《美元升值，中国搞的鬼？（双语）》

People love conspiracy theories.

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One in particular has been doing the rounds in FX land for months, with no sign of fizzling out. Right now, it's having a mini revival.

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The theory goes as follows:

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China is buying euros in a deliberate effort to stop the yuan from rising too far. Sure, it's keeping Washington sweet by letting the yuan climb against the dollar. But it's bashing the buck hard by buying euros, keeping the yuan relatively weak on a trade-weighted basis.

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The analysts at BNP Paribas are keen on this idea right now.

??????(BNP Paribas)???????????????

"China fixes [the dollar] lower [against the yuan] trying to hold increasing commodity import price pressure at the border," the bank's currencies analysts said Monday in a note to clients. Translation: commodities prices are rising, so China is letting the yuan climb, to make those imports cheaper.

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But, the bank continues: "China seems to be not yet ready accepting general yuan strength, suggesting that the People's Bank of China reserve managers will remain on the euro bid." Again, a translation for those uninitiated in the dark art of reading currencies research: China still wants to keep the yuan generally weak, so it will keep on buying euros.

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简答网 jiandongshicai.cn

Now that the grand G-7 coordinated intervention on the yen has taken place, China can't very easily buy Japanese yen to help keep the yuan under pressure, so this euro buying is likely to accelerate, the French bank added.

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This may or may not be true. It's close to impossible to tell for sure, although it chimes with persistent trading-floor chatter. Whenever the euro runs higher against the buck, with no obvious trigger, traders blame China. Many market watchers are nonplussed by this idea, pointing out that there's a good number of other reasons for the euro to be strong against the dollar right now, despite the long-running European debt crisis. After all, European Central Bank interest rates are set to rise within three weeks. We'll be lucky if the Fed does the same this year. To be fair, BNP Paribas doesn't think this is the only reason for euro strength, either.

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???(European Central Bank)??

But if it is true, it goes some way towards solving one of the biggest riddles in the market: the curious case of the weak dollar. With investors' worry lists running into at least two pages, it's weird that the dollar--usually a safe retreat in times of stress--is not significantly stronger.

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Pinning this on China may be misguided. But the euro's resilience is somewhat odd. And two plus two makes at least five in the currencies markets.

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