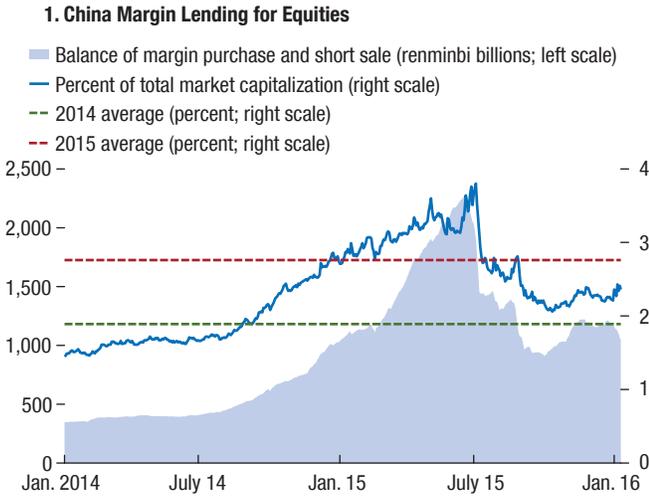


Figure 1.14. China: Equity Markets and Exchange Rates

Margin balances have declined ...



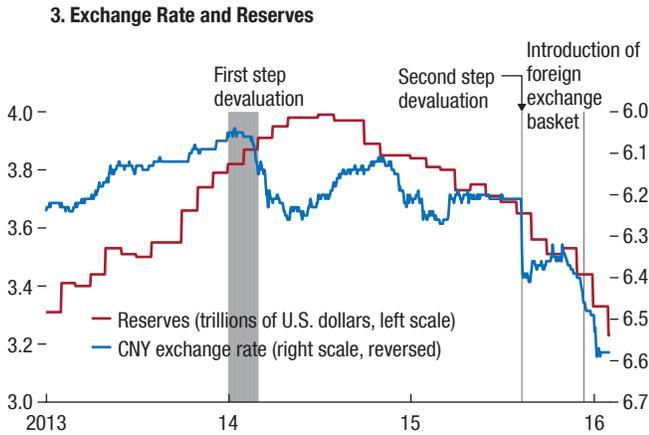
Source: CEIC.

... but spillovers to and from global markets have increased.



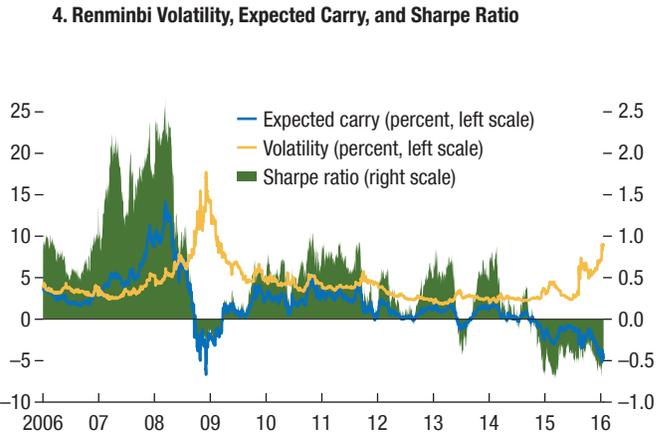
Sources: Bloomberg, L.P.; Morgan Stanley Capital International; and IMF staff calculations.
Note: Global equities is the Morgan Stanley Capital International All Country World Index.

International reserves have declined against periodic devaluations of the renminbi ...



Source: Bloomberg, L.P.
Note: CNY = onshore renminbi spot rate.

... reinforcing pressures from the unwinding of carry trade positions.



Sources: People's Bank of China; and IMF staff calculations.
Note: Expected carry is defined as the difference between Chinese one-year government bond yields and the renminbi 12-month nondeliverable forward implied yield; the Sharpe ratio is defined as the expected carry divided by the US\$-CNY one-year implied volatility, derived from at-the-money options.