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GCU Bulletin

[8 news-treats on exchange rates,
money and monetary policy](#)

Dear Colleagues and Contacts of GCU,

At impressive speed, China is succeeding in promoting the use of and implementing access to direct settlements in their currency, the yuan - nicknamed the "redback." The redback is now directly exchangeable for all major currencies, including the US dollar, British pound, Australian and New Zealand dollars, Japanese yen and [now the Euro](#). Further currency-swap agreements have been entered between China and 26 countries, including South Korea, Brazil, Turkey, Thailand, Argentina, etc.

With cities, capitals and even countries across the world [scrambling to become their region's first hub for clearing the redback](#), this raises the question: Which feature does this newcomer on the international scene have that is not already offered by other currencies? The answer: basically none ... besides one small feature, namely that it offers currency stability towards what is soon to be the biggest economy in the world.

If the world is taken by surprise when the use of the redback skyrockets, it is because it has failed to take proper note of the simple misalignment between the sheer size of the Chinese economy and the proportional use of their currency. As the world's largest exporter since 2010, boasting an average growth rate in GDP of 17,6% between 2001-2013, China is *en route* to becoming the world's largest economy, and as a result its currency will likely become the most influential.

Obviously, increased stability is a strong parameter in a marketplace - with the USD currently as the *de facto* standard - where inefficiency, volatility and inherent risk are a daily reality when pricing and settling international business transactions. [The USD is part of 87% all FX-trades](#), but the US economy represents [only 19% of global GDP](#), leaving the huge difference in volume to be settled as trade currency between partners where neither have the USD as their own domestic currency. This exchange-rate inefficiency is a key factor motivating and laying the groundwork for the astonishing changes that are emerging.

Now, if the coveted function is stability and reduced risk, could this be achieved in other new innovative ways - not only towards the yuan but between any two currencies? As an example, I invite you to take a look at the [exchange rate mitigating mechanism developed by GCU](#) and brought to the market as [GCU Reports](#).

It will definitely be interesting to follow the inevitable transformation of the landscape as the redback rises.

I hope you will enjoy reading the eight news-treats below.

[Best regards](#),
Jesper Toft, [GCU](#)



[The yuan to start direct trading with euro as China pushes usage](#)

The world's second-largest economy seeks to spur global use of its currency and now starts direct trading between the yuan and the euro. The euro will become the sixth major currency to be exchangeable directly for yuan in Shanghai, joining the U.S., Australian and New Zealand dollars, the British pound and the Japanese yen.

[Bloomberg](#)

[RMB fever spreads to one-third of banks](#)

China's renminbi currency is continuing its path toward internationalization, with more than one third of the world's financial institutions now using it to conduct business with China and Hong Kong. SWIFT reports that use of the Chinese currency continues to grow, especially in the United States and Europe.

[CFO.com](#)



[French debt tops symbolic level of 2 trillion euros, now > 95% of GDP](#)



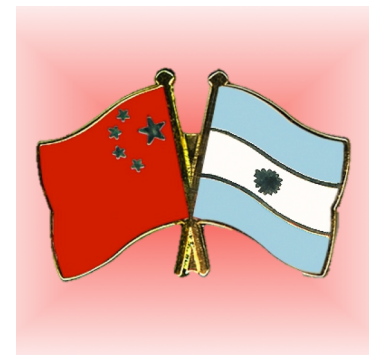
France's public debt has shot up to just over 2 trillion euros (\$2.5 trillion) for the first time, according to official figures for the second quarter of 2014. National debt now stands at 95.1 percent of GDP, more than 35 percent higher than the EU's fiscal rules allow.

[Deutsche Welle](#)

[Argentina's bilateral trade with China rising after swap](#)

Importers in Argentina can now get "better negotiating conditions" as Chinese exporters can avoid the risk of exchanging yuan for dollars, before dollars get converted into pesos. There has been an 'increase in both operations and inquiries,' says Miguel Zielonka, director of Global Markets for the Industrial and Commercial Bank of China (ICBC)'s local subsidiary.

[Buenos Aires Herald](#)



**Are most of your international purchasing contracts in USD?
- then maybe the significant hike in the rate presents a problem**

Find out how [GCU Reports](#) can help you mitigate the adverse effects of such sudden change in exchange rates.

GCU Reports – *reduced risk and equal impact*

Grand global ambitions for renminbi sow domestic risks

Most people from outside China have never used the renminbi for much more than buying trinkets at the Great Wall or steamed buns in a Shanghai eatery. Despite the country's huge economic clout, its currency remains a minnow in the worlds of trade settlement, cross-border payments and global investing. But that is changing fast ...



[Financial Times](#)



India calls for G20 swap lines to mitigate US stimulus withdrawal

India has suggested creation of currency swap lines among G20 nations to mitigate risks on emerging markets currencies as the US gradually winds down its stimulus programme.

[The Economic Times](#)

Related: [India cbank chief wants to reduce undue volatility in rupee](#)

Strengthening dollar could hinder U.S. growth, says Dudley, Fed

'A sharply stronger dollar could hamper efforts to spur growth and lift inflation', says William C. Dudley, President of the Federal Reserve Bank of New York in unusually direct remarks about the US currency, as USD touches the highest level since June 2010.

[Bloomberg](#)



G20 credibility depends on its trade agenda

The evolution of the world trading system no longer supports the delivery of opportunities that follow from innovations in international business, state participants at a roundtable held in the EU Centre for Global Affairs.

[All Africa](#)

The Global Currency Union has successfully developed two innovative systems to reduce and mitigate the adverse effects of excess exchange rate volatility:

The Exchange Rate Mitigation System, which provides Pareto optimal reduction of exchange rate risk for any international business transaction, and

The Multi-Currency System, which reduces the risk for fluctuation through an electronic unit comprised of a plurality of currencies.

GCU – exchange rates innovated





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