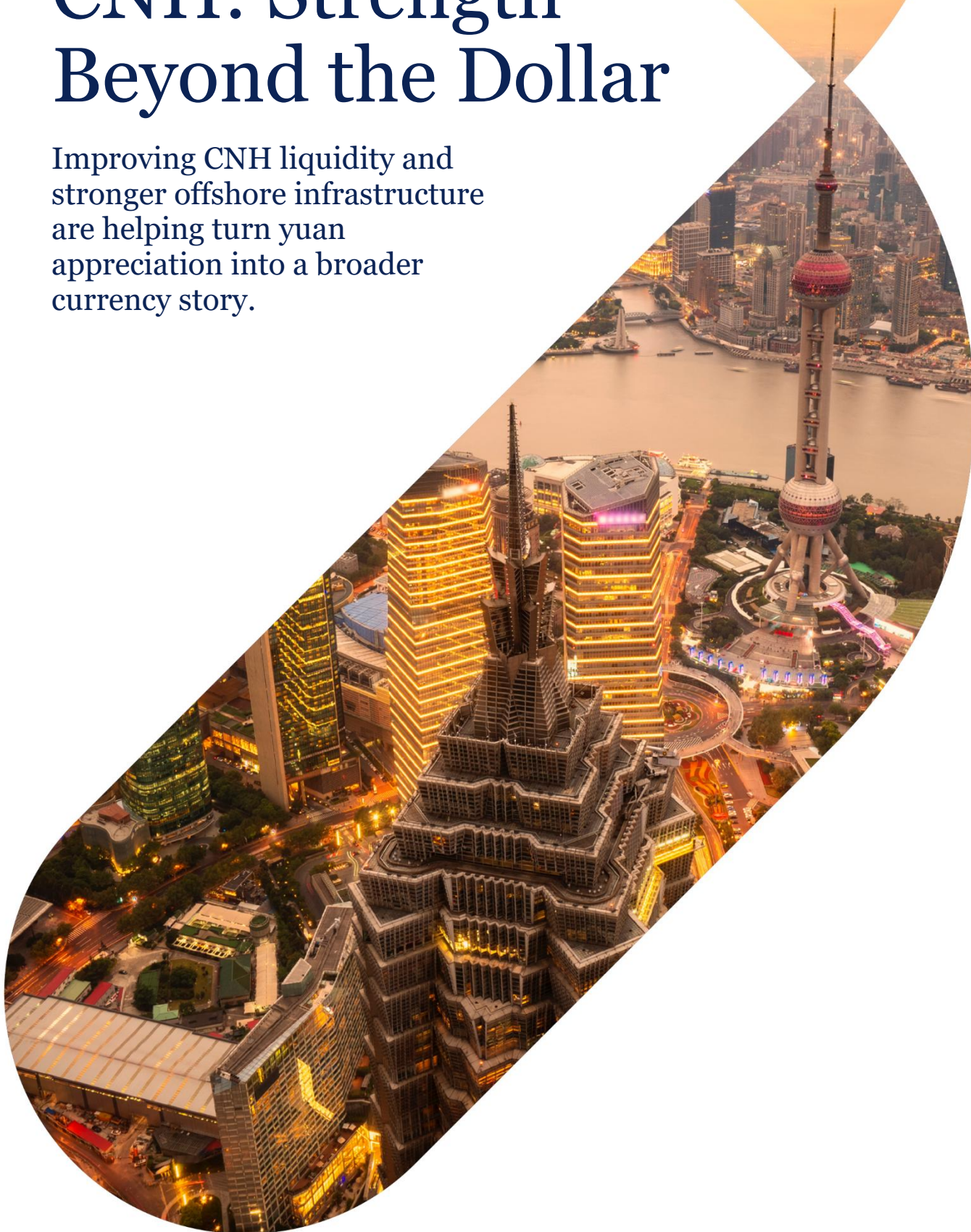


# CNH: Strength Beyond the Dollar

Improving CNH liquidity and stronger offshore infrastructure are helping turn yuan appreciation into a broader currency story.



# Table of Contents

CNH: Strength Beyond the Dollar .....	3
Price Discovery: From Tariff Shock to China Confidence .....	3
Why This Yuan Appreciation is Different..	3
The Path to Currency Internationalisation	4
CNH Liquidity: From Stress to Stability ....	4
Offshore Yuan Infrastructure .....	6
Our View .....	7
FX Access and CNH Hedging Support .....	7
<i>Glossary</i> .....	8
<i>Source Abbreviations</i> .....	8
Sucden Financial Research Services.....	9
Disclaimer .....	10

**Published by:**  
**Sucden Financial Limited**  
July 2026

**Research Desk**  
research@sucfin.com

**Press Enquiries**  
press@sucfin.com

**Authors:**



**Daria Efanova**  
Head of Research



**Viktoria Kuszak**  
Senior Research Analyst

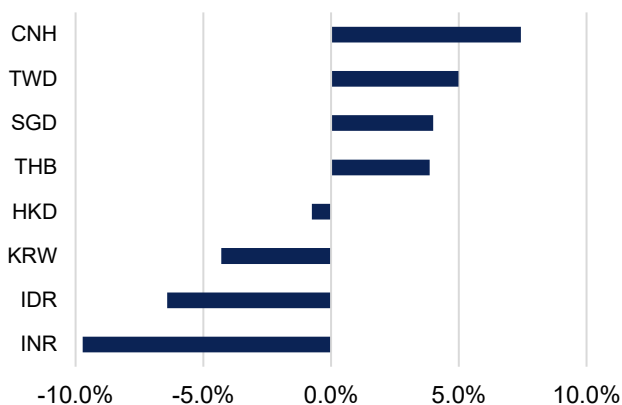
# CNH: Strength Beyond the Dollar

## Price Discovery: From Tariff Shock to China Confidence

The offshore yuan's (CNH) appreciation since the US tariff shock in April 2025 initially looked counterintuitive. After briefly weakening towards 7.35 per dollar on fears of slower exports, capital outflows and a more tolerant policy stance, the move quickly reversed. Since then, the yuan has gained more than 9% against the dollar, reaching 6.75, making it one of the strongest-performing Asian currencies over the period.

### CNH Performance vs other Asian currencies

CNH has led Asian FX since April 2025, pointing to a more limited tariff impact on China than the wider region.



Source: FRED; % change against USD since 01/04/2025

The first leg of the recovery was supported by resilient exports, broad dollar weakness and a foreign exchange (FX) settlement story. China's trade surplus approached \$1.2 trillion in 2025, while exporters that had previously held dollar earnings during the 2022–2025 yuan weakness began converting more proceeds back into renminbi. State Administration of Foreign Exchange (SAFE) data show Chinese banks bought around \$766 billion of FX from clients in Q1 2026 while selling \$628 billion, implying net FX settlement of nearly \$140 billion, compared with a net outflow of \$57.6 billion in Q1 2025.

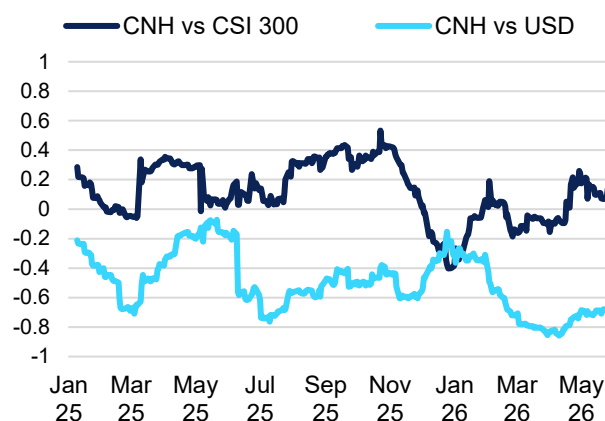
More recently, however, the rally has become less a by-product of dollar weakness and more a China-specific story. Chinese equities attracted renewed interest as concerns around the Iran conflict faded and investors refocused on domestic growth themes, artificial intelligence (AI), advanced manufacturing and technology exports. China was also viewed as relatively

insulated from Middle Eastern energy disruption compared with several other Asian economies.

That shift is visible in market correlations. The 40-day correlation between the China Securities Index 300 (CSI 300) and the yuan has climbed to its highest level in three years, while the yuan's correlation with the dollar has weakened. The currency is increasingly responding to investor perceptions of China itself rather than simply tracking broader dollar moves.

### CNH correlation with CSI 300 and the Dollar

Since March 2026, CNH has become more closely tied to the CSI 300, while the dollar's influence has been fading.



Source: FRED, CFETS, CSI

Portfolio flows have also broadened beyond equities, with Chinese government bonds benefiting from stabilising foreign demand after several years of outflows. At the same time, stronger demand for offshore yuan has pushed CNH funding costs in Hong Kong higher since the start of the Middle Eastern conflict, reinforcing a confidence loop: a firmer yuan reduces FX risk, supports foreign demand for Chinese assets and generates further demand for the currency.

Taken together, the drivers have evolved from a conventional dollar-driven rebound into a broader story of trade inflows, exporter conversion, portfolio demand and confidence in China's technology and manufacturing sectors.

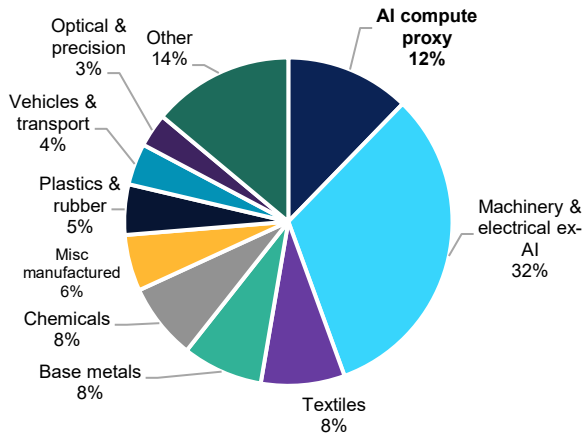
## Why This Yuan Appreciation is Different

China's changing export structure helps explain why policymakers have tolerated the move. Historically, Beijing was cautious about appreciation because much of the export sector competed on price and operated with thin margins. Today, customs data show semiconductors, computers and other technology-related products accounting for roughly half of recent

export growth, while traditional sectors such as clothing and furniture have been flat or declining.

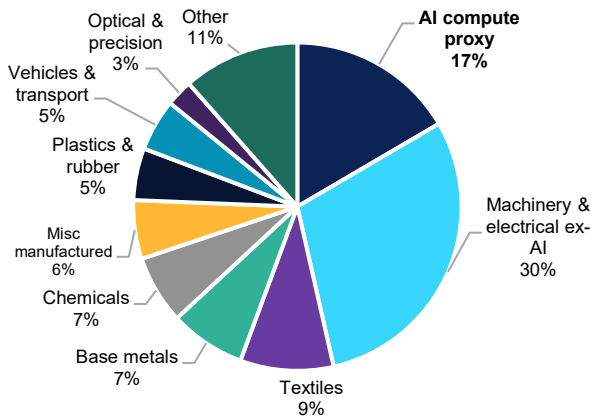
### China Exports by Product Type: March 2020

AI-related goods are taking a larger share of Chinese exports, pointing to the sector's growing role in the export mix.



Source: GACC, Sucden Financial

### China Exports by Product Type: May 2026



Source: GACC, Sucden Financial

In higher-value industries, competitiveness depends less on the exchange rate and more on technology, innovation and supply-chain depth. A stronger yuan also lowers the cost of imported energy, semiconductor equipment and advanced manufacturing inputs, helping contain imported inflation while supporting industrial upgrading.

Policy signals have reinforced this view. Daily fixings have largely remained near their strongest levels in almost three years despite the currency's gains, suggesting authorities are managing the pace of appreciation rather than resisting it outright. The stronger yuan also fits a broader objective: increasing the renminbi's role in the global financial system.

## The Path to Currency Internationalisation

China has become more vocal about renminbi internationalisation since 2025, presenting the current environment as an opportunity to strengthen the currency's standing while confidence in long-term dollar dominance is under greater scrutiny. The latest Five-Year Plan reiterated support for this goal, with officials supporting the building of a "powerful currency".

Recent People's Bank of China (PBOC) initiatives point in that direction. The central bank broadened the Foreign and International Monetary Authorities (FIMA) repo facility, allowing overseas central-bank-type institutions to obtain yuan liquidity by pledging Chinese government bonds, while outstanding use of PBOC swap lines rose to 111.6 billion yuan in Q1, the highest level in two years.

The push is also visible in trade settlement and funding markets. As more Chinese trade is settled in yuan, foreign banks, companies and trading partners need larger renminbi balances. Meanwhile, panda bond issuance has reached around RMB51.4 billion so far this year, the strongest start on record, turning what was once a niche market into a more meaningful funding channel.

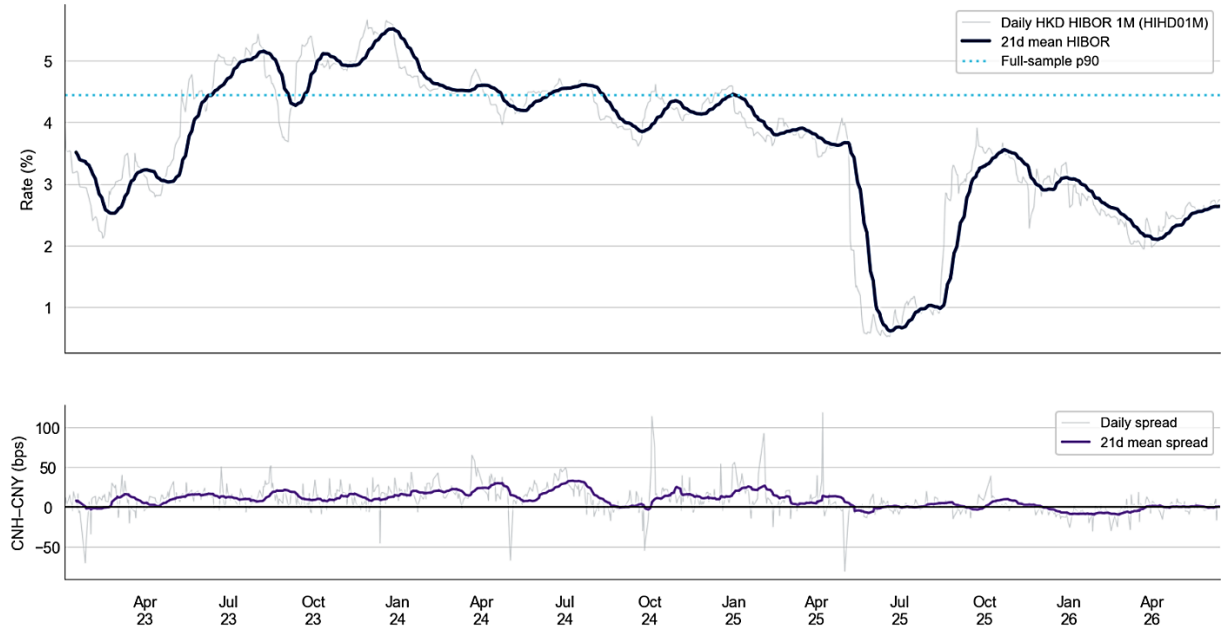
Beijing's objective appears to be expanding the yuan's role at the margin, as a larger share of global trade, investment and reserve activity taking place in renminbi.

## CNH Liquidity: From Stress to Stability

Three years ago, offshore yuan borrowing costs were higher and more prone to fluctuation. Funding rates in Hong Kong spiked above 5%, the gap between onshore and offshore prices widened, and anyone hedging or trading CNH had to account for the possibility of sudden liquidity constraints. Today the picture is calmer. Offshore funding costs have fallen back towards 2–3%, the onshore-offshore price gap is barely visible, and CNH volatility remains low by emerging-market standards.

Daily HIBOR and CNH-CNY spread

The 2023 offshore funding squeeze has given way to lower HIBOR and a near-zero CNH-CNY basis, pointing to more stable CNH liquidity today than at the 2023 peak.



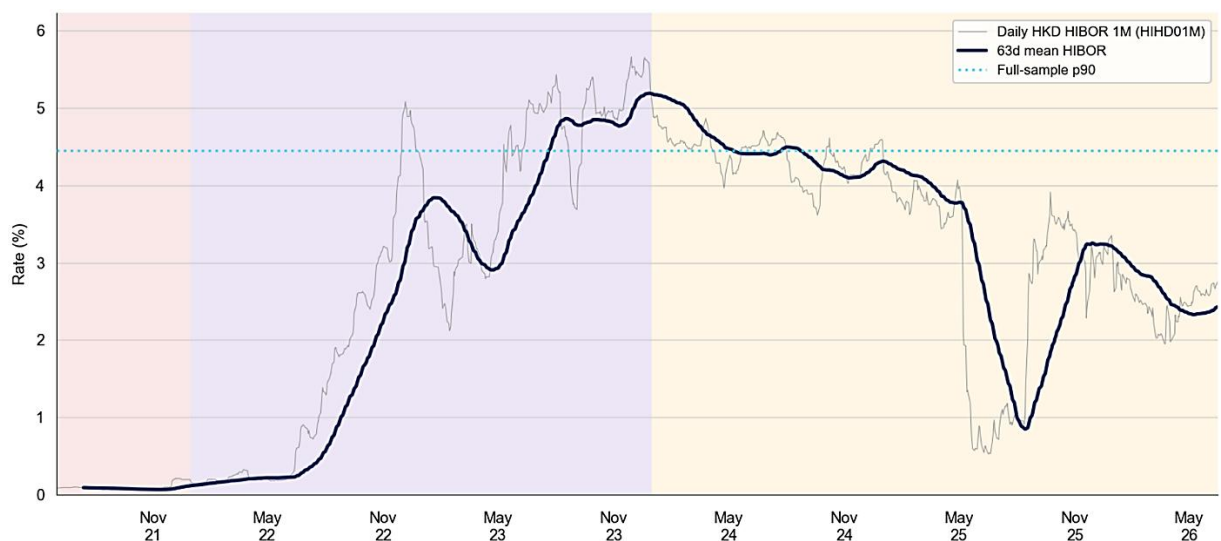
Source: HKAB, CFETS, Sucden Financial

CNH liquidity matters because it determines whether offshore yuan is usable in practice, not just supported in theory. The recent rally has increased interest in yuan assets, but that demand only becomes durable if investors can fund positions, hedge exposure and move between CNH and CNY without facing sharp basis

moves or sudden jumps in borrowing costs. This is where the offshore market looks different from 2022–23: funding conditions are calmer, the CNH-CNY gap is narrower, and volatility has remained contained. In other words, the yuan story is no longer only about appreciation; it is also about whether the offshore market has become deep enough to support broader use.

Smoothed offshore CNH funding cost, June 2021 to present

Offshore funding tightened sharply in 2022-23 as China defended the yuan against a strong dollar, then eased in 2024-26 while spot moves stayed contained.



Source: HKAB, Sucden Financial

## Offshore Yuan Infrastructure

The 2022–23 experience prompted authorities to implement a series of structural measures which have aimed to give international investors more reliable access to yuan funding and collateral, supporting the currency's international use.

In January 2025, the Hong Kong Monetary Authority (HKMA) and PBOC announced measures to deepen financial cooperation. Northbound Bond Connect holdings were approved as collateral for offshore RMB repo transactions and for margin at OTC Clearing Hong Kong, while the HKMA expanded eligible collateral for its RMB Liquidity Facility to include onshore government and policy-bank bonds. The goal was straightforward: foreign holders of Chinese bonds should be able to borrow yuan against those bonds offshore, rather than being forced to sell assets when they need cash.

The infrastructure was strengthened further through the RMB Business Facility, launched in October 2025 and doubled to RMB200 billion in January 2026. Backed by the HKMA-PBOC currency swap line, the facility channels onshore yuan into Hong Kong's offshore market through repo and cross-currency swap transactions, giving banks a more stable source of RMB funding for corporate lending.

At the June 2026 Lujiazui Forum, PBOC announced a FIMA RMB Repo facility, allowing foreign central banks, sovereign wealth funds and similar institutions to obtain yuan liquidity from the PBOC by pledging Chinese government and high-grade bonds as collateral. This facility also outlined a pilot under which six major

Chinese banks will conduct offshore yuan FX trading through CFETS in the Shanghai free-trade zone.

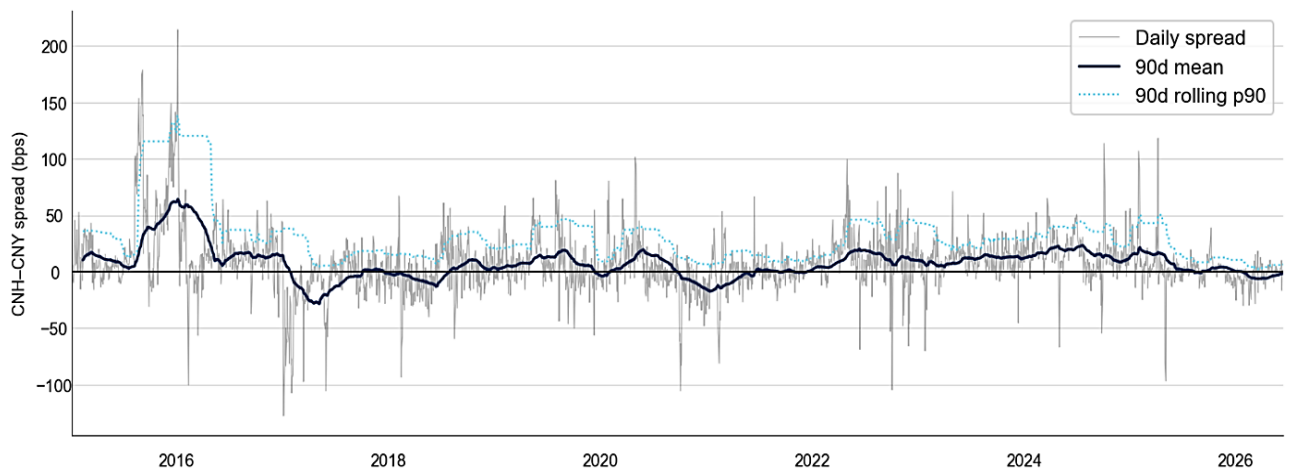
The market data suggest these efforts are beginning to matter. Average daily turnover involving the renminbi reached about \$817 billion in April 2025, more than 55% above 2022 levels, lifting its share of global FX turnover to 8.5% and making it the fifth-most traded currency globally. Hong Kong's listed market also saw strong growth during the tariff-driven volatility of 2025, with renminbi futures volumes rising sharply and USD/CNH futures later recording record activity days as hedging demand climbed.

Although activity has moderated in 2026, the liquidity base has continued to deepen. Renminbi deposits in Hong Kong rose from RMB960 billion at the end of 2025 to about RMB1.08 trillion by April 2026, suggesting more yuan is being held offshore for treasury, financing, investment and settlement purposes. Investor access has broadened too, with CNH exposure increasingly available through multicurrency accounts, exchange-traded products, funds and derivatives, while smaller contract sizes have made participation easier for private investors and smaller institutions.

Current pricing also points to calmer conditions. As of mid-June 2026, one-month HIBOR is 2.75%, below the 4.45% stress threshold and averaging around 2.5% since mid-2025. The CNH-CNY spread is just 1.3 basis points (bps), effectively flat, while one-month realised CNH volatility is around 2.3%. US dollar/onshore yuan (USDCNY) and US dollar/offshore yuan (USDCNH) both trade near 6.76, with less than 1bp between them, showing calmer funding and a tightly managed offshore-onshore relationship.

### CNH-CNY spread with 90-day mean and rolling 90th percentile

*Repeated widening of the CNH-CNY gap in 2015-16 and 2022-23 flagged offshore liquidity pressure, in contrast to the subdued basis seen recently.*



Source: CFETS

## Our View

We continue to see a directional bias towards gradual yuan appreciation. Exporter conversions, resilient technology exports, improving portfolio inflows and improving confidence in the Chinese economy should remain supportive. Chinese companies are also believed to hold substantial FX balances accumulated during the 2022–2025 period of yuan weakness, and further conversion could provide another source of demand if domestic confidence improves and the US-China rate differential narrows.

The risks remain substantial: renewed tariffs, weaker global demand, softer exports or renewed property stress could revive depreciation pressure. If appreciation becomes too rapid and begins to threaten employment or exporter profitability, policymakers are also unlikely to remain passive.

Ultimately, the recent appreciation matters because its drivers are changing. Trade flows, portfolio allocations, technology exports and investor sentiment are playing a larger role alongside policy management. Beijing is slowly creating the infrastructure for the yuan to play a bigger role in global trade and finance. Over time, that may be the more important story than the appreciation itself.

## FX Access and CNH Hedging Support

Sucden Financial provides institutional FX liquidity, execution and hedging solutions across a broad range of currency pairs, including offshore yuan. For clients looking to access or manage CNH exposure, our FX offering includes:

- Deliverable FX from T+1 out to two-year forwards
- Rolling spot eFX
- Outright forwards and swaps
- OTC FX options, from vanilla structures through to more tailored solutions

Clients can also gain or hedge CNH exposure through listed futures exchanges, primarily SGX, HKFE and CME, which offer strong liquidity in exchange-traded currency futures and options for a global trading community.

Sucden Financial is well placed to support tailored execution and clearing requirements across these markets, helping clients choose the most appropriate route between OTC and exchange-traded access depending on their objectives, liquidity needs and risk-management framework.

**Next step:** To discuss CNH hedging, liquidity access, or execution of listed yuan derivatives, please contact the Sucden Financial FX team or visit our website [sucdenfinancial.com](https://sucdenfinancial.com) for an overview of Foreign Exchange, Derivatives, and the broader Sucden Financial offering.

## *Glossary*

**Yuan / renminbi (RMB):** Renminbi is the official currency of China; yuan is the unit of account.

**CNY / CNH:** CNY is the onshore yuan traded in mainland China; CNH is the offshore yuan traded outside mainland China.

**Panda bonds:** Renminbi-denominated bonds issued in China by foreign issuers.

**HIBOR:** Hong Kong Interbank Offered Rate; effectively the interbank funding rate for Hong Kong dollar liquidity.

**RMB repo:** A renminbi repurchase agreement, where yuan liquidity is borrowed against collateral such as Chinese government bonds.

## *Source Abbreviations*

- **FRED:** Federal Reserve Economic Data.
- **GACC:** General Administration of Customs of China.
- **CFETS:** China Foreign Exchange Trade System.
- **CSI:** China Securities Index.
- **HKAB:** Hong Kong Association of Banks.
- **SAFE:** State Administration of Foreign Exchange.
- **PBOC:** People's Bank of China.
- **FIMA:** Foreign and International Monetary Authorities.
- **HKMA:** Hong Kong Monetary Authority.

# Stay on top of change

## Sucden Financial Research Services

Our research team, together with the firm's experienced trading professionals produce commentary and analysis covering a broad range of markets.

### Complimentary Research

We offer an extensive range of free reports to assist with market knowledge, offering price forecasts, data and in-depth market analysis

### Daily Base Metals Report

- Commentary on LME aluminium, copper, lead, nickel, tin and zinc
- Summary of the day's trading activity on the LME
- Overview of major macro-economic trends for that day
- Includes energy and precious metals commentary
- Price data in table format

### Quarterly Metals Report

- Expert views and price forecasts for base, precious and ferrous metals
- Metals market analysis
- In-depth macroeconomic outlooks for the global economy
  - Central Bank activity, analysis of manufacturing PMIs, geo-political changes
- Detailed forecasts available on request

### Soft Commodity Technical Charts

- Technical analysis comments and charts for sugar, cocoa and coffee contracts for both New York and London
- Produced three times a week
- Outline of key support and resistance levels
- Views on future potential price moves

### Coffee Market Outlook

This report drills down into the detail of the coffee market and is produced three times a year, we also produce shorter more concise updates. We undertake a macroeconomic assessment of major consuming and producing regions before analysing the recent earnings reports from Starbucks, Nestle, Luckin Coffee, Dunkin Donuts, and Costa. This helps us highlight new sales and marketing techniques and any consumption changes, which has been particularly popular during COVID-19. The largest chunk of this report is where we assess the Supply and Demand outlook using our primary data for the coffee market and where we apply our fundamental models. We showcase our crop forecasts and highlight any changes before providing prices forecasts and trading strategies with futures and options.

### EV and Battery Materials Reports

A suite of reports looking at how the global automobile market is changing, and as vehicle manufacturers look to transition to a more environmental fleet of autos we have outlined how prepared the energy markets in the U.S., China, Japan, and Europe are to aid this transition. Electric vehicles go a long way reduce GHG emissions in the auto market, we are not disputing this, and when you factor in the lifecycle of batteries EVs are a lot greener. However, these reports assess the energy mix in these specific regions and outlines what governments are doing to promote renewable energy and transition away from fossil fuels. Using the energy mix we provide emission analysis for different EVs compared to ICE vehicles in that country.

### Daily FX Report

- Concise morning update covering fundamentals and technicals for USD, EUR, GBP, JPY and CHF
- Highlights key upcoming events
- Key intraday support and resistance levels

### FX Monthly Report

- Commentary on recent developments on major currency pairs, including a macroeconomic overview.
- Unique insights and trading strategies from our FX desk.
- Precious metals outlook.
- Technical analysis on key currency pairs.

### Market Insights

- Dynamic ad-hoc insights in response to market events and trends
- Provides clarity and trading ideas in uncertain times
- We welcome requests for topics from clients, trading and client teams.

### Bespoke Analysis

We can accept specific client requests for bespoke research on a range of interesting topics and we welcome the challenge to provide intelligent analysis and our expert opinion on forecasts, backed up with data and historical referencing.

### Direct access to the Research Team

Whether you wish to schedule a daily, weekly, monthly or yearly call to discuss a particular market issue, talk trends or gain access to data, we are able to offer a direct line and a dedicated team member for an in-depth discussion.

Contact our team for further information.

**Tel:** +44 20 3207 5294

**Email:** [research@sucfin.com](mailto:research@sucfin.com)

**www:** [www.sucdenfinancial.com](http://www.sucdenfinancial.com)

---

# Disclaimer

The material in this report has been issued in the United Kingdom by Sucden Financial Limited ("Sucden") which is incorporated in England and Wales with company number 1095841. Sucden's registered office is: Plantation Place South, 60 Great Tower Street, London, EC3R 5AZ. Sucden is authorised and regulated by the Financial Conduct Authority.

This material constitutes "investment research" for the purposes of the Markets in Financial Instruments Directive and as such contains an objective or independent explanation of the matters contained in the material. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views. A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience. Please contact the author should you require a copy of any previous reports for comparative purposes. Any reference to past performance should not be taken as an indication of future performance. This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of Sucden. The material in this research report is general information intended for recipients who understand the risks associated with investment. It does not take into account whether an investment, course of action, or associated risks are suitable for the recipient. Furthermore, this document is intended to be used by market professionals (eligible counterparties and professional clients but not retail clients). Retail clients must not rely on this document. To the fullest extent permitted by law, no Sucden Group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report, there is no intention to update this report. Please read our [full risk warnings and disclaimers](#).

**United Kingdom**

Sucden Financial Limited  
Plantation Place South  
60 Great Tower Street  
London  
EC3R 5AZ

Tel: +44 (0)20 3207 5000  
Email: [info@sucfin.com](mailto:info@sucfin.com)

**Germany**

Sucden Financial Hamburg  
GmbH Am Kaiserkai 69 CS  
Business Center GmbH 20457  
Hamburg

Tel: +49 40 874 073 00  
Email: [hamburg@sucfin.com](mailto:hamburg@sucfin.com)

**Hong Kong**

Sucden Financial (HK) Limited  
Unit 1001, 10/F  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong, China

Tel: +852 3665 6000  
Email: [hk@sucfin.com](mailto:hk@sucfin.com)

**USA**

Sucden Futures Inc.  
231 Public Square,  
Suite 300, Office 20  
Franklin, TN 37064

Email: [us@sucfin.com](mailto:us@sucfin.com)

[sucdenfinancial.com](http://sucdenfinancial.com)