

Macroeconomic Reevaluation of CNY/USD Exchange Rate: Quantitative Impact on EUR/USD Exchange Rate

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Abstract : During past decade, Chinese monetary policy has been to maintain stability of exchange rate CNY/USD by creating parity between the two currencies. This policy, against market equilibrium, impacts the exchange rate in having low Yuan currency, and keeping attractiveness of Chinese industries. Using macroeconomic and statistic approach, the impact of such policy onto CNY/USD exchange rate is quantitatively determined. It is also pointed out how Chinese banks respect Basel III ratios, in particular the foreign exchange ratio. The main analysis is focusing on how Chinese banks will respect these ratios in the future.

Keywords : macroeconomics models, yuan floating exchange rate, basel iii, china banking system

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