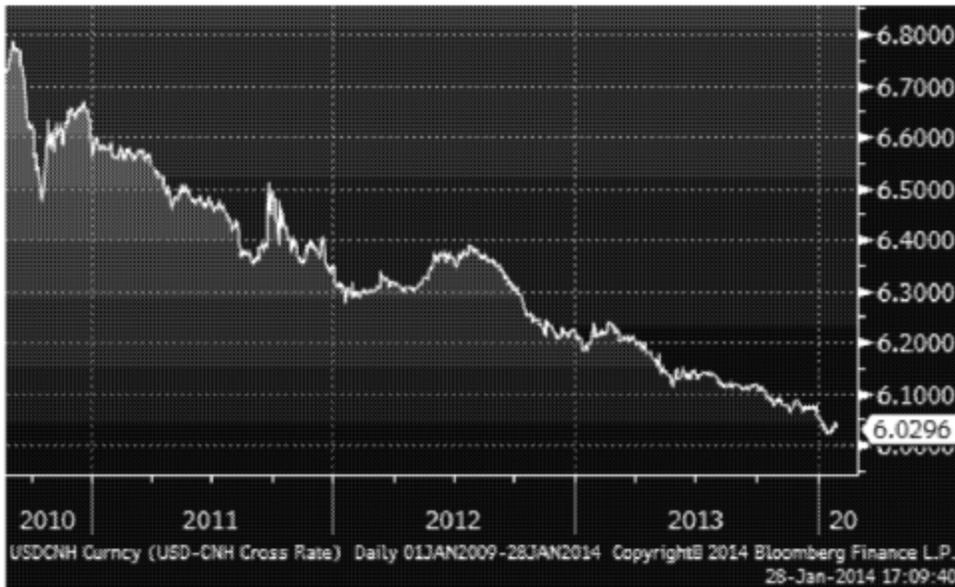


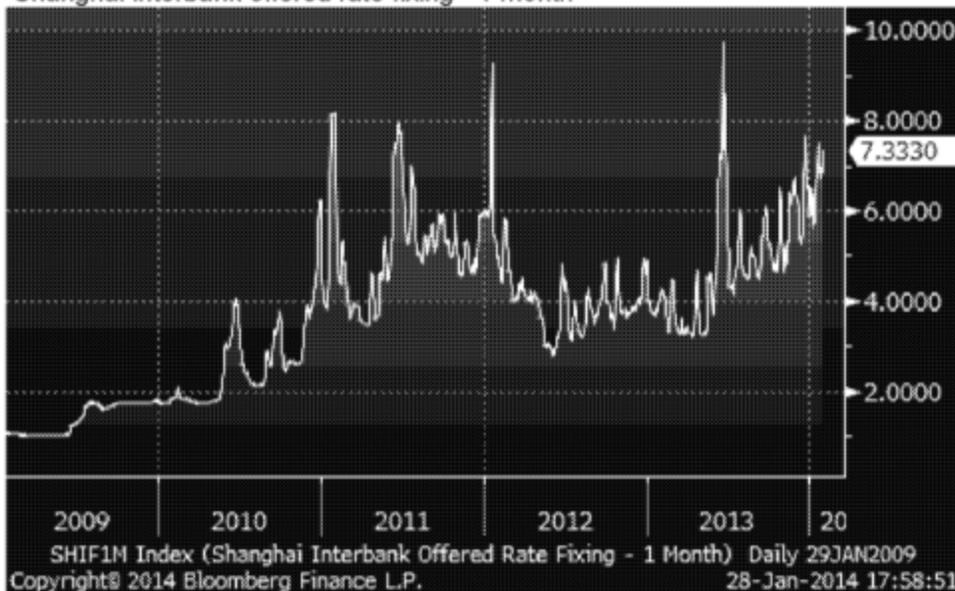
These premiums are very low compared to the potential returns if USDCNH turns higher. Implied vol is approx. 3%
The complacency and positioning among FX and FX options participants in USDCNH is high

- USDCNH



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- PBoC has significantly tightened money market rates to curb shadow banking and asset speculation
Shanghai interbank offered rate fixing - 1 month



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- The recent headlines on bad loans in China's shadow banking industry have raised concerns of a systemic event

China's trust industry has relatively high risk shadow banking products given the liquidity risks.
These products have seen rapid growth since 2010, reaching Rmb10.1 tn as of 3Q13 with a 2010-3Q13 CAGR of 55%.