Currency Internationalization and Its Implications to China’s Monetary Policy

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I. Reducing dollar dependence?
Negative correlation between cross border RMB flows and foreign exchange gap at onshore market

- From Jan. 2010 to Oct. 2015, the coefficient is -0.6244.
Negative correlation between cross border RMB flows and change of outstanding foreign reserves

- From Jan. 2010 to Oct. 2015, the coefficient is -0.5243.
II. Mitigating currency mismatch?
Fluctuation of cross border RMB flows accompanied with widening spread between CNH and CNY
Domestic RMB financial assets held by overseas entities decreased by 525 billion yuan in the first three quarters. Of which, the equity decreased by 27 billion yuan and the deposit decreased by 708 billion yuan.
Outstanding external debt in China

![Chart showing external debt in China from 2014 to 2015Q2, with foreign currency external debt and domestic currency external debt broken down by quarters. The debt amounts are in billions of dollars.]
III. Domestic or international monetary policy?
Thank you!