International Monetary Fund Welcomes China’s New Yuan Mechanism, No Impact on SDR Push

Mike Dooley  14 hours ago

But the rate will now be revised with the currency finished trading day.
The move triggered concerns over a currency war to boost China’s exports.

Beijing’s change in currency exchange policy brought criticism from several members of the U.S. Congress who say it continues a practice that gives Chinese exporters an unfair advantage, and hurts American jobs.

Fitch ratings agency said on Thursday that the depreciation in the yuan “highlights wider pressures on the economy”, but also demonstrated that authorities remained committed to market-oriented reform, a commitment many had questioned after Beijing’s heavy-handed interventions, and which could lead to a plunge in its stock markets in June.

Duke University business professor Campbell Harvey says China wants the yuan to eventually become a reserve currency like the dollar and the euro.

For the second day in a row, China has cut its yuan rate, and global markets were quick to react negatively. “This hike will make the U.S. dollar even more attractive to investors and lead to further dollar appreciation with our trading partners”.

Spot gold was down 0.3% at $1,126.70/oz by 2.37am GMT, after earlier peaking at $1,126.31, its loftiest since July 29.

The dollar rose against a range of Asia-Pacific currencies on Wednesday after China cut the value of the yuan against the greenback for a second consecutive day.

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And Mr Harcourt said the depreciation will probably slow down a lot of Chinese investment in Australian real estate, as a weaker yuan makes property more expensive for the biggest players in the market.
But the **International Monetary Fund** has been pressing China for greater liberalization in the yuan to win membership.

“The move signals that (China is willing to) take all available tools, including a weaker currency, to prop up exports and its domestic economy”, said Eswar Prasad, an global economist at Cornell University.

Shock waves from Tuesday’s **1.9 percent devaluation** against the U.S. dollar, which was the yuan’s biggest change in a decade, spread through financial markets, causing stocks and Asian currencies to tumble.

In this Tuesday, August 11, 2015 photo, a **bank** clerk counts Chinese currency notes as her colleague attends a customer at a **bank** outlet in Huaibei in central China’s Anhui province.

At the forex markets, the rupee resumed lower at 64.55 against its previous closing level of 64.19 and dropped further to 64.94 before ending at a two-year low of 64.78.

The Dow Jones industrial average fell 0.33 points to 17,402.51, the S&P 500 gained 1.98 points, or 0.1 percent, to 2,086.05 and the Nasdaq Composite added 7.60 points, or 0.15 percent, to 5,044.39.

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