

American Dollar Being Challenged by China Yuan: Time to Hold More China Assets?

Description

As a Chinese citizen, China media has been hyping up globalization of China currency, Yuan or RMB. Maybe it is not just hype-up but a foreseeable reality in the making. Recent developments in the world are increasingly pointing to the trend: American Dollar being challenged by China RMB.



Dollar to Lose against RMB?

It is not surprising to see some international economists or financial experts are warning against declining American dollar on the backdrop of the rising China RMB on the international stage. Watch this video below.

<https://youtube.com/watch?v=rbVd2SAbzdl&feature=share>

I. Tumultuous Western World Vs Inspirational China

If put together all of the following, we cannot help thinking of the western developed world losing their luster, and facing big fundamental problem:

- (1) the Russia-Ukraine war that has lasted over a year, causing turmoil and chaos in Europe;
- (2) Credit Suisse bank failure, sending chills throughout the global banking system esp in the west, and the Deutsche Bank's unfolding problem that could deepen further;
- (3) bankruptcy of American Silicon Valley Bank which may be just the start of systematic banking failure in USA, a domino effect in sight;
- (4) American hysterical paranoid about losing its dominant position to China in the world, and has sacrificed the world sound supply chain in chip and telecommunication industries, and has mobilized its national strength and its alliances' efforts to suffocate a private company Huawei in China. It has

abandoned the fundamental value it represented and preached over the world: free market.

I don't know much about economics and finances, but today's world has felt the unease brought about from the heart of the western world.

On the other hand, China, amid the global political and financial crisis, has somehow brought hopes to the world and in the meantime has been more open and assertive about its global aspirations. The following events may help you to appreciate China current position and influence in today's world:

(1) despite USA decoupling efforts and multiple rounds (possibly with more to come yet) of sanctions against China as a state or against Chinese enterprises (substantive list), China has not winced back or hurt as badly as wished by the USA. China economy has proved its resilience against external pressure and adverse impact.

(2) China has brokered successfully the diplomatic relationship between Saudi Arabia and Iran in the middle east;

(3) Saudi Arabia has agreed to settle oil deals with China without using US dollar, a significant blow to USD and a boost to RMB;

(4) Brazil, another big country in the world, has also agreed to not use USD in bilateral trades. It is also reported recently that Brazil has increased its holding of RMB in its reserves, replacing Euro, second only to USD;

(5) French oil company Total sells LNG to China in RMB, China currency.

All seem to indicate that China currency RMB internationalization is gaining momentum recently. Here is another article from BNP PARIBUS talking about this issue.

<https://viewpoint.bnpparibas-am.com/renminbi-internationalisation-the-petro-yuan-and-the-role-of-gold/>

II. What This Means to You

For people who have heavily held assets denominated in USD, it is time to make a change now.

I have read news and watched YouTube videos about advice to buy gold in anticipation of a new financial crisis to avoid wealth being wiped out.

Probably besides gold and silver, it is not a bad idea to look at assets denominated in China currency RMB.

What are your options if you wish to invest or hold China assets?

- (1) QFII, qualified foreign institutional investors;
- (2) RQFII, RMB qualified foreign institutional investors;
- (3) FDI in China;

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- (4) if you are qualified to [invest in China stock market](#), then pick up good stock to hold;
- (5) if you are qualified to [buy China real properties](#), you may wish to buy residential properties in China. You may no longer be able to garner big profits but it may still help you weather financial storms looming large.

For clients who acquire China assets as a result of either cross-border divorce or inheritance, you may consider not cashing in on all your Chinese properties, and may keep part of the assets in China.

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