

RMB Internationalization and Inclusion in SDR. Implications For US Treasuries.

There is some concern that with the internationalization of the RMB and its eventual inclusion in the SDR, that China's demand for USD and US treasuries will fall. There may be other reasons why China's demand for USD and US treasuries may fall but the SDR inclusion and RMB internationalization is not a primary concern. China's decision to hold USD and US treasuries is not determined by the RMBs reserve status. As far as China is concerned, the RMB has reserve status since this is China's own sovereign currency.

A tighter trade surplus may result in lower demand for treasuries.