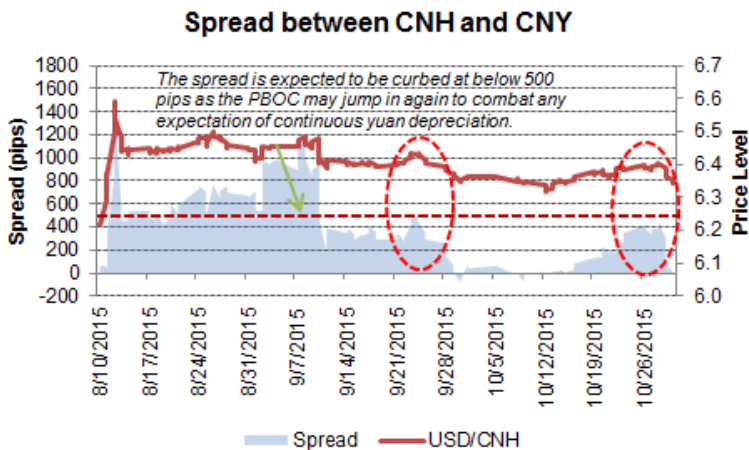


# Interim Flash Report for USD/CNH Futures: Spread between CNH and CNY

30 October 2015

## Highlights

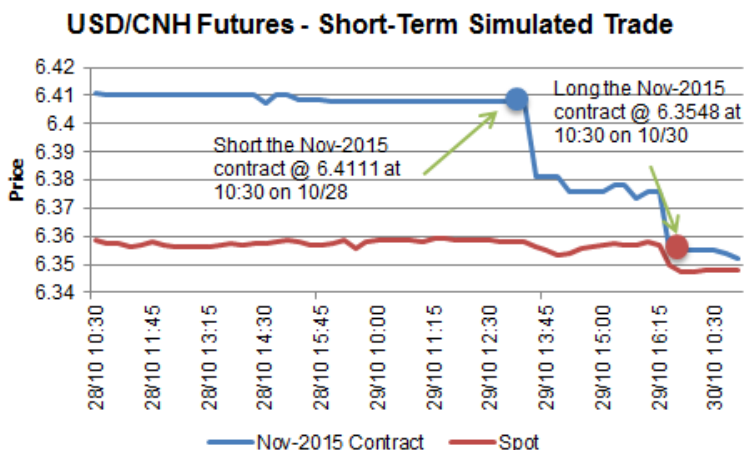
- On 28 October 2015, the spread between CNH and CNY rates climbed to more than 450 pips, a one-month high
- Based on media reports, market players believe the spread between CNH and CNY FX rates will be curbed at below 500 pips, in anticipation that the People's Bank of China could combat any expectation of continuous Renminbi depreciation
- Investors can use HKEx's USD/CNH futures contract to capitalise on trading opportunities
- The turnover of HKEx's USD/CNH futures was 2,956 contracts as of 30 October 2015, a 7-week high



On 28 October 2015, the spread between CNH in Hong Kong and CNY in Mainland China climbed to a one-month high of more than 450 pips. The two rates were close to convergence in mid-October.

In the two days that followed, the CNH rate has appreciated 100 pips from 6.3588 to 6.3481, and the spread narrowed to less than 30 pips.

According to media reports, market players believe the spread between CNH and CNY FX rates will be curbed at below 500 pips as the People's Bank of China could combat any expectation of continuous Renminbi depreciation



By looking closer into the latest intra-day price movement, we can see an appreciation trend of CNH against USD that started on 28 October. A good short-term trade would have been: short the Nov-2015 contract @ 6.4111 at 10:30 am on 28 October and long the contract @ 6.3548 at 10:30 am on 30 October. The price for the contract decreased by 563 pips, and a 10-contract trade would have translated into a net profit of RMB56,300. Based on the margin outlay for 10 contracts of RMB169,200, and the return of the trade would have been 33 per cent in a period of 3 days.

For more information about the USD/CNH futures Contract Specifications,  
please visit: <http://www.hkex.com.hk/rmbcurrencyfutures>

If you have any question, please contact us at:

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