Deutsche Bank
Research

Foreign Exchange
Asia Chart Alert

Date
16 June 2026

RMB: Exporters' FX conversion slowing but portfolio flows picking up

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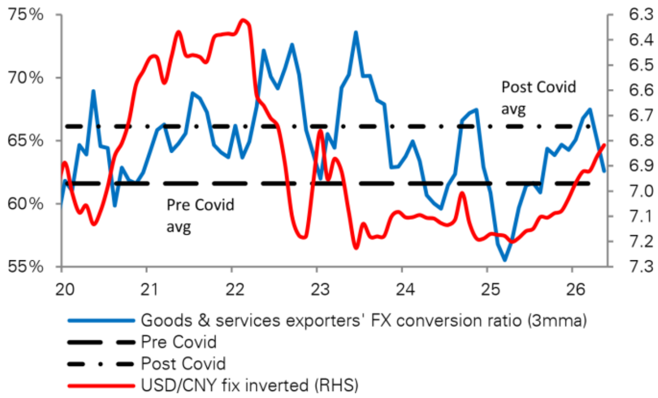
Recent SAFE data reveals a third consecutive month of increased client-driven USD selling, totaling ~$40bn. While this trend is supported by activity in both the current and capital accounts, the improvement in capital flow is more notable.

On the current account, the FX conversion ratio for exporters declined for a third straight month to 62.6% in May (from 67.5% in March). This hesitancy to convert USD receipts suggests exporters were cautious amid global uncertainty and rising import costs.

The real surprise comes from the capital account, which has experienced a return in portfolio inflows for the second consecutive month. SAFE's net FX receipt and payment data show these inflows increased by $18bn (largest inflows since 2021), with ~$7.2bn converted into CNY in the onshore spot market. This is further supported by the CCDC data, which shows foreign investors purchased ~$13bn of Chinese bonds in May—the first net purchase since April 2025. This renewed interest is likely driven by the strong YTD performance of CGBs (see EM in the summer). Given that the market remains underweight China bonds (See bond demand-supply monitor), these inflows are expected to persist.

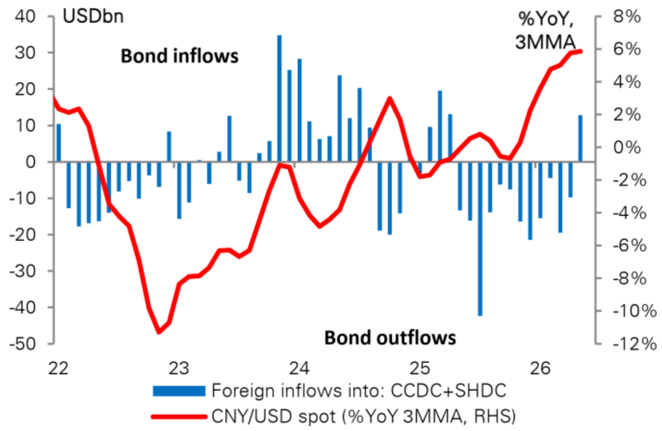
Looking ahead, further strength in the portfolio inflows, combined with a potential de-escalation of geopolitical conflicts, underpins a positive outlook for the RMB. Consequently, we maintain our constructive view on the RMB.

Figure 1: Exporters' FX conversion slowing for the second consecutive month



Source: Deutsche Bank Research, CEIC

Figure 2: First net purchase of Chinese bonds by foreign investors since April 2025



Source: Deutsche Bank Research, CEIC

Appendix 1

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