

Friday, October 17, 2014

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GCU Bulletin

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

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Dear Colleagues and Contacts of GCU,

The past weeks news was mostly focused on this autumn's IMF meeting, where clashing statements and contradictory news dominated the media as never before. Without compromising anyone, it could be said that it looks like not everybody is completely on the same page when it comes to the perspective on exchange rates:

- U.S. Treasury Secretary Jacob Lew emphasized last week that '[the G7 agreement against currency war remains intact](#)', although
- shortly thereafter his G7 colleague Governor Kuroda from the Bank of Japan stated that '[a weak yen is positive for Japan](#),' which was then followed by another G7 colleague,
- Ewald Nowothny from the ECB Governing Council, who was quoted as stating that '[the euro is very likely to keep weakening...](#)'
- Secretary Lew's statement was further put into an interesting perspective by FED Vice-Chair Stanley Fischer stating at the Brookings Institution that '[the Fed plans to evaluate the U.S. dollar's strength in terms of effects on aggregate demand.](#)'
- Mexico's finance minister Luis Videgaray Caso summed it up by putting his finger very precisely on this sore topic on Tuesday this week, concluding that '[volatility is going to be a challenge](#)'.

So, as said, it it looks like not all are in agreement.

Obviously, aspects surrounding the matter of exchange rates are difficult to address, as they exist 'between' economies – functioning as a simple utility enabling economic integration, and as such is not part of any sovereign economy. And as everybody is hired and paid to advance the interests of one of the market participants over the others, common ground on how to handle this matter in no-man's land is not likely found any time soon.

However a good thing about exchange rates is, that they are man-made and so can be further developed and improved by man. If approached from a technical and neutral angle, improvements reducing currency frictions to better serve international trade and investment can be achieved by focusing on exchange rates as a utility enabling economic integration.

As one example of such innovative development, let me direct your attention to a new system and method which eliminates any inefficiency in exchange rates when using an intermediary currency for pricing and settlement (see [link](#)). This system ensures minimal risk of deviation for any given deal and further enables the sharing of exchange rate impact, ensuring neither positive or negative consequences to either party. This is just one example of a new approach to exchange rates that reduces risk.

The GCU [welcomes dialogue and contributions](#) relating to the matter of exchange rates.

Best regards,
Jesper Toft

Also, read previous GCU Bulletins:

- [Redback vs. Greenback. Transformation of the monetary marketplace](#)

- [Overvalued currencies - approaching currency wars](#)

GCU - [exchange rates innovated](#)



[ECB weighs first step to buying yuan for foreign reserves](#)

When the governing council of the European Central Bank convenes next, it is likely they - following the UK's recent actions - will be discussing whether to begin laying the groundwork to add the Chinese yuan to the ECB's foreign-currency reserves.

[Bloomberg](#)

[Related article](#)

Fed plans to evaluate the U.S. dollar's strength in terms of effects on aggregate demand: Fischer

Speaking at the Brookings Institution in Washington last week, Fischer said the Fed plans to evaluate the U.S. dollar's strength in terms of effects on aggregate demand. The Fed recently cut its growth outlook due to the higher dollar, as a number of committee participants fear a rising dollar could hurt U.S. exports, slow inflation, and harm U.S. competitiveness.



[Yahoo Finance](#)

Volatility 'going to be a challenge': Mexico finance minister

Market volatility will remain high as the U.S. moves closer to raising interest rates, and could pose difficulties for emerging markets, Mexico's Finance Minister, Luis Videgaray Caso, told CNBC on Tuesday.



[CNBC.com](#)

Bank of Thailand pushes traders to increase use of yuan due to better stability over dollar

The Hong Kong Monetary Authority (HKMA) and the Bank of Thailand are encouraging businesses, investors and exporters in Thailand to diversify their currency-exchange risks by employing the Chinese yuan for transactions, thereby reducing exposure to the US dollar.



[The Nation](#)

**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.

USD		GBP	
Rate at time of agreement	1.0000	Rate at time of agreement	0.7500
Rate at time of settlement	1.0000	Rate at time of settlement	0.7500
Change	0.0000	Change	0.0000

GCU Reports – reduced risk and equal impact

Bank of Japan's Kuroda reiterates that weak yen is good for Japan economy

At the IMF meeting Governor Haruhiko Kuroda said that there is no gap in views between the government and the central bank that a weak yen is positive for the world's third-largest economy.



[The Straits Times](#)



[China, Russia seek 'international justice', agree currency swap line](#)

In order to reduce dependency on the US dollar, Chinese Prime Minister Li Keqiang and his Russian counterpart Dmitry Medvedev signed a deal to open a yuan-ruble swap line worth 150 billion yuan (\$24.5 billion), allowing the countries to use each other's currencies without buying them on the currency markets.

[The Citizen](#)

[France Is living fat and giving the finger to Germany](#)

Paris isn't even trying to pretend that it cares anymore about hitting the eurozone's debt targets. But now a showdown with Brussels looms.

[Foreign Policy](#)

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[Beijing: Track toward global yuan continues undeterred](#)

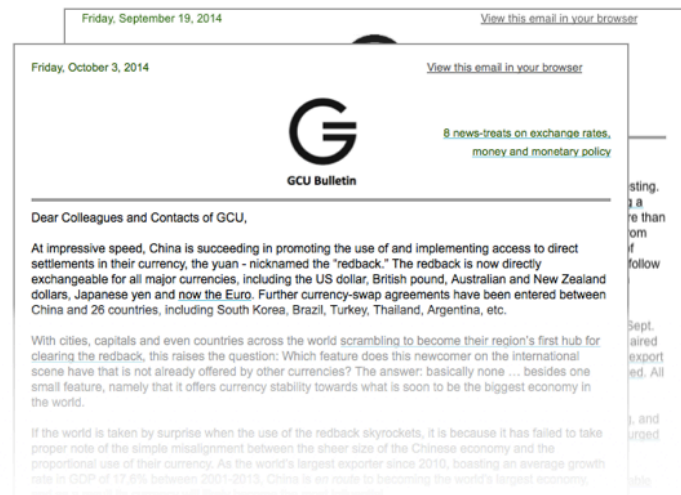
While China is struggling to stabilize and rebalance its economy, it is sparing no effort in its long drive to make its currency more global.

[Shanghai Daily](#)

Read the previous GCU Bulletins:

[Oct. 3: Redback vs. Greenback. Transformation of the monetary marketplace](#)

[Sept. 19: Overvalued currencies - approaching currency wars](#)



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