



GCU Bulletin

[8 news-treats on exchange rates,
money and monetary policy](#)

Dear Colleagues and Contacts of GCU,

In two weeks the G20 will gather in Brisbane for this year's summit. The focus of the agenda is growth and resilience, which are both commendable and relevant, but as they put it themselves, "The challenge for the G20 in 2014 is to turn that commitment into practical results." In light of this correct observation, the most interesting thing about this coming summit may be what comes after - namely that Turkey will take the chair and orchestrate the priorities and dialogue for next year. Turkey's currency, the lira, took a hard beating the past year with significant fluctuations. Those included 18% change with respect to the euro and 17% to the US dollar - while in the 12 months before that both such fluctuations were also in the 17-18% range.

Former Fed chairman Paul Volcker once noted that "*trade is more affected by 10 minutes of movements in exchange rates than by 10 years of trade negotiations.*" It is reasonable to assume some correlation between trade and growth. Over the past six months significant fluctuations in the major currencies have re-ignited beggar-thy-neighbour actions and brought discussion about extraordinary monetary events back on the agenda, as last week from BusinessWeek under the headline **Currency wars are back: Export your deflation to someone else.**

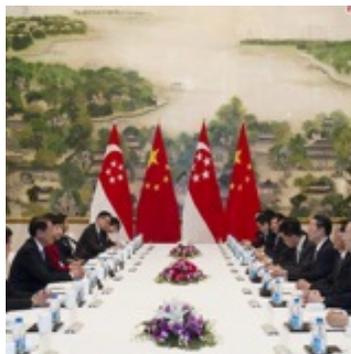
Stability is an important component for achieving steady growth, and this goes for exchange rate stability as much as it does for financial stability in a broader perspective. As the industrialized G7 countries put it once in their communique, "**Excess volatility and disorderly movements in exchange rates have adverse implications for economic and financial stability.**" We believe such negative effects are best mitigated through neutral technical means, as political consensus seems unrealistic. The former is the focus of GCU. We invite you to study our approaches more closely [here](#).

Please find below this Friday's eight news-treats, of which the most striking could be the **coming public vote in Switzerland about increasing the central bank's holding of gold** (potentially a threat to the fiat currency system) or Sweden having effectively lowered its interest rate to zero simultaneously as **Riksbanker Lars Svensson maintains that 'unconventional measures' are now the only hope.**

Best regards,
Jesper Toft

Also, read previous GCU Bulletins:
- [The exchange rate no-man's land](#)
- [Redback vs. Greenback. Transformation of the monetary marketplace](#)

[GCU - exchange rates innovated](#)



Globalization of yuan moving forward: China launches direct currency settlement with Singapore

The move aims to boost bilateral trade and investment, facilitate the use of the two currencies in trade and investment settlement and reduce exchange costs for market players, the China Foreign Exchange Trading System (CFETS) said in a statement on its website.

[China Daily](#)

[Related: China speeds up transformation of yuan into global currency after crisis](#)



[When central bankers warn of 'violent' sell-offs, listen](#)

'Take the money and run!' This seems to be the message from the leadership of the Reserve Bank of Australia as they foresee upcoming sell-offs due to limited liquidity in the market.

[ABC News](#)

[In Sweden the only hope left is unconventional measures: Riksbanker](#)

Riksbanker Lars E. O. Svensson, who left the central bank last year in protest at its policies, says that 'even this rate reduction to 0.0%, will probably not be enough' and speculates that the central bank will also have to think about implementing more unconventional measures such as asset purchases and maybe even a currency floor.



[Bloomberg](#)

[Related: Swedish central bank cuts rate to zero to fight deflation](#)



[China, 21 other countries initiate new Asian bank](#)

China and 21 other Asian nations signed on Friday to an agreement for a new Beijing-backed international bank for Asia that Washington opposes as an unnecessary rival to established institutions such as the World Bank.

[Japan Today](#)

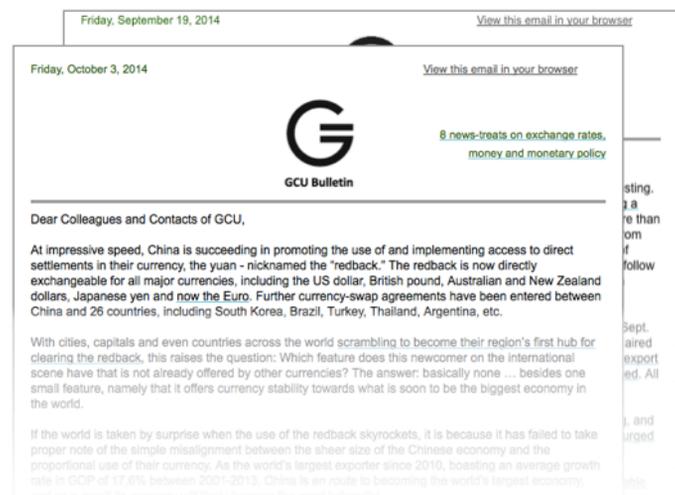
[Related: China and the Future of Global Trade \(TPP an 'anyone but China club'\)](#)

Read the previous GCU Bulletins:

Oct. 17: [The exchange rate no-man's land](#)

Oct. 3: [Redback vs. Greenback.](#)
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