

# CHINA: POTENTIAL FOR CURRENCY APPRECIATION AS ECONOMIC ENGINE REVS BACK UP

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For 2013, many market strategists believe that a potential catalyst for investment in China is set to occur in March, once the official leadership transition is complete. The upbeat economic data coming out of China has resulted in a surge of investor confidence. Additionally, many currency forecasters are now anticipating a nearly 2% rise of the Chinese yuan by the end of 2013.<sup>1</sup> Fears of a “hard landing” in China have largely dissipated, and economists and traders are refocusing on the positive impact that stronger Chinese growth could have on the region. Should the yuan rise by 2% in 2013, we believe the [WisdomTree Chinese Yuan Fund \(CYB\)](#) has the potential for strong returns.

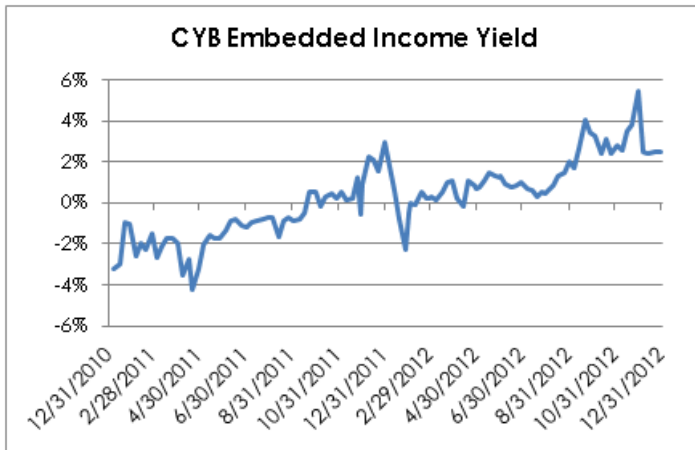
Average Annual Total Returns	2008*	2009	2010	2011	2012	Since Fund Inception
CYB NAV Returns	3.05%	0.24%	1.26%	1.47%	2.22%	1.77%
CYB Market Price Returns	1.12%	1.12%	1.33%	1.39%	2.18%	1.54%
Chinese Yuan (CNY)	2.58%	-0.07%	3.49%	4.57%	1.24%	2.54%
JP Morgan Emerging Local Markets Index Plus (EIMI+) China (JPPUCH)	4.48%	1.82%	2.06%	3.06%	2.38%	2.98%

\*Since Fund Inception on 5/14/2008. CYB Expense Ratio is 0.45%.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the most recent month-end is available at [www.wisdomtree.com](http://www.wisdomtree.com).

WisdomTree shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total returns are calculated using the daily 4:00 p.m. EST net asset value (NAV). Market price returns reflect the midpoint of the bid/ask spread as of the close of trading on the exchange where Fund shares are listed. Market price returns do not represent the returns you would receive if you traded shares at other times.

As we have [noted previously](#), the market for accessing the Chinese yuan is continuing to evolve. As a result, the WisdomTree Chinese Yuan Fund has evolved as well, given its status as the only [actively managed](#) Chinese yuan [exchange-traded fund](#) (ETF). Over the previous 12 months, we believe changes in the expectations of yuan appreciation have created greater opportunities for investors in the market. As a result, investors have received returns in excess of those attributed to changes in the [spot currency rate](#). Put another way, investors have been paid nearly 0.98% since January 2012 for waiting on potential yuan appreciation.



(For standardized performance, including the SEC [30-day yield](#) for CYB [click here](#).) While it is far from certain if these interest rates will persist, we believe that the flexibility offered in the quickly growing market for Chinese yuan-denominated assets could continue. Should China continue to surprise to the upside, we believe this could potentially have a positive effect on other emerging market assets, especially among China’s regional trading partners. A principal investment theme for the [WisdomTree Asia Local Debt Fund \(ALD\)](#) is that with rebounding economic growth in China, we believe that many [ASEAN countries](#) along with Australia and New Zealand could see their economies benefit through regional trade as well. With growth in the emerging markets strong, we believe risk assets could continue their positive momentum, resulting in gains for investors in the [WisdomTree Emerging Markets Local Debt Fund \(ELD\)](#) and the [WisdomTree Emerging Currency Fund \(CEW\)](#). With continued progress in China, the “Year of the Snake” could prove to be a great year for the Chinese economy as well as for investors with exposure to the emerging markets at large. <sup>1</sup>Source: Bloomberg 2013.

**Important Risks Related to this Article**

You cannot invest directly in an index. There are risks associated with investing including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in real estate involve additional special risks, such as credit risk, interest rate fluctuations and the effect of varied economic conditions. Funds that focus their investments in one country or region may be significantly impacted by events and developments associated with the region which can adversely affect performance. Funds focusing on a single sector and/or smaller companies generally experience greater price volatility. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Investments in currency involve additional special risks, such as credit risk and interest rate fluctuations. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effect of varied economic conditions. As these Funds can have a high concentration in some issuers the Funds can be adversely impacted by changes affecting such issuers. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition when interest rates fall income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline. Unlike typical exchange-traded funds, there are no indexes that the Currency Funds or the Fixed Income Funds attempt to track or replicate. Thus, the ability of these Funds to achieve their objectives will depend on the effectiveness of the portfolio manager. Due to the investment strategy of certain Fund’s they may make higher capital gain distributions than other ETFs. Please read the Fund’s prospectus for specific details regarding the Fund’s risk profile.

For more investing insights, check out our [Economic & Market Outlook](#)

**Actively managed ETFs** : Investment strategy where a manager selects securities in an attempt to outperform the performance benchmark.

**Spot currency** : The foreign exchange rate of a currency available for immediate delivery.

**SEC 30-Day Yield** : The yield figure reflects the dividends and interest earned during the period, after deduction of the Fund's expenses. This is also referred to as the "standardized yield."

**ASEAN countries** : Association of Southeast Asian Nations. Indonesia, Malaysia, the Philippines, Singapore and Thailand comprise the original members.