

CITY UNIVERSITY OF HONG KONG

香港城市大學

The Study of the Relation between RMB

Internationalization and RMB Interbank Markets

人民幣國際化與人民幣同業市場的關係之研究

Submitted to

College of Business

商學院

in partial Fulfillment of the Requirements

for the Degree of Doctor of Business Administration

工商管理學博士學位

by

HUANG HONG

黃洪

April 2018

二零一八年四月

ABSTRACT

The thesis examines development of the renminbi interbank markets, and provides some policy implications on renminbi's internationalization in China's onshore and offshore markets. Given China's large economic size, behemoth trade volume, as well as high economic growth and macroeconomic stability, its official currency, or Renminbi, is on its way to ascend as a global convertible currency. Offshore RMB market, or CNH market, has been established against the political and economic backdrop of RMB globalization and it has attracted widely attention from both the financial market and academia. Yet there has been abundant literature investigating the interaction between onshore RMB market and offshore RMB market, this study intends to explore the causal relation between the movement of onshore CNY and offshore CNH spot FX market, and its impact on the arbitrage opportunity in the offshore market. Importantly, this research examines the effects of a series of important events of RMB (daily trading band adjustment by PBOC, opening of Shanghai-Hong Kong Stock Connect, and the inclusion of RMB in the SDR Basket.) in aligning the onshore and offshore markets. The empirical evidence shows that China's monetary authority could at better position to rein the arbitrage opportunity in its offshore RMB market through controlling the difference of onshore and offshore RMB spot exchange rate. This also shows the bright side of the these policy measures behind the RMB depreciation periods in year 2014 through 2017, that is, they have effectively made the two-segmented RMB markets becoming more interconnected.