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FX Focus

RMB: Longer Runway for Measured Appreciation

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- ***RMB appreciation becoming more entrenched.*** *Sustained declines in the PBoC USDCNY fixing, alongside RMB resilience despite broader USD strength, suggest greater policy tolerance for appreciation and an increasingly constructive market bias. The 30d fixing session rolling sum of daily changes became more negative, although momentum has since stabilised.*

- ***Underlying FX supply remains supportive.*** *China's sizeable external surplus and continued net FX settlement provide support for RMB. Corporate foreign-currency deposits remain substantial representing potential additional RMB demand should appreciation expectations encourage further FX conversion.*

- ***Measured appreciation preferred over rapid gains.*** *Policymakers are likely to continue to manage the pace, balancing trade competitiveness, domestic growth and the risk of disorderly corporate FX conversion. We revise USDCNY and USDCNH forecasts to 6.62 at end-2026 and 6.46 at end-2027, with renewed USD strength and a shift in fixing behaviour posing key risks.*

A more entrenched RMB appreciation trend

RMB has continued to outperform many of its regional peers despite a relatively firm USD backdrop. Onshore USDCNY declined approximately 5% from end-2025 through 30 Oct 2026, while DXY strengthened by around 3.6% over the same period. This divergence is noteworthy, particularly compared with 2025, when RMB appreciation coincided with broad-based USD weakness.

The resilience suggests that RMB-specific developments are playing an increasingly important role, alongside broader USD dynamics. In our view, the appreciation trend is being reinforced by two related developments: greater apparent policy tolerance for a stronger currency and an increasingly constructive market bias towards further RMB appreciation.

The sustained decline in the daily fixing has been particularly significant. The official USDCNY fixing fell nearly 1,600 pips during 2025, compared with 3,150 pips in the first ten months of 2026. The magnitude of the adjustment suggests a notable shift from the relatively restrained fixing trajectory previously observed.

USDCNY spot and fix fell despite firmer DXY



Source: Bloomberg, OCBC Group Research

The fixing has also moved more closely in line with spot appreciation. During 2025, onshore USDCNY declined around 3,100 pips, almost twice the adjustment in the official fixing. In contrast, the cumulative fixing and spot declines have been broadly comparable so far in 2026. This closer alignment is consistent with policymakers becoming more comfortable accommodating RMB strength, although it does not establish whether the fixing is leading or responding to market movements.

The fixing momentum provides an additional perspective. The 30-fixing-session rolling sum of daily changes became increasingly negative from approximately −120 pips at end-August to −554 pips at end-September and −628 pips at end-October. This suggests that the cumulative pace of fixing appreciation strengthened considerably from late August, broadly coinciding with further gains in offshore RMB. However, the rolling sum has stabilised near −600 pips in recent sessions, suggesting that fixing appreciation momentum may be levelling off rather than continuing to accelerate.

Fixing momentum strengthened since Aug, alongside continued RMB resilience



Source: Bloomberg, OCBC Group Research

The fixing trajectory alone, however, does not fully explain RMB's performance. Currency appreciation has persisted despite elevated UST yields and relatively resilient USD conditions, suggesting market participants have also become more constructive towards RMB.

This distinction is important. While the fixing provides an indication of policymakers' tolerance for currency movements, sustained appreciation also requires underlying market support. RMB resilience against broader USD strength suggests that expectations for further appreciation are becoming more firmly established.

That said, we would distinguish greater tolerance for appreciation from an explicit policy objective to strengthen RMB. The PBoC's October statement on exchange-rate policy reiterated the role of market forces and its preference for two-way currency flexibility, rather than a predetermined exchange-rate target.

Underlying FX Supply Remains Supportive, but Conversion Behaviour Matters

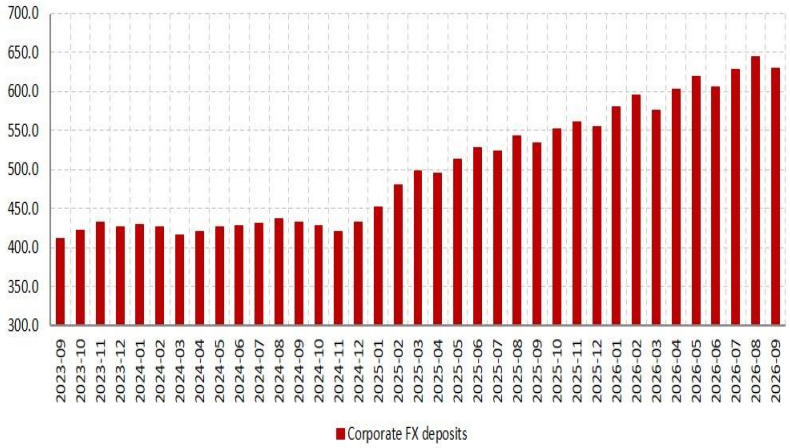
China's sizeable external surplus continues to provide underlying support for RMB. SAFE data showed net bank FX settlement of US$56.2bn in September, following US$48.5bn in August, taking the cumulative surplus to US$394.1bn in the first nine months of 2026. This points to sustained net demand for RMB through FX conversion, providing support despite the unfavourable US-China interest-rate differential. While the data are not exclusively a

measure of exporter conversion, given the inclusion of banks' own transactions and settled FX derivatives, the persistent surplus suggests that underlying FX supply remains supportive of RMB.

There are also tentative signs of stronger corporate conversion appetite. SAFE reported that the corporate FX income conversion ratio stood at 61.5% in August, below the January–July average of 64.2%, before increasing in September. This suggests some improvement in willingness to convert foreign-currency receipts, although there is little evidence of a disorderly rush to sell foreign currency.

At the same time, Chinese corporates continue to hold substantial foreign-currency balances. PBoC data showed that non-financial corporate FX deposits stood at approximately US$631bn as of September, up US$75bn from end-2025, despite declining US$14bn in September alone. These balances are not exclusively USD deposits or exporters' holdings, but their size suggests that considerable potential FX supply remains.

China's non-financial corporate foreign-currency deposits, US$bn



Source: SAFE, Bloomberg, OCBC Group Research

In our view, these sizeable holdings could provide additional support for RMB should appreciation expectations encourage further conversion. However, they also introduce the risk of a self-reinforcing appreciation cycle if corporates accelerate USD selling over a relatively short period. This reinforces the case for policymakers to favour a measured appreciation trajectory rather than risk disorderly FX market adjustments.

Measured appreciation likely still the preferred stance

We continue to look for RMB appreciation into 2027, although the pace is likely to remain measured and could moderate at some point. While policymakers appear increasingly comfortable with a firmer currency, there are several reasons why a more gradual adjustment may be preferred.

Trade competitiveness remains a consideration. RMB appreciation has also been reflected in its trade-weighted performance, with the CFETS RMB index trading around four-year highs. Further gains could weigh on export competitiveness, particularly if external demand softens. Policymakers may therefore be mindful of the implications of excessive currency strength for exporters.

RMB CFETS vs CNY



Source: Bloomberg, OCBC Group Research

Domestic growth conditions also warrant some caution. China's economic recovery remains uneven, with the official manufacturing PMI slipping back into contractionary territory in October. Against this backdrop, policymakers may have limited appetite for an overly rapid currency appreciation that could add to growth headwinds.

Another consideration is the risk of disorderly FX market adjustments. With Chinese corporates still holding substantial foreign-currency deposits, a rapid RMB appreciation could prompt companies to accelerate FX conversion to avoid further currency losses. Concentrated USD selling could, in turn, reinforce appreciation expectations and fuel further conversion, potentially resulting in excessive FX volatility. This is a risk policymakers may prefer to avoid, favouring a more gradual adjustment in the currency.

Taken together, we believe policymakers are more likely to manage the pace rather than resist the direction of RMB appreciation.

Forecast Implications

We expect the appreciation trend to extend into 2027, supported by underlying FX supply, constructive market expectations and an eventual moderation in broader USD strength. However, our projected pace of appreciation is somewhat slower than that observed in 2026, allowing for periods of consolidation, particularly in 3Q2027.

We revise our USDCNY and USDCNH forecasts to 6.62 at end-2026 and 6.46 at end-2027, from 6.69 and 6.59, respectively. Near-term risks include renewed USD strength, persistently elevated UST yields and softer domestic growth. Any sustained change in the fixing trajectory would also warrant closer monitoring, particularly if accompanied by renewed offshore CNH weakness.

	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
USDCNY	6.62	6.58	6.53	6.51	6.46
USDCNH	6.62	6.58	6.53	6.51	6.46
SGDCNY	5.21	5.19	5.17	5.16	5.15
MYRCNY	1.63	1.63	1.63	1.63	1.62

Source: OCBC Group Research

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