

# **Is the Renminbi a Safe-Haven Currency? Evidence from Conditional Coskewness and Cokurtosis**

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November 2021

## **Summary**

This paper examines whether the RMB is a safe-haven currency in terms of currency coskewness and cokurtosis with the global stock market. Currency coskewness and cokurtosis directly address the essential characteristic of a safe-haven currency since they refer to the performance of a currency (as measured by currency excess return) during times of financial stress (as measured by global equity volatility and skewness). We find that onshore RMB (CNY) has positive coskewness with the global stock market in some periods, while offshore RMB (CNH) has positive coskewness with the emerging stock market. The patterns imply that the CNY can only hedge against stock market volatility to some extent, while the CNH can hedge against volatility in the emerging stock market. In contrast, the JPY has positive coskewness in all periods and is a better hedge in a volatile market, as it appreciates when equity volatility increases. Moreover, both onshore and offshore RMB cokurtosis with the equity market are positive and thus cannot hedge against a stock market crash. In contrast, JPY cokurtosis is negative, suggesting even higher hedging effectiveness during extreme stock market downturns.

We also document that RMB coskewness with stock markets is not priced in the RMB future excess return, while the JPY counterpart is priced, which suggests that prudent equity investors use the JPY rather than the RMB to hedge against global stock market volatility. Moreover, cokurtosis for neither the JPY nor the RMB is priced, implying that temperate investors use neither the RMB nor the JPY to hedge against global stock market crashes. Although the RMB has some characteristics as a safe-haven currency, it is not yet a safe-haven currency in the full sense.