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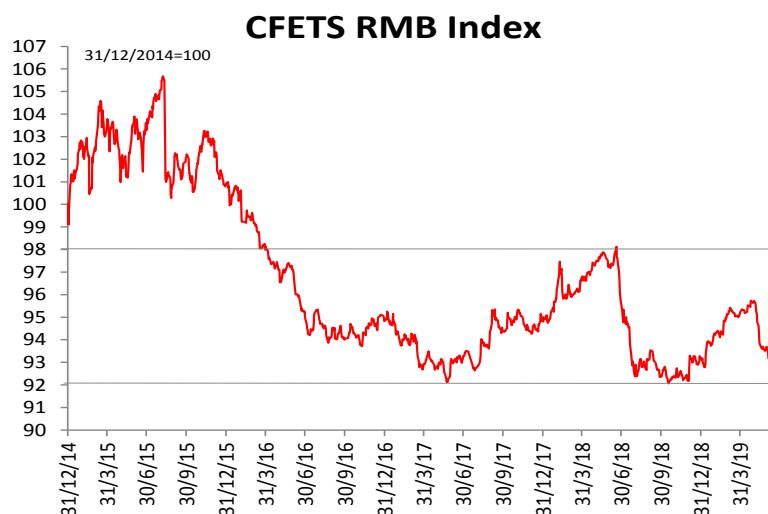
Renminbi pause

- On Tuesday, the PBOC set the USD-CNY mid-point materially below market consensus again. In fact, this was the most significant underperformance of the fix since the escalation of Sino-US trade tensions. We think that with event/headline risks mounting as we head into the G20 meeting and the probable Xi-Trump meeting, a preference for stability may remain a crucial consideration (note also the planned upcoming bill issuance).
- To this end, we note that USD-CNH spot may remain reluctant on the upside at this juncture, especially with USD dominance lacking for now. **Going ahead, continued significant underperformance of the USD-CNY fix relative to market consensus in the coming sessions would underscore this view.**
- However, despite the drastically lower than expected USD-CNY-midpoint, note that the **CFETS RMB Index** finally sank below 93.00 on Tuesday, and as previously noted, we still see space for a descent towards the 92.00 floor, the bottom of its recent multi-year range.
- From a structural perspective, the continued softening of the CNY's NEER would dovetail with the continued selective monetary easing measures. **On this front, note that the vol skew for USD-CNH continues to shift in favor of the USD again while being net long points on the forward/forwards (especially the back-end) may serve as a contingency for another flare up in Sino-US trade tensions.**

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