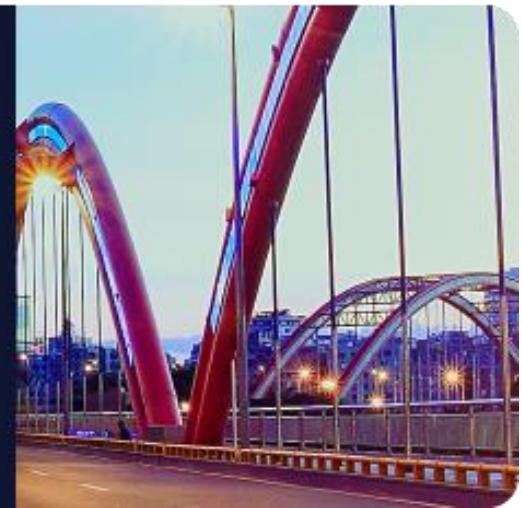


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# Asia Pacific Regional Publication



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## FX Focus: China's RMB Appreciation Strategy

China's export and trade surplus growth has allowed it to continue with a "managed" Renminbi (RMB) appreciation strategy. Beijing's twin objectives are for stable capital flows and to increase longer-term RMB internationalization to boost offshore demand for RMB assets, promote digital usage and increase cross border RMB settlement. But with the Renminbi now trading at sub 7.00 against USD, levels last seen in mid-2023, any further strengthening is likely to happen at a gradual pace.

- China's December exports were up 6.6% year-on-year YoY, and better than the 3.1% on-year gain a month earlier. The data also shows China's monthly trade surplus reached US\$114.1 billion, its highest in six months. With imports flat for the year, China's annual trade surplus has expanded by ~20% from the previous year to a record US\$1.2 trillion in 2025.
- The RMB's 4.2% appreciation of RMB versus USD and its broad-based strength against other G10 currencies last year is partially responsible for the Chinese data set. But volumes are also up strongly, reflecting China's strong overall export competitiveness against the backdrop of U.S. tariffs, which are currently between 37-45% on Chinese imports.
- China's diversification strategy to non-U.S. destinations reflects a more determined effort to retain exports as a key engine of China's GDP growth in 2026. With reflationary pressures also starting to show nascent signs of firming, strong export growth and its ballooning trade surplus has allowed China to effectively utilize "managed" RMB appreciation.
- The strategy has worked and China's equity market has gained (Shanghai Composite ~3.90% YTD; 27% up from a year ago). Still, the RMB remains relatively cheap on a real effective exchange rate (REER) basis. This gives Chinese authorities more wriggle room to strengthen should it choose to on the basis of: 1) U.S. economic resilience 2) China's industrial competitiveness, and 3) any increases in U.S. tariffs.
- A stronger RMB bias also holds other advantages for China and Asia FX in general:
  - It helps facilitate Chinese companies' global ambitions. This helps China with supply-chain diversification, new market expansion, and boosts income from abroad which also increases tax revenues. This should increase demand for cross-border RMB financing and settlement.
  - A gradually stronger RMB also allows China to maintain a stable domestic policy backdrop. A real-GDP-targeting policy paradigm is likely to extend in 2026 via a pro-growth fiscal policy. The central policy-setting meeting at the end of 2025 already signaled a continuity in policy thinking, and targets "around 5%" GDP growth in 2026.
  - A stronger RMB bias also acts as a stabilizing anchor for other Asia FX currencies that have a significant presence in the RMB (CFET) trade-weighted basket (~44%). These currencies include VND, SGD, THB, TWD and MYR.
- However, with USD-RMB now trading at sub 7.00, levels last seen in mid-2023, China may continue to further strengthen RMB as it remains relatively cheap on a REER basis but at a more gradual pace to ensure consistency with its internal balancing goals.

**FIGURE 2: RMB has gradually appreciated against the U.S. Dollar since April 2025**



Source: Bloomberg, January 19, 2026. **Past performance is no guarantee of future results.** Real results may vary.

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