



**Daryl Guppy** Australia

*“CNBC Chartman”, Technical Analysis Expert, International Investment Master, Creator of Guppy Multiple Moving Average (GMMA) Indicator & Author of Best-Selling Books*

**NINE DASH BREXIT**

Brexit. What has it got to do with China and the nine- dash line? Quite a lot actually. It is a thread that unravels the double standards we often apply when discussing China. Business must move beyond this sound and fury to unlock investment opportunities.

Brexit has hammered the pound sterling, but it has not been the only currency to depreciate in recent weeks. Some of the volatility has been driven by Government-sponsored policies or market interventions. Japan has implemented policy and intervened in the currency markets. Yellen’s indecision on interest rates is in itself a public policy de-facto intervention in currency markets.

Unsurprisingly the renminbi depreciated against the US dollar and Beijing’s own trade weighted basket of currencies. However this is not seen as part of the broader reaction of currencies to Brexit. For many it is labeled as a new aggressive round in the “currency wars”.

The People’s Bank of China reported a rise in foreign exchange reserves in June and this suggests the central bank is moving forward with foreign exchange liberalization. This is consistent with adopting a more market-oriented approach which allows the renminbi to follow the broad dollar trend and react to underlying supply and demand events.

Some US Presidential candidates decry China as a currency manipulator, but what they mean is they want China to manipulate the currency in a direction more favorable to the US exchange rate. They do not want a renminbi rate set by the open market.

These double standards are also on clear display with the recent decision on the validity of the nine-dashed line in the South China Sea. Whilst leading the charge for China’s compliance with the ruling, the United States refuses to ratify the UN Law of the Sea.

The US, the UK and Russia as permanent members of the UN Security Council have never complied with a ruling on an issue involving the Law of the Sea. U.S. Ambassador to the UN Jeane Kirkpatrick scathingly described the court as a “semi-legal, semi-judicial, semi-political body, which nations sometimes accept and sometimes don’t.”

China’s rejection the Court’s decision is doing just what the other UN Security Council members have repeatedly done for decades. This precedent does not absolve nor justify China’s behavior, but it puts it and the false outrage of the US, into perspective.

Double speech leads to poor thinking when we engage with the world’s largest trading partner and with the world’s largest growing economy. Better thinking means individual investors should now seize investment opportunities in Gold, Indices, Foreign Exchange, Crude Oil and Equity markets. Better thinking reaps better profits.