



GCU Bulletin

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

Dear Colleagues and Contacts of GCU,

Once in a while you get the message on your computer: '*Update Available*'. We all expect this and see it as a natural ongoing progression for improving the system. On that note, let me ask you the following: Have the various systems in our cars, in retail stores, in our telephone changed over the past 40 years? YES, all systems surrounding us in daily life have indeed changed fundamentally over that time ... with the exception of that system by which we exchange currencies - the main artery connecting our economies.

So no wonder that this system has had a hard time mitigating nations' individual monetary actions in a globalized world fundamentally different from that of 40 years ago.

It is important to note that the message on your computer is not '*Delete Your Current System and Install Another System*', it rather says '*Update Available*'. Updates do not change the basic ways a system functions, they merely remove inefficiencies and bugs to make the system more functional and user-friendly. In view of that, an update would make sense to the system by which all our economies integrate, the exchange rate system. Not a complete change, but an update which makes available a more efficient way to mitigate exchange rate volatility and remove inefficiencies.

Mohamed El-Erian, Chairman of US Global Development Council, [addressed last week the matter of currency volatility as a threat to growth and market 'soundness'](#) - and this gives an ideal perspective on the need for an update.

GCU has developed a mechanism and system which removes exchange rate in-efficiency, i.e. ensures Pareto-optimal reduction of risk for deviation between any two currencies in any situation when an intermediary currency is used for pricing and settlement. Now the question is, who should take the lead and get behind the implementation of this update, which on average will reduce risk of deviation by 33% for more 2/3 of global trade? Your thoughts on this are welcomed.

We have now exceeded 3,000 recipients for this newsletter - who are mostly from academia, media and governmental offices. As always, please feel free to pass it on to others interested in exchange rates, monies and monetary policies.

I hope you will find the eight carefully selected news highlights interesting.

Best regards,
Jesper Toft

GCU - exchange rates innovated

Read previous GCU Bulletins:

- [Turkish Delight?](#)
- [The exchange rate no-man's land](#)
- [Redback vs. Greenback.](#)



Nigeria in process of switching reserves from US dollar to yuan

The Central Bank of Nigeria (CBN) plans to convert more of the country's foreign reserve to yuan. 'Nigeria is among few countries, or two or four countries, in the world that have parts of their foreign reserve in yuan and we are happy about that', says Chinese Ambassador to Nigeria, Mr Gu Xiaojie.

[AllAfrica](#)

Excessive movements in currencies becoming a risk themselves

Mohamed El-Erian (Chair of US Global Development Council) has warned that policymakers don't understand how much risk volatile currency markets and a strong dollar could pose to market 'soundness' and the economic recovery. 'Volatility has returned to currency markets as central banks diverge in their response to lackluster growth and deflation. This can result in "excessive movements" in currencies becoming a risk themselves', he said.



[CNBC](#)



Confusing signals from the land of the rising sun

Prime Minister Shinzo Abe says:

- Actions not aimed at weakening the yen

BOJ's Kuroda says:

- We are happy that the yen is weak

- We will continue to expand money supply

[The Economic Times](#)

South Korea says it won't stand by as weak yen hits competitiveness

South Korean authorities won't sit on their hands while a tumbling yen undercuts the country's export competitiveness, the central bank chief, Lee Ju-yeol, said on Friday. The yen has dropped 30 percent against the won in the past two years.



[Reuters](#)



The Exchange Rate Mitigation System, namely GCU Reports, is the first system developed by GCU.

The first commercial transaction between two business partners using GCU Reports took place in August 2014.

Find out how GCU Reports can help companies in your country to mitigate the adverse effects of such sudden change in exchange rates.

GCU Reports – *reduced risk and equal impact*

Major economies should coordinate policy measures

'Decisions by the Fed, ECB and BOJ infer a currency war', says Joergen Oerstroem Moeller, and he continues: 'The only way ahead is coordinated policy measures. The monetary policy pursued by major central banks will ultimately make all losers - with disastrous consequences for the economies that they should shield and protect'.





[Currency wars fail to spark global growth](#)

By default, competitive devaluations stemming from successive quantitative easing programmes have become the stimulus instrument of choice. Such currency wars have boosted equity markets without a simultaneous pick-up in global economic growth. 'Ultimately, currency wars are destructive and structural changes would be the lasting way to boost global growth', says global macro-economist, Komal Sri-Kumar.

[Financial Times](#)

[Putin, Xi discuss possibility to use yuan in mutual transactions](#)

Russia's President Vladimir Putin and China's President Xi Jinping have discussed the possibility of using the yuan in mutual transactions in different fields of cooperation. 'This will help strengthen the yuan as the region's reserve currency', says Kremlin spokesman Dmitry Peskov.



[Focus](#)



[Redback on track towards global dominance - Westpac](#)

The large Australian bank foresees that the Chinese yuan could be on track to becoming a preferred currency for countries' foreign reserves. A look at the past two weeks news about the yuan makes it look like Westpac is right: [Canada/China expands use of yuan in trade](#) • [TWD-CNY transactions up 100% in 9 months](#) • [Malaysia gets yuan clearing house](#) • [Qatar first Mideast yuan hub](#) • [Foreign firms' use of yuan climbs ... tbc](#)

[The Australian Business Review](#)

Read the previous GCU Bulletins:

- Oct. 31: [Turkish Delight? Upcoming G20 chair and 18% year-on-year lira fluctuation](#)
- Oct. 17: [The exchange rate no-man's land](#)
- Oct. 3: [Redback vs. Greenback. Transformation of the monetary marketplace](#)

[And more ...](#)



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