

Bear squeeze—Chinese style?

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9 May 2008

I said the following in the notes for my MBA class at the HKBU in March:

“向前展望，人民幣將漸進式地解除外匯管制，匯率可能但不一定更有彈性。自由兌換與匯率浮動之間，沒有必然關係。

在目前的形勢下，人民幣對美元的匯率上升，好壞參半。壞處是系統性的預期 (**systematic expectations**) 會引起甚或加強上述的投機性資金湧入，為日後的可能危機埋下炸彈；它亦增加了央行通過沖銷 (**sterilisation**) 操作來調控貨幣供應的難度。好處却是，資金令到中國外匯儲備膨脹，它可以把部份用來注資金融機構，紓解其不良資產及資本不足問題，另方面亦可以之購買國際上重要的資源(包括能源、礦產和其他戰略物資)。

理論上，最佳策略是增加人民幣匯率的浮動彈性，但不鎖入一個單向的預期，可在**5%-10%**的移動範圍內顯著上落 (**with bear squeeze**)，使短線投機者無利可圖，並提升對沖過剩流動資金的效率 (**efficiency of sterilization**)。

問題是引入隨機性的波動 (**random fluctuations**)，會對金融體系產生不穩定因素。這種有風險的策略，必須小心處理。

另一重點，就是不要過急地實現人民幣的完全自由可兌換，但資金有秩序流出 (**outflow**) (所謂排洪) 的機制可較快建立。”
(http://www.hkbu.edu.hk/~sktsang/MBA_200803.pdf)

I didn't provide a direct Chinese translation for the term “bear squeeze” to my students. Instead, I used the Cantonese idiom “食砒霜杜老虎” to describe a possible risk of a central bank deliberately engineering a counter-movement in the exchange rate to ward off speculators who bet on the opposite side---because the tactic might back-fire on its own domestic financial system. However, given the institutional peculiarities in China, the “bear squeeze” (熊抱) could actually be done with risk alleviated by *appropriate measures*.

Many signs are appearing, including the recent movements in the RMB NDF market and talks by top officials. I'm not saying that the “squeeze” is going to happen, or any time soon---you know central bankers like to play games. Nevertheless, be warned!