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China's Yuan Opens Weaker

Contributed by [Angel Wallace](#) on August 13, 2015 at 3:03 am

China shocked **global** markets by devaluing the yuan for a second day running on Wednesday after a slew of poor economic data.

“The exchange **rate** fluctuation is normal, and it can better reflect market expectations”, it [said](#).

This means the U.S. dollar appreciates, or rises in value, which hurts prospects for U.S. exporters because their products become *more* expensive overseas, says Fuqua School of Business professor Campbell Harvey.

Beijing broadly has stuck to its commitment to set the yuan's daily reference exchange rate more in line with market levels, after the central **bank**

▶ devalued its **currency** by 1.9% against the **dollar** on [Tuesday](#).

Asian stock **markets** stabilized Thursday as the fall in the **Chinese yuan** slowed and the country's central bank tried to dampen speculation of further **devaluation**. It had earlier fallen to as low as 65.0050 to the dollar, its weakest since September 2013, when the currency was mired in its worst turmoil since 1991.

The PBoC further noted that its yuan exchange rate adjustment was nearly completed, and the change in the value would boost confidence in the yuan and support its internationalisation.

The yuan fell another 1 **percent** yesterday, marking the biggest two-day lowering of its rate

against the dollar in more than two decades.

China is exporting “deflationary pressure”, said Morgan Stanley analysts Hans Redeker, Ian Stannard and Sheena Shah in a report. Those complaints receded after *China* slowly raised the value of the yuan by 25% from 2006 to 2014, but the huge [trade](#) imbalance between the countries remains.

Apple, for which China is a key market, also reversed course after falling more than 3 percent earlier to its lowest since January.

“Greater exchange rate flexibility is important for China as it strives to give market forces a decisive role in the economy and is rapidly integrating into global financial markets”, the spokesman added.

China's first [currency devaluation](#) since 1993 aimed to reboot confidence in Beijing's commitment to reforms, but instead, it's fueled more uncertainty and confusion about the renminbi's outlook. The yuan is allowed to trade at plus or minus 2 percent around this **midpoint**. Emerging market currencies from Indonesia to Brazil reeled as investors feared central banks could rush to weaken their own currencies in response to China's move.

The move by the government to stabilize its currency has sparked concerns about the health of the global economy.

Meanwhile, China will extend the trading hours for the onshore yuan in a move to prompt the convergence of the onshore and offshore yuan market, said Zhang.



David Rosenberg



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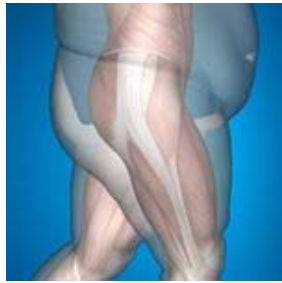
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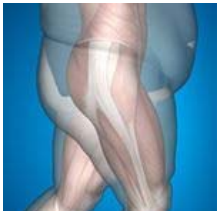
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