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Renminbi

Rogue Chinese renminbi exchange rate raises eyebrows

Apparently erroneous quote on Google would have represented an 8% devaluation



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DECEMBER 5, 2016 by: **Lucy Hornby** in Beijing and **Peter Wells** in Hong Kong

Anyone checking the exchange rate between China's renminbi and the US dollar would have got a shock early on Tuesday when an apparent glitch resulted in quotes shown on Google and at least two other currency exchange websites showing an [8 per cent devaluation \(http://next.ft.com/content/4aa7c2c7-36a3-3802-b022-f7984a848631\)](http://next.ft.com/content/4aa7c2c7-36a3-3802-b022-f7984a848631).

When markets opened, the Chinese currency instead rose against its US counterpart, after the central bank set the

midpoint of the renminbi's 4 per cent daily trading band at Rmb6.8575, 0.43 per cent stronger than Monday's level.

By mid-morning the renminbi was 0.3 per cent stronger, at Rmb6.8631 per dollar, its biggest one-day rise since August. Around midday, the currency was trading at Rmb6.8681, a gain of 0.2 per cent.

China has been gradually loosening controls on the renminbi as part of efforts to increase international use of its currency, although Beijing's moves in recent weeks to stem a surge of capital outflows have [raised questions \(http://next.ft.com/content/of21470c-b859-11e6-ba85-95d1533d9a62\)](http://next.ft.com/content/of21470c-b859-11e6-ba85-95d1533d9a62) about how far it will go towards open markets.

In August last year, the central bank made a one-off devaluation to the renminbi of 1.9 per cent as it shifted to a more market-based mechanism.

The renminbi trades in a 4 per cent band against a basket of currencies including the dollar, but the US currency is the most important reference, and the most politicised.

“The sheer level of anticipation and interest surrounding any move, actual or rumoured, in the renminbi-dollar rate shows how that one exchange rate has become loaded with economic and geopolitical ramifications,” said Eswar Prasad, a China finance expert at Cornell University.

US president-elect [Donald Trump \(http://next.ft.com/content/56558e7e-b257-11e6-9c37-5787335499a0\)](http://next.ft.com/content/56558e7e-b257-11e6-9c37-5787335499a0) has revived

complaints that the renminbi is undervalued and is thus artificially keeping Chinese exports competitive. The exchange rate was a point of friction between the two countries about 10 years ago, but before Mr Trump's election the issue had receded, as the Chinese currency now moves more freely around values that most analysts reckon are justified.

The Chinese currency has steadily depreciated since January 14 2014, when it hit a record high of Rmb6.0393 against the dollar. Last month it hit its lowest point since 2008, and last week China moved to staunch [capital outflows \(http://next.ft.com/content/of21470c-b859-11e6-ba85-95d1533d9a62\)](http://next.ft.com/content/of21470c-b859-11e6-ba85-95d1533d9a62), which regulators said were causing the currency to weaken.

Tuesday's exchange rate issue was caused by a bug in Google's system, according to a person familiar with the matter at the US company.

However, Chinese media said that other online foreign exchange providers X-rates and XE.com both at some point overnight also showed the renminbi at around 7.48 to the US dollar, before reverting to the official rate by Tuesday morning. The rogue rates fed through to exchange rates displayed by Bank of America, among others.

Data feeds directly to terminals operated by Reuters, Bloomberg and Wind Financial did not show the rogue result.

Trading in the Chinese currency is still tightly controlled. Onshore traders cannot submit bids or offers outside the trading band, making it impossible that a rogue bid in thin overnight trading — of the type that can rock [metals futures](#) (<http://next.ft.com/content/a2df3018-9feb-11e4-9a74-00144feab7de>) — can cause a big impact.

The People's Bank of China said it was “aware” of Tuesday's issue but did not offer any explanation.

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Additional reporting by Tom Mitchell and Leslie Hook

This article has been amended to reflect the fact that Donald Trump has revived complaints that the renminbi is undervalued

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