportive, largely below the 7.20 threshold over the week. With steady RMB sentiment, the PBoC set the CNY fixing between 7.18 and 7.19, narrowing the USD/CNY fixing and estimate gap within  $\pm 200$  pips. As the USD sell-offs and the trade war truce offered a short-term resolution to RMB depreciation pressures, the PBoC might scale back its CNY fixing support, contributing to the convergence of CNH, CNY, and the CNY fixing. The steady CNH-CNY spot gap also indicated stable RMB sentiment. Regarding China-US trade talks, US Treasury Secretary Bessent said progress had stalled, and a Trump-Xi meeting might be needed to reach a trade deal. USD fluctuations related to the US court ruling on Trump's tariffs had limited impact on the RMB market.

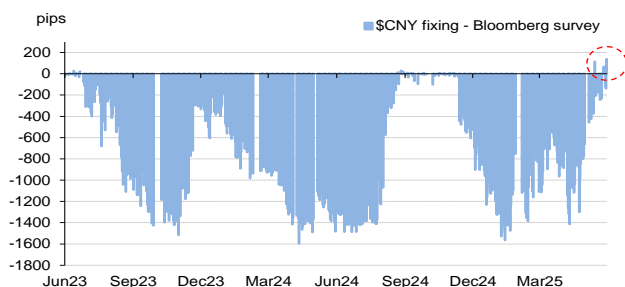
CNH liquidity tightened at month-end, with overnight CNH HIBOR spiking to around 2% from 1.3% the prior week. In the onshore RMB market, the PBoC net injected CNY 656.6bn of liquidity over the week, following an injection of CNH 460bn. The 7-day interbank repo rate climbed to 1.67% from 1.59% at month-end.

We expect the CNH to fluctuate around the 7.20 handle in the coming week. As the PBoC scales back its CNY fixing support, the central bank will likely allow more two-way FX flexibility in the RMB market. Expectations for China-US trade talks remain low before the tariff truce ends, while tensions stay elevated due to the chip export ban and visa revocations for Chinese students. On the data front, China's official PMIs for May are expected to pick up following the de-escalation of China-US tariffs. Manufacturers and exporters will likely front-load orders during the tariff pause, while the stimulus package and stabilizing growth outlook should support the non-manufacturing PMI.

## Data & Policy Updates

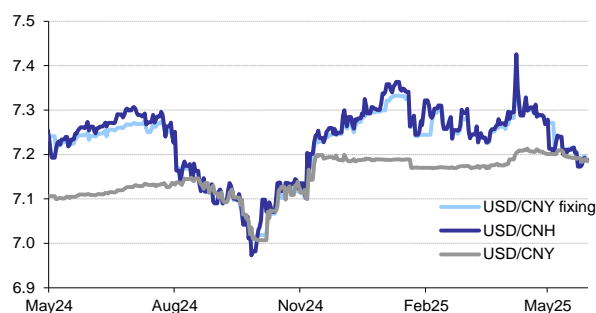
The PBoC has skipped CNH bill issuances since February. The maturing 3-month and 1-year bills on 20 May and 24 May injected a total of RMB 60bn liquidity into the market. Earlier this year, the PBoC increased CNH bill issuance to tighten offshore RMB liquidity and discourage USD/CNH carry trades by raising CNH rates. As the RMB outlook stabilized following the mid-May de-escalation in China-US tariffs, the PBoC appears to be re-injecting liquidity into the CNH market, driving CNH rates lower. With RMB market conditions stabilizing, Chinese authorities seem to be loosening their grip on cross-border FX flows to capture interest rate differential benefits, contributing to the narrowing CNH-CNY yield gap.

<CNY fixing - survey gap narrowed>



(Sources: Bloomberg, Mizuho HK)

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



All information included in this proposal should not be regarded as any legal, accounting or taxation advice from Mizuho. No person should rely on the contents of such information without obtaining prior advice from any qualified professional expert(s) in each relevant sector. If Mizuho's service under this proposal calls for specific professional advice or service, client shall seek independent professional expert(s)' help. Alternatively, if Mizuho's assistance is required for referral of relevant expert(s) there is no extra referral fee for such referral and Mizuho is not liable for the advice or service given by such expert(s). All information included in this proposal is strictly exclusive for Mizuho's clients' internal use only. No disclosure to any third party from clients should be allowed. All rights reserved. No part of content of this proposal may be reproduced or copied in any form or by any means. Mizuho disclaims all and any liability and responsibility to any person upon correctness, reliability and completeness of the whole or any part of the contents of this proposal. No assurance on the acquisition of approval for any permit application is included. The services provided by any member of the Mizuho Financial Group are subject to applicable laws, regulations and supervision of applicable regulatory authorities' in the jurisdictions where the services are provided.

If you have further questions on market information, please call Mizuho Bank East Asia Treasury Department Mr. Komatsu Mr. Yamauchi, or Mr. Cheung. Tel: +852-2306-3352(HK)

Mizuho Bank, Ltd. is incorporated in Japan with limited liability