

Citibank Wealth Management Weekly FX Insight

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May 2, 2017
with data as of Apr 28, 2017

Market Review & Focus
P. 1 - 2

FX Analysis
P. 3 - 5

FX & Eco. Figures Forecast
P. 6 - 9

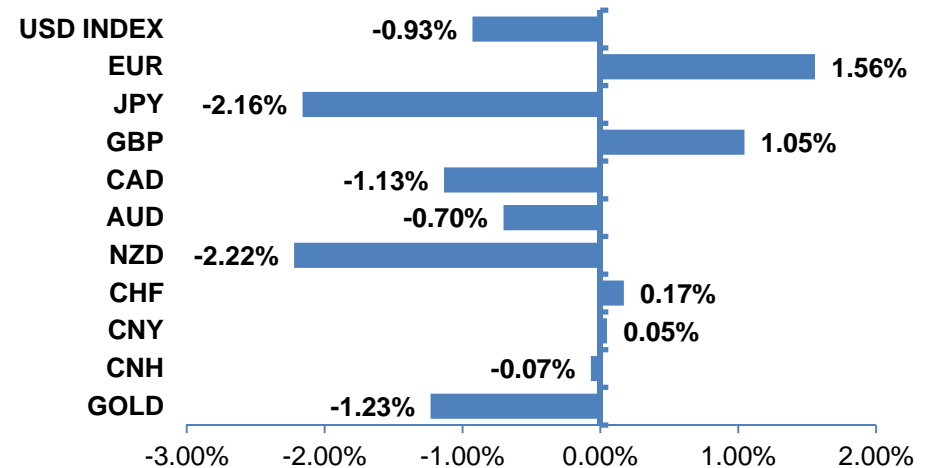
Weekly FX Recap

Major Currencies Weekly Performance

CCY	LAST WEEK PERFORMANCE			52 week high	52 week low	1 year % change	Year-To-Date Change
	Close Price	Day High	Day Low				
USD	99.05	99.33	98.70	103.82	91.92	5.6%	-3.1%
EUR/USD	1.0895	1.0951	1.0821	1.1616	1.0341	-4.0%	3.6%
USD/JPY	111.49	111.78	109.60	118.66	99.02	3.2%	-4.7%
GBP/USD	1.2951	1.2965	1.2773	1.5018	1.1841	-11.3%	5.0%
USD/CAD	1.3653	1.3697	1.3411	1.3697	1.2461	8.8%	1.6%
AUD/USD	0.7488	0.7592	0.7440	0.7778	0.7145	-1.8%	3.9%
NZD/USD	0.6866	0.7054	0.6848	0.7486	0.6676	-1.4%	-1.0%
USD/CHF	0.9946	0.9981	0.9856	1.0344	0.9444	2.9%	-2.4%
USD/CNY	6.8935	6.8989	6.8810	6.9649	6.4707	6.3%	-0.9%
USD/CNH	6.8988	6.9047	6.8766	6.9895	6.4743	6.3%	-1.1%
GOLD	1268.29	1285.03	1259.84	1375.45	1121.03	0.2%	10.1%

Source: Bloomberg L.P., as of Apr 28, 2017

Weekly changes versus US dollar



Source: Bloomberg L.P., as of Apr 28, 2017

USD

- **(-) US GDP:** US GDP growth in Q1 came in at 0.7% (vs forecast 1.0%), but the growth in employment cost index reached the highest since 2007.
- **(+) Expect rate hike in Jun:** The Fed already expect the weak Q1 GDP is transitory, so we still expect rate hike in Jun.
- **(+/-) USD may be supported at bottom:** The major two parties in US agreed the budget package to fund the government till Sep, which may support USD at bottom.

EUR

- **(-) ECB policy decision:** Although the ECB agreed on improved economy, members did not discuss any strategy of QE tapering.
- **(+) French election:** Market expects centrist Macron to become the next French President. Eliminated political uncertainty attracted fund inflows into EUR.
- **(+) EUR may find support in the short term:** Eliminated political uncertainty may support EUR in the short term.

CAD

- **(-) US trade policy:** U.S. Department of Commerce announced to impose countervailing duties of 20% on Canadian softwood lumber.
- **(-) Trump's comments:** Trump criticized Canada for its policy protection for dairy farmers, which affects US dairy product exports.
- **(-) CAD may be pressured:** US trade policy uncertainty may restrain CAD.

Weekly FX Focus:

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US trade policy uncertainty may undermine CAD



- US President Trump has had a lot of action in trade policy recently, raising US trade policy uncertainty.
- The US accounts for 76% of Canada's export. Thus, Canada's export and economy may suffer the most due to US trade policy uncertainty. CAD may be pressured.

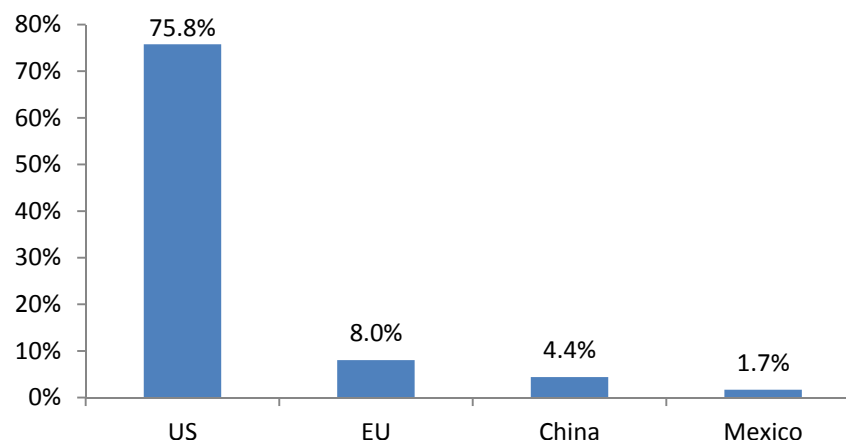
Trump had a lot of action in trade policy recently

Date	Content
20/4	Trump required Department of Commerce to review and investigate impacts of steel import policy on the economy and corporations
24/4	Department of Commerce suddenly announced to impose countervailing duties of average 20% on Canadian softwood lumber.
27/4	Reports indicated that the US would withdraw from the North American Free Trade Agreement, but Trump agreed to keep the agreement at this stage.
28/4	Trump criticized South Korea and Saudi Arabia for treating the US unfairly in terms of trade agreements

Citi's view on US trade policy

- **Large-scale trade protectionism is unlikely:** However, in our view, the US government may implement protection policies on some imported products.
- **Trade policy uncertainty:** The US will release a omnibus report on trade deficits which assesses current unfair trade agreements and announces a list of trade manipulators.

Ratios of countries accounting for Canada's export



Source: Bloomberg L.P., as of Feb 28, 2017

Canada may suffer the most from US trade policy uncertainty

- **Canada's limited bargaining power on trade negotiations:** Canada's trade data for February showed the US accounts for 76% of Canada's export. However, Canada only accounts for 18% of US export. Once a US-Canada trade war is triggered, Canada may suffer the most.
- **CAD may be pressured:** US trade policy uncertainty may raise concern on Canada's economy and export and reduce the probability of earlier rate hikes by the BOC, which may undermine CAD.

Weekly FX Strategies

- CAD may be pressured as US trade policy uncertainty may raise concern on Canada's export.
- For AUD, although lower than expected inflation in Australia may cool down expectation of rate hikes this year, which may restrain AUD in the short term, we expect AUD/USD may find support at 0.73-0.74.
- Investors may unwind large short positions gradually amid falling UK political uncertainty, which may support GBP in the short term.

1. **Neutral with downside bias - CAD**

- CAD may be undermined amid concern on Canada's export.
- USD/CAD may range trade between 1.3411-1.3839 (5.80-5.62), with short-term upside bias.

2. **Neutral - AUD**

- AUD may be restrained in the short term amid worse-than-expected inflation data in Australia.
- AUD/USD dropped below a support of 0.7473. The pair may range trade between 0.7409-0.7571 (5.76-5.89) in the short term.

3. **Neutral with upside bias - GBP**

- GBP may be supported in the short term amid falling UK political uncertainty
- GBP/USD may consolidate between 1.2757-1.3097 (9.92-10.19), with upside bias.

USD/CAD

USD/CAD may trade inside 1.3411-1.3839 (5.80-5.62), with short-term upside bias

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The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7784 exchange rate for reference

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3 month	6-12 month
1.3653 (5.70)	1.3697 (5.68)	1.3411 (5.80)	1.3411 (5.80)	1.3530 (5.75)	1.3839 (5.62)	1.4016 (5.55)	1.34 (5.80)	1.35 (5.76)

Upcoming economic data
May 5: Unemployment rate

Outlook:

- (+) US trade policy uncertainty:** The US suddenly announced to impose countervailing duties of 20% on Canadian softwood lumber and criticized Canada for its policy protection for dairy farmers, which affects US corporate interests.
- (+) CAD may be pressured:** Since the US accounts for 70% of Canada's export, markets are concerned that Canada's economy may be dampened once the US further implements protectionism.

Technical Analysis:

- The pair rose above 1.3599, a high seen in Dec 2016.
- Due to the overbought RSI, the pair may range trade between 1.3411-1.3839 (5.80-5.62), with short-term upside bias.



Source: Bloomberg L.P., as of Apr 28, 2017

AUD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7784 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
0.7488 (5.82)	0.7592 (5.91)	0.7440 (5.79)	0.7308 (5.68)	0.7409 (5.76)	0.7571 (5.89)	0.7611 (5.92)	0.75 (5.83)	0.76 (5.91)

AUD may be restrained as the early rate hike by the RBA is unlikely

Weekly recap: AUD dropped last week as Australia's inflation grew 2.1% yoy only in Q1, lower than expectation of 2.2% yoy, cooling down expectation of rate hikes by the RBA this year.

Outlook analysis: Given slow earnings growth and high household debts in Australia, we expect domestic consumption to remain weak. It may drag down inflation and the RBA is unlikely to hike rates this year, which may restrain AUD.

Technical analysis: AUD/USD dropped below a support of 0.7473. The pair may range trade between 0.7409-0.7571 (5.76-5.89) in the short term, with next support of 0.7308 (5.68).



Source: Bloomberg L.P., as of Apr 28, 2017

GBP/USD

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
1.2951 (10.07)	1.2965 (10.08)	1.2773 (9.94)	1.2713 (9.89)	1.2757 (9.92)	1.3097 (10.19)	1.3440 (10.45)	1.35 (10.50)	1.22 (9.49)

GBP may find support amid falling UK political uncertainty

Weekly recap: GBP gained last week amid falling political uncertainty as polls showed the ruling Conservative Party maintained a commanding lead over the largest opposition Labour Party.

Outlook analysis: GBP futures short positions fell from 108K in March to 91K last week amid falling UK political uncertainty. Investors may reduce GBP short positions gradually, which may support GBP in the short term.

Technical analysis: GBP/USD rose above 1.2775, a high seen in Dec 2016. The pair may consolidate between 1.2757-1.3097 (9.92-10.19), with upside bias.



Source: Bloomberg L.P., as of Apr 28, 2017

Source: Bloomberg L.P., as of Apr 28, 2017

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7784 exchange rate for reference



Other FX strategies

NZD/USD: NZD may be supported given the solid NZ fundamentals

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
0.6866 (5.34)	0.7054 (5.49)	0.6848 (5.33)	0.6676 (5.19)	0.6714 (5.22)	0.6972 (5.42)	0.7090 (5.51)	0.71 (5.52)	0.68 (5.29)

(+) Rising inflation: NZ inflation rose 2.2% yoy in Q1, above 2% for the first time since Q3 2011. The RBNZ may raise inflation forecast and hike rate in Q1-2018.

(+) Watch NZ jobs data this week: The leading indicators showed NZ employment grows gradually. We expect unemployment rate to drop from 5.2% to 5.0%, which may support NZD at bottom.



EUR/USD: CAD may be supported on easing political uncertainty

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.0895 (8.47)	1.0951 (8.52)	1.0821 (8.42)	1.0642 (8.28)	1.0778 (8.38)	1.0979 (8.54)	1.1129 (8.66)	1.10 (8.56)	1.04 (8.09)

(+) Political uncertainty: Centrist Macron and far-right Le Pen won the first round of French election and Macron is likely to become the next French president, which may ease political uncertainty.

(+/-) ECB monetary policy: The policy stance remains conservative, which may be restrain EUR in short term. But we expect the ECB to be more neutral in Jun, which may support EUR at bottom.



USD/JPY: JPY may be restrained on weak Japan inflation

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
111.49 (69.77)	111.78 (69.59)	109.60 (70.97)	108.13 (71.94)	108.84 (71.47)	113.20 (68.71)	114.03 (68.21)	108 (72.02)	118 (65.92)

(+) Weak Japan inflation: Mar core CPI (excluding fresh food & energy) dropped by 0.1% yoy, the first time since Jul 2013. We expect inflation to slow down after hitting a peak in Oct on fading price-boosting impact of yen depreciation.

(+) JPY may weaken in the medium and long term: Japan's inflation may need more time to rebound to the 2% target. The BOJ may keep its accommodative monetary policy for a while. US-Japan monetary policy difference may widen.



USD/CNH: CNH may consolidate on solid China's economic data

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.
6.8988 (1.1275)	6.9047 (1.1265)	6.8766 (1.1311)	6.7812 (1.1471)	6.8459 (1.1362)	6.9319 (1.1221)	6.9895 (1.1129)

(-) China economic data: China manufacturing PMI in Apr dropped from 51.8 to 51.2, due to the tightened monetary conditions and financial regulation.

(+) PBoC may lower RRR: Regulatory tightening and enforcement will lead to higher and more volatile money market rates than before. To ensure economic targets are met this year, we expect the PBOC may cut RRR in the near future.



Upcoming Economic Figures and Events

US jobs data may become market focus

US	<p>FOMC rate decision</p> <p>➤ There will be no press conference and economic forecast announcement after this FOMC meeting. We expect a similar policy statement. Whether the FOMC changes its inflation outlook is the focus.</p> <p>April US job data</p> <p>➤ April non-farm payrolls were historically higher than figures in other months. We expect NFP to grow 180K in April. Although this is lower than market expectation of 193K, it is enough to prove that US job market is close to full employment.</p>	<p>May 4 (Thu):</p> <p>FOMC rate decision</p> <p>May 5 (Fri):</p> <p>Non-farm payrolls</p> <table><tr><td><u>Citi Forecast</u></td><td><u>Previous</u></td></tr><tr><td>180k</td><td>98k</td></tr></table>	<u>Citi Forecast</u>	<u>Previous</u>	180k	98k
<u>Citi Forecast</u>	<u>Previous</u>					
180k	98k					
EU	<p>April manufacturing PMI (final)</p> <p>➤ We expect the figure to confirm that manufacturing PMI rose for eight consecutive months and reached the highest level since 2011. Rising confidence may support industrial production to rise further for the coming months.</p>	<p>May 2 (Tue):</p> <p>manufacturing PMI (final)</p> <table><tr><td><u>Citi Forecast</u></td><td><u>Previous</u></td></tr><tr><td>56.8</td><td>56.2</td></tr></table>	<u>Citi Forecast</u>	<u>Previous</u>	56.8	56.2
<u>Citi Forecast</u>	<u>Previous</u>					
56.8	56.2					
Australia	<p>RBA policy decision</p> <p>➤ We expect the RBA to keep the interest rate unchanged at 1.5%. Given weak job market and financial uncertainty, the RBA is unlikely to hike rates this year.</p>	<p>May 2 (Tue):</p> <p>RBA rate decision</p>				
NZ	<p>Q1 job data</p> <p>➤ Leading indicator showed moderate growth in NZ employment in Q1. We expect unemployment to drop from 5.2% to 5.0%, close to 4.9% in 2Q16. It is the lowest level since the global financial crisis. Continuous technical immigration may restrain earnings growth.</p>	<p>May 3 (Wed):</p> <p>Unemployment rate</p> <table><tr><td><u>Citi Forecast</u></td><td><u>Previous</u></td></tr><tr><td>5.0%</td><td>5.2%</td></tr></table>	<u>Citi Forecast</u>	<u>Previous</u>	5.0%	5.2%
<u>Citi Forecast</u>	<u>Previous</u>					
5.0%	5.2%					

Appendix 1:

Citi interest rate and FX Forecast for 2017



Citi FX Outlook Forecast

Citi FX interest rate Forecast

	0-3 month	6-12 month	4/28/17	2Q '17	3Q '17	4Q '17
Dollar Index	97.22	103.33	1.00	1.25	1.50	1.50
EUR/USD	1.10	1.04	0.00	0.00	0.00	0.00
GBP/USD	1.35	1.22	0.25	0.25	0.25	0.25
USD/JPY	108	118	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.97	1.03	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.75	0.76	1.50	1.50	1.50	1.50
NZD/USD	0.71	0.68	1.75	1.75	1.75	1.75
USD/CAD	1.34	1.35	0.50	0.50	0.50	0.50
USD/CNY	6.87	7.09	3.30	3.50	3.70	3.70

Source: Citi, forecast as of Apr 28, 2017

 Rate cut expectations
  Rate hike expectations

AUD

AUD may be restrained on weak earnings growth and core inflation and RBA's concern on high household debts, despite strong economic growth. The pair may range trade between 0.75-0.76.

EUR

If Macron is finally elected as next French president, eliminated uncertainty may support EUR in the short term. However, in the medium and long term, the US may announce tax reform and fiscal stimulus plan later this year. A rebound of USD may undermine EUR in the medium term. The pair may fall to 1.04 for the coming 6-12 months.

GBP

GBP may be supported in the short term as the ruling Conservative Party may win more seats in the snap election, which may smooth the Brexit negotiations. GBP/USD may rise to 1.35 for the coming 0-3 months. However, in the medium and long term, the pair may fall to 1.22 for the coming 6-12 months on weakening UK fundamentals.

JPY

US treasury yields may rebound as the US may announce fiscal stimulus plan later this year, which may raise expectation of accelerated rate hikes by the Fed. Widening US-Japan yield spread may undermine JPY. USD/JPY may rise to 118 for the coming 6-12 months.

Appendix 2: Last week's Economic Figures



Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
04/24/17 22:30	US	!	Dallas Fed Manf. Activity	Apr	16.8	17.0	16.9
Tuesday							
04/25/17 22:00	US	!	New Home Sales MoM	Mar	5.80%	-1.40%	0.30%
Wednesday							
04/26/17 06:45	NZ	!!	Net Migration SA	Mar	6100	--	5980
04/26/17 09:30	AU	!!!	CPI YoY	1Q	2.10%	2.20%	1.50%
04/26/17 20:30	CA	!!	Retail Sales Ex Auto MoM	Feb	-0.10%	-0.30%	2.30%
Thursday							
04/27/17 17:00	EC	!	Economic Confidence	Apr	109.6	108.2	108
04/27/17 19:45	EC	!!!	ECB Main Refinancing Rate	27-Apr	0.00%	0.00%	0.00%
04/27/17 20:30	US	!	Durable Goods Orders	Mar P	0.70%	1.30%	2.30%
04/27/17 20:30	US	!	Initial Jobless Claims	22-Apr	257k	245k	243k
04/27/17 22:00	US	!	Pending Home Sales NSA YoY	Mar	0.50%	--	-2.40%
04/27/17	JN	!!!	BOJ Monetary Policy Statement				
Friday							
04/28/17 06:45	NZ	!	Building Permits MoM	Mar	-1.80%	--	17.20%
04/28/17 06:45	NZ	!!	Trade Balance NZD	Mar	332m	370m	-50m
04/28/17 07:30	JN	!!	Jobless Rate	Mar	2.80%	2.90%	2.80%
04/28/17 07:30	JN	!!	Natl CPI YoY	Mar	0.20%	0.30%	0.30%
04/28/17 07:50	JN	!	Retail Trade YoY	Mar	2.10%	1.50%	0.10%
04/28/17 07:50	JN	!	Industrial Production MoM	Mar P	-2.10%	-0.80%	3.20%
04/28/17 16:30	UK	!!	GDP YoY	1Q A	2.10%	2.20%	1.90%
04/28/17 17:00	EC	!!	CPI Estimate YoY	Apr	1.90%	1.80%	1.50%
04/28/17 20:30	CA	!!!	GDP YoY	Feb	2.50%	2.60%	2.30%
04/28/17 20:30	US	!!!	GDP Annualized QoQ	1Q A	0.70%	1.00%	2.10%
04/28/17 22:00	US	!!	U. of Mich. Sentiment	Apr F	97.0	98.5	98

Appendix 3: Upcoming Economic Figures (May 1, 2017 – May 5, 2017)



Time		Importance	Event	Period	Actual	Survey	Prior
Monday							
05/01/17 22:00	US	!	ISM Manufacturing	Apr	--	56.5	57.2
Tuesday							
05/02/17 09:45	CH	!!	Caixin China PMI Mfg	Apr	--	51.3	51.2
05/02/17 12:30	AU	!!!	RBA Cash Rate Target	2-May	--	1.50%	1.50%
05/02/17 16:00	EC	!!	Markit Eurozone Manufacturing PMI	Apr F	--	56.8	56.8
05/02/17 16:30	UK	!!	Markit UK PMI Manufacturing SA	Apr	--	54	54.2
05/02/17 17:00	EC	!	Unemployment Rate	Mar	--	9.40%	9.50%
Wednesday							
05/03/17 06:45	NZ	!!!	Unemployment Rate	1Q	--	5.10%	5.20%
05/03/17 06:45	NZ	!!	Average Hourly Earnings QoQ	1Q	--	0.70%	-0.30%
05/03/17 17:00	EC	!!	GDP SA YoY	1Q A	--	1.70%	1.70%
05/03/17 20:15	US	!!	ADP Employment Change	Apr	--	175k	263k
Thursday							
05/04/17 02:00	US	!!!	FOMC Rate Decision (Upper Bound)	3-May	--	1.00%	1.00%
05/04/17 09:30	AU	!!	Trade Balance	Mar	--	A\$3300m	A\$3574m
05/04/17 16:00	EC	!!	Markit Eurozone Services PMI	Apr F	--	56.2	56.2
05/04/17 16:30	UK	!!	Markit/CIPS UK Services PMI	Apr	--	54.6	55
05/04/17 17:00	EC	!	Retail Sales YoY	Mar	--	--	1.80%
05/04/17 20:30	US	!	Trade Balance	Mar	--	-\$45.2b	-\$43.6b
05/04/17 20:30	US	!	Initial Jobless Claims	29-Apr	--	--	257k
05/04/17 22:00	US	!	Factory Orders	Mar	--	0.60%	1.00%
05/04/17 22:00	US	!!	Durable Goods Orders	Mar F	--	--	0.70%
Friday							
05/05/17 09:30	AU	!!!	RBA Statement on Monetary Policy				
05/05/17 20:30	US	!!!	Change in Nonfarm Payrolls	Apr	--	193k	98k
05/05/17 20:30	CA	!!!	Unemployment Rate	Apr	--	6.70%	6.70%
05/05/17 20:30	US	!!!	Unemployment Rate	Apr	--	4.60%	4.50%
05/05/17 20:30	US	!!	Average Hourly Earnings YoY	Apr	--	2.70%	2.70%

Important Disclosure



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Unrated or non investment grade Debt Securities typically offer a higher yield than investment grade Debt Securities, but also present greater risks with respect to liquidity, volatility, and non-payment of principal and interest. As a result of being classified as non investment grade Debt Securities, these Debt Securities present a greater degree of credit risk relative to many other fixed income Debt Securities.

Higher Credit Risk – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

Higher Liquidity and Secondary Market Risk – The markets in which unrated or non investment grade Debt Securities are traded are generally more limited than those in which investment grade Debt Securities are traded. This lack of liquidity may make it more difficult to resell these Debt Securities and obtain market quotations.

Downgrade Risk – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on "credit watch" by rating agencies, causing volatility and speculation of further credit deterioration.

Higher Vulnerability to economic cycles - During economic downturns, unrated or non investment grade Debt Securities are typically more susceptible to price volatility and fall more in value than investment grade Debt Securities as i) investors may reevaluate holdings in lower-quality bonds in favor of investment-grade corporate Debt Securities; ii) investors become more risk averse; and iii) default risk rises. This is often referred to a "flight to quality".

Event Risk – This includes any of a variety of events that can adversely affect the issuer of unrated or non investment grade Debt Securities, and therefore the issuer's ability to meet debt service obligations to repay principal and interest to Debt Securities holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. It could have a direct or indirect impact on the issuer and their outstanding debts.

Important Disclosure



Risk relating to RMB – If you choose RMB as the base currency or the alternate currency, you should also note the following:

RMB is currently not freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility, utilisation or transferability of RMB (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that you may not be able to convert RMB received into other freely convertible currencies.

CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.