俄乌冲突对钨制品市场与价格的影响

IMPACTS OF RUSSIA-UKRAINE CONFLICT ON TUNGSTEN MARKET & PRICE

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作者简介

厦门中钨在线科技有限公司，简称“中钨在线”，是中国第一家钨、钼、稀土行业的电子商务公司，1997 年 9 月以我国第一家顶级钨制品网站 www.chinatungsten.com 为基础在厦门设立。中钨在线以其在钨钼制品领域几十年积累的信息数据和专业经验为基础的设计、制造，卓越的商业信誉和优质服务闻名全球业界，使其成为钨钼稀土，特别是钨化学品、金属钨、硬质合金、高比重合金、钼及钼合金领域的最佳综合应用解决方案提供商。

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BRIEF INTRODUCTION TO THE AUTHOR

As the 1st E-commerce company of Tungsten (W), Molybdenum (Mo), Rare Earth (RE) in China, China Tungsten Online Manu. & Sales (CTOMS) was founded in 1997 based on China's the 1st and top tungsten website www.chinatungsten.com. As its specialized design, professional manufacturing, excellent service and powerful information database, CTOMS is not only the most authoritative information source of Chinese and English information of W Mo and RE products globally, but also the best comprehensive application solution provider of W, Mo and RE, both chemical materials and machined products, such as tungsten oxide, metal, cemented carbide and heavy alloys.

CTOMS has been created more than 1 million web pages and WeChat information message of W, Mo and RE news, price and market research, analysis. The web news.chinatungsten.com, www.ctia.com.cn are the world's top index websites of tungsten which have received 1 billion visits from 1997.

The major business of CTOMS is to complete product design, R & D with customers and provide customers with processing and integration services. In the past 2 decades, it has provided more than 100,000 different types of W, Mo & RE products to more than 10,000 customers all over the world. Years experience and technology accumulation have laid a foundation for promoting the flexible and intelligent manufacturing of customized products.

The professional research articles and reports of CTOMS are written by Dr. Hanns, Miss Sunny Zheng, professional analyst and its marketing team. Dr. Hanns is an expert of the main market and technical research of CTOMS has been engaged in e-commerce and international trade of tungsten and molybdenum products, production and manufacturing of cemented carbide and high specific gravity tungsten alloy since the early 1990s. He is a well-known expert in e-commerce, tungsten product design, processing and Market Research of tungsten and molybdenum products in the industry with more than 30 years of experience. Miss Sunny has been committed to the research of tungsten market, creating and promoting CTOMS social media form many years. She has strong professional delicacy and sensitivity to tungsten products market and price.

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PART V OF X

RMB Exchange Rate VS Price of Tungsten Under The Background of the Russia-Ukraine Conflict

The conflict between Russia and Ukraine has had a great impact on the world economy, which has not yet fully recovered due to the epidemic. The sanctions imposed by Europe and the United States on Russia's energy exports, overseas assets and swift settlement system, and the counter-measures taken by Russia to strengthen the ruble payment function and partially restore the gold standard have not only brought more variables to the conflict between Russia and Ukraine, but also brought many challenges to China's economy.



RMB, the legal currency of China, an important component currency of the IMF SDR

One of them is the RMB exchange rate, interest rate Many aspects such as internationalization have had different effects, and will also have a great impact on the cost, price and market competitiveness of China's tungsten products. All these require China's

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tungsten products enterprises to recognize the situation, face it actively and deal with it prudently. In the fifth part of this paper, the author hopes to provide some thinking direction and inspiration for friends in China's tungsten products industry through the analysis of various aspects of RMB under the background of the conflict between Russia and Ukraine.

1. RMB Exchange Rate

RMB has been the legal tender of the people's Republic of China for 72 years and is issued and managed by the people's Bank of China; On November 30, 2015, it was included in the IMF special drawing right (SDR) currency basket by the International Monetary Fund, with a weight of 10.92%. The prices of all goods and services in China are priced in RMB, while the export prices are priced in the local currency of RMB and / or converted into US dollars. In 2021, China's total GDP was valued at 114 trillion yuan in RMB. According to the average exchange rate of RMB in 2021 (6.441), the total GDP was equivalent to US $17.7 trillion (at that time, the total GDP of the United States last year was US $23.04 trillion, about 148 trillion yuan).



The US Dollar is the legal tender of the United States, an important component currency of the IMF SDR and the world's most important reserve currency

The exchange rate is the ratio of one currency to another. It is divided into direct price method and indirect price method. The common direct price method of RMB against the US dollar in China is currently basically maintained between 6.3-6.4. We usually refer to the RMB exchange rate, which generally refers to the exchange rate of RMB against the US dollar. For foreign trade enterprises, the exchange rate generally refers to the purchase price of the bank. In fact, it is the actual income priced by the people obtained by US dollar settlement to the people's Bank of China after we export a US dollar tungsten product

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(rather than the selling price at which we import tungsten concentrate to buy US dollars from the bank).

At present, China's RMB exchange rate is basically determined by the relationship between market supply and demand. However, in the case of US dollar market imbalance or market failure, China's central bank will also intervene appropriately according to China's import and export situation and balance of payments relationship, so as to prevent us dollar surplus when the export surplus increases, resulting in the relative depreciation of US dollar, and vice versa.



The exchange rates of RMB with the world's major currencies, such as the US Dollar, the Euro and the Japanese Yen, are very important for China as the world's largest trading country.

（图源：视觉中国）

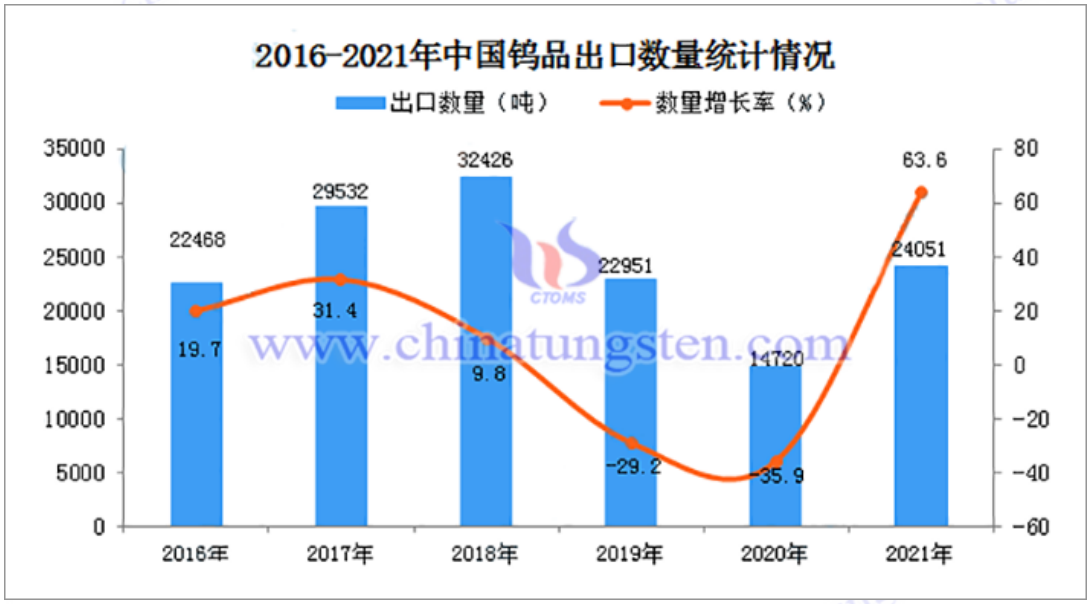
There are many factors affecting the change of exchange rate. Generally speaking, a country's economic strength is the fundamental reason to determine the long-term development trend of exchange rate. The main factors affecting the currency exchange rate include balance of payments, national income, inflation rate, money supply, fiscal balance of payments, interest rate, exchange rate policies of various countries and their ability and strength to intervene in the market, speculation and market psychological expectation, political and sudden factors and many other factors. In daily economic life, the influence of a country's currency exchange rate is often the result of the comprehensive action of many factors.

RMB is the price unit of domestic commodity circulation, and US dollar is the international market price of China's goods and services. The ratio between the two is the exchange rate of RMB. Although the Bretton Woods monetary system centered on the US dollar was ended by the Nixon Administration on August 15, 1971, the multilateral economic system

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with the US dollar as the main content of the international monetary system, including foreign exchange liberalization, capital liberalization and trade liberalization, has become the core content of the capitalist group, and the US dollar remains the main international reserve and settlement currency. China's international trade payments and reserves are dominated by US dollars. Therefore, it can be said that the US dollar has a strong pricing power over China's import and export commodities. In other words, the monetary policy of the Federal Reserve has a certain influence on China's commodity pricing, and its policy will directly and indirectly affect the price and competitiveness of China's export commodities.



Statistical export volume of China's tungsten products from 2016 to 2021

China's tungsten resources have absolute advantages in the world. The production and supply of various tungsten products account for about 80% of the total global supply. In recent 10 years, the average annual export of China's tungsten products is more than 20000 tons, and the average export volume accounts for about 20% of China's total output of tungsten products. In the process of international trade, China's tungsten products are mainly priced in US dollars. The equivalent RMB price at the time of foreign exchange settlement, that is, the RMB exchange rate has a decisive impact on the export price of China's tungsten products and the profit of exported tungsten products, and has a negative correlation with the RMB exchange rate. However, the export price of tungsten products has a direct positive correlation with the market price of domestic tungsten products, that is, when China has advantages in tungsten products resources, Domestic costs and prices will also be reflected in export prices.

According to the statistics of ctia.com.cn, the average price of domestic wolframite concentrate (65% WO3) in 2021 was 102,500 RMB/MT, an increase of 20.95% over the same period in 2020; The average price of apt was 154,400 RMB/MT, an increase of 21.06% over the same period in 2020; In 2021, the total control index of tungsten concentrate (65% WO3) mining in China was 108,000 mts, an increase of 3,000 tons over the same period in 2020,

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with a year-on-year increase of 2.90%. Among them, the main mining index was 80,820 mts, with a year-on-year increase of 3.42%, and the comprehensive utilization index was 27,180 mts, with a year-on-year increase of 1.23%. In 2021, China's tungsten consumption totaled 65,000 mts, a year-on-year increase of 13%, of which the original tungsten consumption was 55,000 mts, a year-on-year increase of 13%; The consumption of waste tungsten was 10,000 mts, with a year-on-year increase of 11%. With the recovery of positive growth of the global economy, the demand for overseas tungsten resumed growth, the demand for overseas orders increased, and the export situation improved significantly year-on-year. In 2021, China exported 24,000 mts of tungsten products (excluding cemented carbide), with a year-on-year increase of 55.16%.



Change curve of RMB/US dollar exchange rate from 2009 to 2019

It can be seen from the above figure that the exchange rate of RMB against the US dollar has not changed much in the past ten years and has basically remained within a small fluctuation range. However, in the past two years, due to the weakness of the US dollar, China's political and economic stability and the increasing strength of the RMB, the RMB is almost close to the lowest value of 6.30 in recent ten years in 2022, which will have a great impact on China's import and export trade, it also poses a great challenge to the monetary policy and regulation ability of China's financial sector.

Of course, since the euro and Sterling are also the main circulating and reserve currencies in the world, in actual international trade, we will also consider the currency commonly used in the customer's region, the rising and falling trend of the currency at that time, the convenience of collection, and the exchange difference between different foreign currencies and RMB, Considering many factors such as different collection time regulations such as spot or forward, USD or other currencies acceptable to both parties shall be used as the contract price unit and settlement currency. At present, CTIA group basically uses euro in Europe and US dollars in other regions. Of course, CTIA also has CIPS accounts and will use RMB for settlement according to customer needs.

After the outbreak of the Russian Ukrainian conflict, the international foreign exchange

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market and bond market fluctuated violently. This incident affected not only the economies and currencies of Russia and Ukraine, both parties to the conflict, but also the sanctioned Russian ruble. It also had a great impact on the currencies of European and American countries affected by the shortage of energy supply. As the world's second-largest economy and Russia's neighbors, it is an important partner with long-term energy cooperation agreements, it is difficult for RMB to stay out, and its exchange rate trend will have a great impact on China's Tungsten product price and tungsten product industry.



Tungsten Cemented Carbide Sintered products are the tungsten products with the largest export volume in China, and it is also a sign of the technological improvement of China's tungsten products industry. In the past decades, CTIA GROUP (www.ctia.com.cn) has designed and produced tens of thousands of tungsten cemented carbide products with different shapes, grades and properties for nearly 10,000 customers all over the world.

In recent years, China's Tungsten exports have fluctuated greatly, showing an increasing trend from 2016 to 2018 and a decline from 2019 to 2020. According to the data, China's Tungsten exports reached 24051 tons in 2021, with a year-on-year increase of 63.6%, and the export amount was US $802 million. If we calculate at the average exchange rate of 6.441 in 2021, the export income of tungsten products in the whole industry will be 5.2 billion yuan, while if we calculate at the exchange rate of 6.3 in mid March 2022, the net income of the whole industry will be reduced by more than 110 million yuan. Therefore, it is easier for us to observe the great impact of RMB exchange rate appreciation on tungsten products industry from the perspective of the whole industry; Taking individuals as an example, it is easier to see the impact of the Federal Reserve's dollar policy on each enterprise of tungsten products in China.

By joining us in such a virtual transaction, we can see the direct impact of RMB exchange rate on tungsten products industry. In the middle of January 2022, ctiag group and the customer agreed on the sales contract of nano ammonium metatungstate (AMT), with the price of CNF Rotterdam delivery of $50 per kilogram and USD50 00 / kg (CNF Rotterdam). At the time of signing the contract, the RMB exchange rate was 6.45, and the cost-benefit

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calculation of China tungsten Zhizao was 5 yuan per kilogram. However, China Tungsten online recovered the payment after online delivery in mid March. At this time, the RMB exchange rate was 5.30, and the profit of China Tungsten online was 0. In fact, after excluding labor, storage and transportation, insurance, capital interest and other expenses, China Tungsten online lost money, this is the living impact of RMB exchange rate and US dollar pricing power on our tungsten products enterprises.



Statistical chart of USD valuation amount of China's tungsten products exports from 2016 to 2021

2. Money Supply and Inflation

From the perspective of money supply, money supply is the primary factor determining money value and money purchasing power. If the domestic money supply decreases, the local currency is more valuable because it is scarce; On the contrary, if the money supply increases, the excess money will be expressed in the form of inflation, the price of domestic goods will rise and the purchasing power will decline, which will promote the large import of relatively cheap foreign goods and the foreign exchange rate will rise. In the past two years, with the continuous implementation of QE in the United States, the balance sheet of the Federal Reserve has rapidly increased from $4 trillion to today's $8.9 trillion. There is a serious oversupply of money, and the money supply is too large, forming a flood of water and affecting the world. Therefore, in the same period, the RMB has continued to appreciate relative to the U.S. dollar, and has now reached a level of about 6.3, which first reflects the effect of the moderately tight policy of the RMB.

From the perspective of inflation, China's RMB exchange rate should be in a long-term strong currency state in the future. The level of inflation rate is the basic factor affecting the change of exchange rate. A country's currency is issued too much, and the circulating currency exceeds the actual demand of the commodity circulating country, resulting in inflation. Inflation reduces the domestic purchasing power of the country's currency and

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depreciates internally; The internal devaluation of currency will inevitably lead to external devaluation without significant changes in many conditions. China's CPI was 0.9% last year, basically in a stable economic operation state, while the US CPI index was a record 7.9% last month, and it is expected that it will break through the previous high in March 2022 and still operate at a high level. Therefore, we can know the root of the recent sharp rise in the value of the RMB.

Five days after the meeting of the National Finance Commission, the executive meeting of the State Council held on March 21 listened to the report of the financial commission of the State Council, focused on the impact of changes in the international situation on China's capital market, and set the tone that China's monetary policy should increase the support of prudent monetary policy to the real economy, adhere to not engaging in "flood irrigation", and use monetary policy tools to maintain the moderate growth of social financing, We will continue to give full play to the dual functions of the total amount and structure of monetary policy tools, make precise efforts, and focus on supporting key areas and weak links such as manufacturing, small and micro enterprises and scientific and technological innovation.

Therefore, under the current different monetary issuance policies and inflation conditions between China and the United States, we can expect that the RMB will basically maintain a high price in the future and appreciate against the US dollar for a long time, which is certainly conducive to China's import of energy, grain and raw materials. However, for China's large export products such as tungsten products, their export income will decline relatively and their export profits will decrease simultaneously, In this way, there will be a short-term situation of reduced export volume or reduced passive market demand due to the increase of export prices.

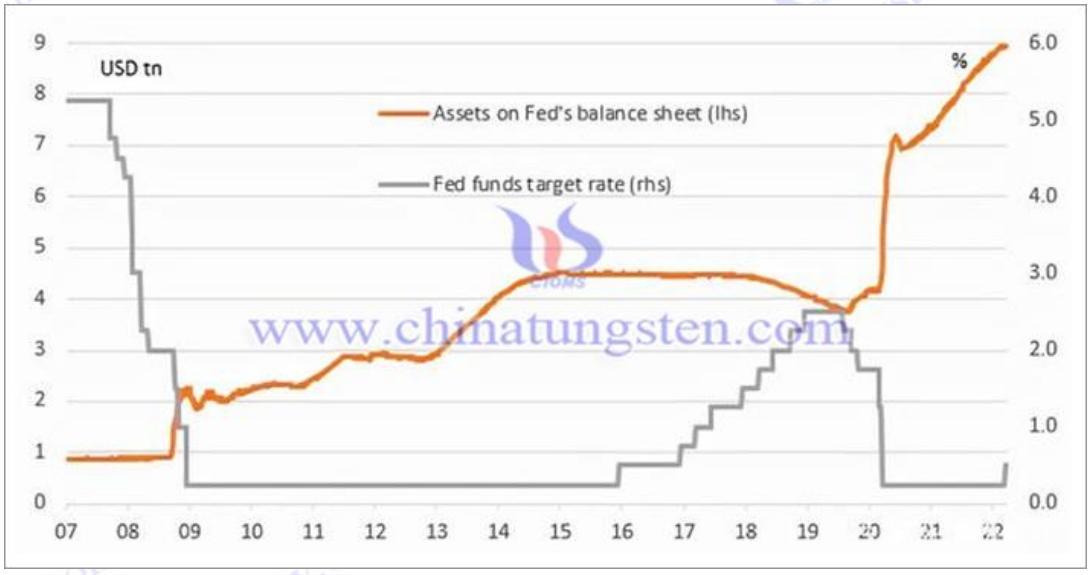


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3. Interest Rate and Money Price

Interest rate refers to the ratio between the amount of interest and the amount of borrowed funds in a certain period of time. It is the price of a certain amount of money used by others, the price that the borrower needs to pay for the money borrowed from it, and also the return that the lender delays its consumption and lends to the borrower. As the price of capital, interest rate is not only restricted by many factors in economy and society, but also the change of interest rate has a significant impact on the whole economy.

After the COVID-19, the European and American countries used the monetary policy repeatedly, and the international currencies such as the US dollar and the euro were seriously overweight. They kept lowering interest rates, turning interest rates to zero and implementing the negative interest rate policy. This resulted in a sharp spread of interest rates in China, which made international speculative capital enter China through profit margins in various ways after lending to US dollars and other international currencies from markets such as the US and Europe. At the same time, with the expectation of stable appreciation of RMB, enlarge the speculative leverage to obtain huge profits, which will not only hurt many export enterprises in China, but also help the international capital to take huge amounts of China's foreign exchange reserves, malicious arbitrage and benefit transmission, which will seriously lead to the abnormal loss of China's wealth and foreign exchange reserves.



Fed funds target rate and assets on Fed's balance sheel

On March 17, the Federal Reserve announced that it would raise the target range of the federal funds rate to 0.25% - 0.5%. This is the first time that the Federal Reserve has raised interest rates since December 2018, which has a great impact on the world economy. In the past, the United States returned the interest rate to zero in the process of coping with the new crown crisis. Now it began to raise interest rates, and said it would raise interest rates

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six times in the future. The early over issuance and interest rate cut in the United States led to the international commodity market out of the super bull market in the past two years. The soaring prices of coal and other commodities forced the sharp rise of China's enterprise costs, which kept the production costs of China's tungsten products processing enterprises high, which had a serious impact on the operation of relevant enterprises. This time, the interest rate increase and table reduction cycle of the Federal Reserve will inevitably lead the return of the US dollar and increase the pressure on the foreign debt of China's real estate enterprises, it will increase domestic debt risk, narrow the interest rate spread between China and the United States, and international speculative capital is easy to flow out across borders, which will impact China's liquidity.

If the Fed's interest rate hike and reduction can not alleviate the appreciation trend of RMB exchange rate, it will increase the relative price of RMB and the price of China's export products, then the export price of China's tungsten products industry will increase the domestic cost pressure, and the profit will decline or cause losses when the price remains unchanged or even the price rises slightly, This has frustrated the ambition of China's tungsten products industry to explore the international market of high-end and cemented carbide products.



Trend chart of China's onshore RMB exchange rate to US dollar from the end of December 2021 to the first quarter of 2022

The US dollar index is an index that comprehensively reflects the exchange rate of the US dollar in the international foreign exchange market. It measures the strength of the US dollar by calculating the comprehensive change rate of the US dollar and the selected basket of currencies, so as to indirectly reflect the changes of the export competitiveness and import costs of the United States. According to this theoretical basis and practice, we know that there is a highly negative correlation between the RMB exchange rate and the

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US dollar index. After the US interest rate hike, the US dollar index reached a new high and fluctuated around 99.08 to 98.30. Therefore, the RMB exchange rate also fell rapidly by more than 800 basis points and stabilized. After the market predicted that the RMB exchange rate would fluctuate significantly, most global asset management institutions believed that under the resonance of the Fed's continued interest rate hike and the high outlook of China's foreign trade, the RMB equilibrium exchange rate would be strong between 6.35-6.45 in the future; Many institutions began to copy the bottom of A-share assets, mainly because China's steady economic growth fundamentals continue to make RMB assets have high allocation value. Therefore, we have reason to believe that the RMB will maintain a relatively strong state for a long time in the future, at least until the conflict between Russia and Ukraine and the sanctions against Russia are completely lifted, which does not rule out the possibility of another record high exchange rate.

Today (March 21), the quoted interest rate (LPR) of China's loan market is the same as that of last month. Financial experts believe that this shows that there is no room for China's monetary interest rate to reduce. Especially under the trend of interest rate increase by the Federal Reserve, the space for loose operation of China's prudent monetary policy will be smaller and smaller, and the time for adjustment will be very short. As the Federal Reserve has predicted, if the interest rate is increased by 25bp six times before the end of the year, even if China's interest rate is not adjusted downward, the interest rate difference between China and the United States will be inverted at the end of the year, which will put great pressure on cross-border capital flows, RMB exchange rate and domestic and foreign capital markets. The accumulated policy adjustment advantages and space of China's no interest rate reduction in the past two years is also extremely limited or lost. Therefore, with the total amount of money issuance stable, the price of money, that is, interest rate policy, is particularly important.

To sum up, China's tungsten products enterprises participating in the international market competition must face the increasingly complex and volatile international monetary situation, and the fluctuation range of China's RMB exchange rate will also increase and be more unpredictable, which will bring risks to the international market price of tungsten products priced in US dollars. Our participants are required to formulate corresponding exchange rate loss hedging mechanism and prediction, priced in RMB RMB is the transaction currency, preset a reasonable exchange profit and loss point, adopt the advance payment mechanism, cooperate with banks and other financial institutions as much as possible, and lock in the export earnings of relevant products by means of hedging, so as to reduce the impact of changes in the external environment on the RMB exchange rate.

4. Sudden factors of Russia Ukraine conflict

Any capital pursues security and pursues security. Therefore, the impact of political and sudden factors on the foreign exchange market is direct and rapid. The continuity and stability of a country's political situation and policies, the government's foreign policy,

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domestic stability, foreign war, sanctions and economic sanctions, natural disasters and other sudden factors will have a significant impact on the domestic currency exchange rate.



Ruble

As of the closing on March 7, 2020, the exchange rate of the Russian Ruble against the US dollar has been halved compared with that at the beginning of the conflict, and the lowest once hit the position of 0.0064. Finally, with the conclusion of the phased ceasefire agreement between Russia and Ukraine on the evening of March 7, the depreciation of the Russian Ruble against the US dollar has come to an end. At the same time, the Central Bank of Russia has maintained the benchmark interest rate at 20%, It also stated that "the Russian economy is entering a stage of large-scale structural transformation, followed by a temporary but inevitable period of rising inflation". In this case, the Russian Ukrainian conflict has an extremely important impact on China, which has close relations with Russia. The people's currency has become a safe haven currency, and the offshore RMB has appreciated to a high of 6.30 yuan in a short time, The analysis shows that there are two reasons: first, the depreciation of the Russian Ruble plus the appreciation of the RMB. If the two countries carry out trade based on their own currency, the price of China's imported energy will fall, which is very beneficial to China's price control, while the cost of Russia's imports of China's products will rise, which will bring great pressure on Russia's import of relevant materials from China during the conflict; Second, statistics at the end of last year

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showed that the amount of global RMB as foreign exchange reserve and trading currency has exceeded 3.8%, reaching an all-time high, surpassing the yen and becoming the fourth currency after the US dollar, euro and sterling. In the turbulent context of the conflict between Russia and Ukraine, as the world's second-largest economy, stable political system, independent foreign policy and social governance based on national peace and security, the stability and value of RMB are prominent. It is reasonable for all kinds of global political and economic entities to increase their holdings of RMB.

The sharp appreciation of RMB against the US dollar and ruble caused by the conflict between Russia and Ukraine will have a great impact on the export price of China's tungsten products. Therefore, China's tungsten products export enterprises must timely study and judge the huge changes in RMB exchange rate and export market, timely and appropriately adjust export policies and export prices, and take into account the unpredictability of the conflict between Russia and Ukraine, the value trend of ruble, US dollar, euro and other currencies, and the fluctuation amplitude of RMB exchange rate.



At the time of writing, that is, the central parity rate of RMB against the US dollar in March was 6.35, while the figure at this time two years ago was close to 7.000, and the figure at the same time a year ago was 6.60! Therefore, by comparison, we will find that the appreciation rate of RMB in the short term is so large that China's tungsten products export enterprises should feel it the most. As China's political economy is relatively stable, the epidemic situation is well controlled, RMB assets are favored due to war and inflation, and the exchange rate of RMB against major currencies such as the US dollar continues to appreciate, which increases the price of tungsten products mainly produced at the cost of RMB and export products priced on the basis of US dollar, and this trend may continue to increase, which is a major challenge to the export business of tungsten products accounting for one fifth of the total annual volume for a long time, Although other

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unpredictable risks in the export of and tungsten products business must be controllable and determined, they are also unavoidable and huge challenges.

The conflict between Russia and Ukraine has evolved into an economic war, and then into a currency war. It has also become a dispute over the monetary gold standard. This is really unexpected and uncertain.

5. Conflict Russia-Ukraine and RMB Local CurrencySettlement

The financial sanctions imposed by Europe and the United States on Russia can be roughly divided into two aspects, that is, the main banks in Russia will eliminate the swift settlement system; On the other hand, it is to freeze all kinds of assets of the Russian state and many Russian tycoons. On February 27, Russia was excluded from swift, which led to the confiscation of up to two-thirds of the foreign exchange reserves of the Russian Central Bank of $643 billion. At present, Russia's foreign exchange reserves are about 643.2 billion US dollars, the proportion of US dollars in Russia's foreign exchange reserves has decreased to about 16%, the euro has been replaced by about 32%, and the RMB accounts for more than 12% of Russia's foreign exchange reserves.

If the United States can pressure swift in Belgium to sanction a large country such as Russia, then all countries must think about the combination of their foreign exchange reserves and the security of financial assets. If the bank doesn't have a set of basic asset management system and common sense of its own customers, it can provide a set of financial institutions with their own assets according to their own political and regulatory preferences, then customers have to choose the banks and regulatory institutions they think are safe to ensure that they are not sanctioned at the most critical time.

After the assets of many Russian rich have been frozen, confiscated and sealed up in European and American countries, we can imagine that the tycoons who also have huge wealth, heads of state and kings of some countries should pay most attention to the security of their wealth and how to diversify their assets as soon as possible. For them, it is time to see the dangers behind the dollar and choose a country with stable system and developed economy as soon as possible Currencies issued by countries with social security and upholding the principles of justice and consistency are used as their wealth holding portfolio and reserve options. Because the European and American sanctions against Russia have broken the long-standing wealth management model: people convert their wealth into stable currencies such as the US dollar in order to preserve its value; For insurance, the US dollar assets are deposited in financial institutions in neutral countries such as Switzerland. But now the reality is that the bank can freeze your wealth and prevent you from trading and transferring. The neutral country may no longer be neutral at any time and freeze your wealth and nationalize it or transfer it to others. If so, what are the

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fears of individuals in countries with dollars on hand? How can they hold and use dollars in large quantities?



Melinichenko is a Russian billionaire. His yacht is known as the world's largest, with a drainage of nearly 13000 tons. At present, the yacht has been detained in Italy

Most of the sanctioned parts of Russia should be livelihood goods that need China's support. The two countries are bordering on each other. There has long been cooperation in oil and gas, and the RMB has long been one of the main currencies between China and Russia. Over the past few years, Russia has adjusted more than 12% of its reserves to RMB foreign exchange assets. Moreover, the oil long-term agreement between China and Russia has lasted for 30 years, with an amount of about US $400 billion, Previously, about 40% used the euro, but under the current sanctions imposed on Russia by Europe and the United States, the currencies of the two countries should be used as soon as possible, especially the RMB as the seller and even the barter transaction, so as to replace the US dollar as much as possible.

If the conflict between Russia and Ukraine cannot be resolved as soon as possible, but continues to deteriorate, it will lead to the rising risk aversion in the market. Due to the change of market risk sentiment under the influence of the situation between Russia and Ukraine, RMB may be paid more and more attention by Russia and other conflicting parties and their close affiliates, and RMB will also be used as local currency settlement in international trade, which is of course beneficial to China's exports, It will not only reduce the exchange losses and transaction costs of export enterprises, but also enable Chinese enterprises to use CIPS and other RMB trading systems when exporting goods, so as to

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reduce political risks, which is particularly important for the export of relatively sensitive tungsten molybdenum rare earth products.

In addition, according to the economic daily, since the outbreak of the conflict between Russia and Ukraine, Ukraine has been deeply involved in war, Russia has suffered sanctions, and Europe has encountered energy shortage. It seems that only one country has benefited from both, the United States, but in fact, it has triggered the voice and action of "**de dollarization**", which has touched the "heart disease" of the United States.

Some experts warned that sanctions would bring serious side effects to the United States. Gopinat, the first vice president of the International Monetary Fund (IMF), said recently that western financial sanctions against Russia may weaken the dominance of the US dollar and lead to more "fragmentation" of the global financial system. Gopinat said that it has been seen that some countries are renegotiating the currency of trade settlement.

According to the order of the president of Russia, if the "unfriendly countries" identified by Russia want to buy Russian natural gas, they must open a ruble account in the Russian bank and pay in rubles. Then export products such as grain, fertilizer and timber may be priced in rubles soon. India and Russia are discussing the Rupee ruble settlement mechanism to avoid the US dollar and euro to continue the India Russia trade. The countries that have made it clear that they accept the settlement in rubles include Belarus Hungary, Slovakia, etc.

First, "de dollarization" is associated with the "weaponization" of the dollar. "De dollarization" is due to the abuse of financial sanctions by the United States by taking advantage of the dollar's dominant position for many years, and the dollar reserves accumulated by various countries may be frozen or taken away at any time. Russia's recent experience may further strengthen the awareness of countries on reducing their dependence on the US dollar. The more the dollar is used as a weapon, the faster the dollar is abandoned, which is precisely the most ironic.

Secondly, the US dollar still plays a leading role in the global market. The US dollar ranks first in Global trade settlement, foreign exchange reserves of central banks, global debt valuation and global capital flows. Although the position of the US dollar in the global monetary system has continued to decline in recent years, it should also be noted that the reserve position of the US dollar is difficult to be quickly replaced.

In addition, the diversification of the international monetary system may be accelerated. The abuse of the US dollar status has already planted the seeds of distrust in the hearts of all countries, and countries' willingness to accelerate the establishment of an alternative global financial payment system has further increased. As some analysts pointed out, in the process of the US dollar continuing to dominate the global market, its dominant position is likely to be weaker than it seems, "the outline of the diversification of the international monetary system is emerging".

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6. Oil RMB Future

6.1 RMB oil futures in the previous period

In addition to the above-mentioned trading of oil and gas between China and Russia in RMB, on the morning of March 26, 2018, China's crude oil futures priced in RMB was officially listed and traded in Shanghai International Energy Trading Center, a subsidiary of Shanghai Futures Exchange, which means that China's first international oil futures priced in RMB was successfully listed. As the first international futures variety in China, crude oil futures will directly introduce foreign investors to explore the experience of fully international market operation and supervision of the futures market.



Iran oil export pipeline

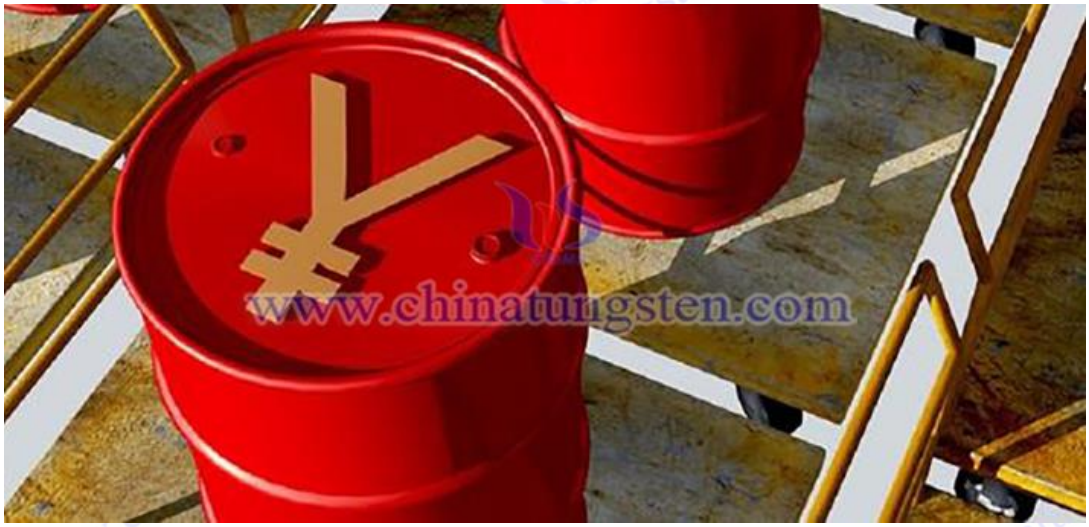
6.2 China Iran long term oil cooperation agreement

On March 10, Iran launched the energy futures contract of naphtha and methanol futures contract for the first time in its history, mainly to bypass the pricing power of the US dollar and allow oil, natural gas and petrochemical companies to join the Iranian energy futures trading platform; At the same time, the Iranian authorities excluded the US dollar from Iran's commercial activities, officially replaced the original US dollar with RMB, and listed RMB and euro as one of the country's main foreign exchange currencies. Now Iranian enterprises can use RMB to buy Chinese goods. In the future, Iranian oil enterprises will use RMB more to settle oil with Chinese buyers, which will contribute to the oil RMB.

6.3. China Saudi Arabia Petroleum Cooperation

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As we all know, Saudi Aramco has already opened large-scale refineries in Liaoning and Fujian, China, and Abu Dhabi oil exchange in the United Arab Emirates can trade in currencies other than US dollars. On March 15, US media reported that Saudi Arabia is also considering using RMB to settle oil trade in the Chinese market, which may become the east wind of oil RMB and its internationalization, It also provides a new oil currency for international crude oil traders. There seems to be a consensus between China and Saudi Arabia that the head of state diplomacy will be realized within the year as far as possible, and the local currency of RMB will be considered as the settlement currency in some oil and gas transactions. Although it is not possible for RMB to replace the US dollar in a short time, this move will make the RMB a stronger currency and more globalized. This is not just a simple question of what currency to use in the oil trade, but clearly tells the world that when the United States gradually withdraws from the Middle East and gradually establishes its own oil advantage, the role and importance of China, which has good relations with Saudi Arabia and Iran, will gradually appear in the Geopolitics of the Middle East; Similarly, in Central Asia, when the United States withdrew from Afghanistan, the Central Asian countries that had good relations with China had closer relations with China.



Oil RMB future availability

What is of indicator significance is that the reason why it has been called petrodollars for many years is that the United States and Saudi Arabia have signed an agreement. The oil transactions between the United States and Saudi Arabia are denominated in dollars, while the United States protects Saudi Arabia's national security. However, due to the Kazakhstan Shaoji incident and the US Iraq nuclear agreement between the United States and Saudi Arabia, Saudi Arabia has more dissatisfaction with the United States, and the relationship between the United States and Saudi Arabia is not what it used to be. Moreover, the United States has become the world's largest oil producer after its shale oil technology breakthrough, and is also exporting a large amount of oil and natural gas. The United States' separation from Russia and Europe, sanctions on Beixi No. 2 pipeline, Russia Ukraine conflict and so on are the results of the United States in order to obtain the benefits of energy export to Europe. Therefore, why does Saudi Arabia hold on to

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petrodollars? In today's Russia, even Switzerland, which is famous for its neutrality and confidentiality, has joined the ranks of sanctions and has imposed sanctions on Russian state and private property. So, what other currency in the world can replace the US dollar and become a strong currency with national credit and stable political economy as the basis? The answer is obvious. The political and military cooperation between China and Saudi Arabia over the years has long been a clue. At the beginning of the new year of 2022, the foreign ministers of the four Middle East countries visited China one after another, which is more obvious. Therefore, we believe that the oil RMB can be expected in the future.

7. Internationalization of RMB

The reason why countries all over the world recognized the US dollar was originally because of its gold standard, but the gold standard was abolished by the Nixon Administration in the early 1970s. The US dollar was only based on the long-standing belief that the United States was the largest country. Now, if the credit of the United States is gone: the west is prone to impose sanctions on other countries without scruples about existing international agreements and treaties and the rules of international organizations such as WTO and IMF, The United States no longer scruples about the purposes and authority of international organizations and the United Nations, blindly uses its strong military, economic and cultural hegemony, dictates to other countries, frequently launches color revolutions, frequently adopts sanctions, colludes everywhere, incites the flames everywhere, ignores the historical and cultural characteristics and economic security interests of other countries and regions, and only considers its own interests, The dollar's credit and the foundation of the international currency collapsed.

Before the 2008 financial crisis, the inflation rate in the United States was very low, while China's inflation rate was relatively high. Therefore, during the 2008 financial crisis, China's challengers were serious and seriously injured. Now, on the contrary, when countries are printing money in response to the epidemic crisis with the trend of quantitative easing, China has well controlled the epidemic, maintained the stability and rapid growth of domestic production, and provided the world with materials for epidemic prevention and people's livelihood, It has maintained its own economic growth and sound development. More importantly, China has not issued excess currency, but adopted a moderately tightened monetary policy in 2020-201. At present, while countries around the world are raising interest rates and tightening monetary policy in response to inflation, we are able to moderately relax monetary policy and stimulate faster and better economic development. In this way, the RMB has improved its credibility and international status at the most appropriate time, provided stability and growth to the world, and has become a stable reserve currency pursued by all countries. Recently, countries and developed fund companies have increased their RMB assets, which is an example.

With regard to the internationalization of RMB, we see the following facts: in November 2015, the International Monetary Fund included RMB into the IMF special drawing right currency basket, with a weight of 10.92%; In October 2018, RMB and Philippine Peso were

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directly exchanged, ending the history that Philippine foreign exchange had to be transferred through US dollars; In December 2021, the Central Bank of Myanmar allowed the direct use of RMB and kyat for trade settlement in the border areas between China and Myanmar; In January 2022, swift data showed that in the global payment currency ranking in 2021, the share of RMB rose to the fourth; In March 2022, one belt, one road, was held by the Russian finance minister, saying that the renminbi is one of Russia's reserve foreign exchange reserves. Russia will continue to use the renminbi. Let alone, the bilateral, multilateral and other multilateral countries and regions such as China, DPRK, Central Committee, China, Burma, China, Thailand, China, Pakistan, China, Africa and ASEAN are all aware of, accept and use the renminbi through the infrastructure construction and cooperation. Therefore, we believe that the RMB will gradually play an important role in many countries where the China Europe train passes, within the scope of the SCO, and at a time when China's demand for energy and mineral products from Central Asian countries is increasing.

One belt, one road, is that we will also contribute to the development of our country's strategic cooperation.

8. Challenges & Opportunities of the Russia-Ukraine cConflict

8.1 RMB collection risk

In the actual operation of tungsten products export business, Chinese enterprises can collect RMB payments cross-border through swift, but the reason is the same as that of the US dollar, which is controlled by it. Therefore, charging RMB through this system is the same as charging us dollars. Even if our trading partner holds RMB, if he is punished, he cannot pay through swift system.



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8.2 After Russia was expelled from the SWIFT system

At present, there are many international trade settlement and payment systems in the world. In recent years, Russia has been subject to US sanctions. Therefore, in addition to hoarding US dollar assets, increasing multi currency assets and carrying out barter trade, Russia has launched its own Russian version of SPFS to partially replace swift system since 2019. At the same time, Europe also has its own Euro SEPA system, and Iran, which has also been subject to US sanctions for a long time, also has Sepam system. China's UnionPay payment and clearing system and RMB cross-border payment system (CIPS) are also potential partners of Russian SPFS.



According to Xinhua News Agency, April 3, the ruble has strongly returned to the level before the sanctions against Russia launched by western countries after the outbreak of the conflict between Russia and Ukraine. Under the complex geopolitical situation, the ruble market can reverse in a short time, mainly due to three factors. First, the Russian government has introduced a number of measures to stabilize the domestic financial market, reduce the demand for foreign exchange in the domestic market and limit the outflow of domestic funds, which has reduced the pressure on the devaluation of the ruble; Second, on March 29, Russia and Ukraine held a new round of face-to-face negotiations in Istanbul, Turkey, and made positive progress; Third, Russian President Vladimir Putin announced on March 23 that the "ruble settlement order" for natural gas, which came into effect on April 1, will leave revenue in Russia and reduce the willingness of the international market to short the ruble. In addition, Russian exports of oil, metals and other bulk commodities may also be settled in rubles in the future. At that time, the ruble value and international trade settlement system may face reconstruction.

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Matched with it is the policy of the Russian central bank to exchange rubles for gold, that is, anyone can exchange 5,000 rubles for 1 gram of gold from the Russian central bank. For such a policy, we calculate the quotation at a certain time point on March 28, 2022 as follows: 1 ounce = 28.35 grams of gold, 1 gram of gold = 5,000 rubles, 1 ounce = 1,930 US dollars, so 1 US dollar = 73.44 rubles. But at this time, the official exchange rate between ruble and US dollar is 83 rubles. In this way, the exchange rate that once fell to about 1 US dollar = 160 rubles is adjusted to the pre station level, because we believe that Russia's move is equivalent to restoring the gold standard of the currency. The consequences may not only change the exchange rates of ruble and US dollar, but also change the buy one settlement system in the world. More importantly, it gives significant enlightenment and practical lessons to the RMB strategy, and also gives a good opportunity for the RMB to enter the era of fragmentation of foreign exchange reserves in the world.



Change chart of ruble against RMB and other exchange rates as of December 31, 2022 released by the people's Bank of China

8.3 Digitalization of RMB

At the end of 2019, the pilot tests of digital RMB were launched in Shenzhen, Suzhou, Xiong'an new area, Chengdu and the Winter Olympics; After that, the time is ripe for China's bulk commodity retail and futures markets to adopt digital RMB. In August 2021, digital RMB has been applied to the trading of Dalian Commodity Exchange. On March 2, 2022, in addition to the "10 + 1" pattern previously formed, nearly 20 pilot cities have been added in the pilot of the latest version of digital

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RMB App, and the application fields supporting digital RMB also involve all aspects of the national economy and the people's livelihood, this will enhance the breadth and depth of digital financial assets serving the global economy, and can play an important role in the transformation of the international settlement system.



Digital RMB App Screen: Digital red envelope - application scenario of digital RMB

China's 14th five-year plan and the outline of long-term goals for 2035 put forward to steadily promote the research and development of digital currency. Recently, more than 10 provinces have incorporated the digital RMB pilot into the financial "14th five-year plan". According to the data released by the people's Bank of China, by the end of 2021, there had been more than 8.0851 million digital RMB pilot scenarios, 261 million personal wallets had been opened, and the transaction amount was 87.565 billion yuan.

According to the latest report, the people's Bank of China announced that at the Symposium on digital RMB R & D pilot work held on March 31, 2022, it was announced to expand the scope of digital RMB pilot in an orderly manner: add Tianjin, Chongqing, Guangzhou, Fuzhou and Xiamen, and six cities hosting the Asian Games in Zhejiang Province as pilot areas, and Beijing and Zhangjiakou in Hebei Province will host the 2022 Beijing Winter Olympics After the pilot of the winter Paralympic Games, it will be turned into a pilot area. The time is ripe to expand the pilot of digital RMB. At the right time, digital RMB has formed a number of online and offline, reproducible and reproducible in the fields of wholesale and retail, catering, culture and tourism, government payment and so on. Experts generally believe that.

With the mutual supplement of digital RMB and RMB cash, which together constitute the gradual improvement of China's legal tender system, on this basis, the issuance and use technology of digital RMB continues to mature, and the legal provisions on the issuance

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process of digital RMB, anti money laundering, anti counterfeit currency, personal information protection, consumer rights and interests' protection and other issues continue to be clarified. China's digital RMB will have a broad space for use, it will play an important role in international trade and become one of the main settlement tools of China's foreign trade. It will also bear an indispensable heavy responsibility in the process of China's tungsten, molybdenum and rare earth products participating in the international market.



The digital RMB(e-CNY), which has entered people's lives, will play a greater role together with China's leading global e-commerce in the future.

9. The Fluctuation of RMB Exchange Rate & the Challenge of Tungsten Export

According to the current analysis, combined with the global status of China's tungsten products industry and the current situation of Russia's tungsten resources, the challenges brought by the conflict between Russia and Ukraine to China's tungsten products industry are not limited to the fluctuation of RMB, exchange rate and interest rate, nor to the safety and risk of RMB payment pre settlement amount. We infer that under the international background of increasing sanctions against Russia in Europe and the United States after the conflict between Russia and Ukraine, the risk of tungsten products industry may exceed the profit and loss risk, we may have to face the problem of whether we can export, where we can export, or whether we can import and where we can import!

In view of the sensitivity of tungsten, molybdenum and rare earth products, RMB and gold involve financial policies, NRA and other accounts involve foreign exchange control, etc., it is inconvenient for us to discuss more about the risks and opportunities of tungsten products industry here, but we welcome interested friends to contact us for more

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discussion and mutual learning!

(The Part V is completed, and the Part VI to X of the full text are to be continued)

SUMMARY

Based on the experience of tungsten products market in the past decades and the current situation of the conflict between Russia and Ukraine, the author believes that the price of tungsten products will continue to rise in 2022, but the main factor is not traditional market factors; Therefore, in the first part, we focus on the conflict between Russia and Ukraine and the military use and importance of tungsten products. In the second part, we focus on the global resource distribution of tungsten products, especially the overview of tungsten resources in Russia and the relationship between China's tungsten products industry and Russia. In the third and fourth parts, we analyze the factors of the sharp rise in the prices of energy, bulk metals and grain and the cost pressure of China's tungsten market under the background of the conflict between Russia and Ukraine, in this part, we focus on the analysis of the RMB exchange rate, interest rate and the risks and opportunities as a means of payment. In the follow-up, we will discuss the feasibility and risks of China's tungsten products futures; Of course, related to Russia, we will also briefly analyze the suspected fraud such as the so-called sky-high price Russian tungsten gold bar and tungsten cube as a token from time to time in recent decades.

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