Hong Kong & Mainland China News – February-2016

Yuan stable but slow decline still expected

By www.thestandard.com.hk
Tuesday, February 02, 2016

The value of the yuan has temporarily stabilized at around 6.6 per US dollar. The central government is trying to impose more restrictions, but capital outflow pressures persist.

According to market consensus, the yuan is expected to depreciate further in 2016 to the range of 6.8 to 7.5, in a slow and controllable manner. If the currency keeps falling, it will take more time for China and Hong Kong stocks to mount a recovery.

Meanwhile, HSBC (0005) has imposed a hiring and salary freeze in 2016. The stock rebounded slightly to HK$54.65, though it is still near a six- year low.

Local banks have been facing earlier loan repayments from mainland companies in the past year. The yuan's depreciation has forced mainland enterprises to repay their US dollar loans early and switch to borrowing from domestic lenders.

Mainland banks are still keen to lend aggressively to large Chinese enterprises. You should probably reduce such stocks in your portfolio.

As for Chinese banks paying a dividend yield as high as 6-7 percent, buying on dips and trading within a range seems to be the best strategy. Dr Check and/or The Standard bear no responsibility for any investment decision made based on the views expressed in this column.

HK 'freest economy' for 22nd year

By archive.news.gov.hk
Tuesday, February 02, 2016

The Government today welcomed the Heritage Foundation's ranking of Hong Kong as the world's freest economy for the 22nd consecutive year, saying it is determined to safeguard the city's economic freedom.

Among the 10 components measured in the 2016 Index of Economic Freedom Report, Hong Kong achieved high ratings of 90 or above in seven components, with the top positions in Business Freedom, Trade Freedom and Financial Freedom.

The report also recognised Hong Kong's prudent economic policy, high level of market openness, fiscal discipline and stable and transparent legal environment, as well as well-secured property rights, which maintained the city's leading role as a global business and financial hub.

The city's overall score dipped slightly compared to the previous report, but the gap with the second freest economy, Singapore widened slightly after narrowing for five consecutive years.

Both cities' overall scores remained close and the Government noted it was a timely reminder that, with other regional economies progressing forward, Hong Kong must closely keep up with the pace of global economic development and strive to enhance global competitiveness.

The Government will also continue with its best endeavours to uphold the rule of law and an independent judiciary.

China can avoid hard landing says IMF head

By news.rthk.hk
Friday, February 05, 2016

The Managing Director of the International Monetary Fund (IMF), Christine Lagarde, says the mainland's economy can avoid a "hard landing" and shift to a lower, more sustainable growth rate if Beijing pursues reforms to state enterprises and sticks to a more market-driven and well-communicated exchange rate policy.

But she also said she expected increased demand from emerging markets for financial support from the IMF as they struggle with slower global growth due in part to the mainland's economic transition.

HK, Canada sign investment pact

By archive.news.gov.hk
Thursday, February 11, 2016

Secretary for Commerce & Economic Development Gregory So signed an Investment Promotion & Protection Agreement with Canadian International Trade Minister Chrystia Freeland in Toronto today.

"The signing of the investment agreement will give additional assurance to investors, expand investment flows between Hong Kong and Canada, and further strengthen our existing strong economic and trade ties," Mr So said.

"Hong Kong offers a dynamic economy and today's investment agreement will help Canadian businesses more easily access this reliable entry point into the larger Asia-Pacific region," Ms Freeland noted.

Under the agreement, the two governments will provide investors from both sides with fair, equitable and non-discriminatory treatment; compensation for expropriation of investments; and the right to free investment and return transfers abroad. The pact also provides for investment dispute settlement under internationally accepted rules.

Addressing a business luncheon, Mr So said the Belt & Road initiative encourages closer economic and cultural co-operation among more than 60 economies.

He noted that Hong Kong is well placed to partner with Canadian companies to participate in the Belt & Road initiative and tap business opportunities and urged Canadian entrepreneurs to make full use of Hong Kong's advantages.

Mr So visited Ryerson University's Digital Media Zone, one of Canada's largest business incubators for emerging technology start-ups.

He also met with Canadian House of Commons Canada-Hong Kong Friendship Group Chairperson Michael Chong and attended a Lunar New Year celebration dinner with the Hong Kong community in Toronto.

We respect HSBC decision: Norman Chan

By news.rthk.hk
Monday, February 15, 2016

The Hong Kong Monetary Authority (HKMA), which had earlier said it would welcome an HSBC move to Hong Kong, said on Monday that it respected the board's decision to keep its base in London.

In a statement, HKMA chief executive Norman Chan, said he understands that relocation for a large international bank like the HSBC, is very major and complicated.

Chan also stressed that Hong Kong is the premier banking and financial hub in Asia, that will continue to be used as the headquarters for the Hongkong and Shanghai Banking Corporation – the biggest source of profits for the HSBC Group.

Some investors had encouraged HSBC to consider leaving Britain, partly because of a tax on banks' global balance sheets brought in after the financial crisis. But in July, finance minister George Osborne scaled back the tax as part of efforts to help to keep Britain a "highly attractive" place for banks.

A Reuters analysis showed that moving to Hong Kong might have actually increased the bank's tax burden. "It would have been a big job to move. And until the UK government started attacking the likes of HSBC, they [HSBC] didn't have any desire to move," said Hugh Young, managing director of Aberdeen Asia Management, one of HSBC's top 10 investors.

"The anticipated potential boost to Hong Kong's economy from relocated jobs will not materialise now," said Binay Chandgothia, managing director at Hong Kong-based asset manager Principal Global Investors.

"As far as the China strategy goes, the relocation decision would really not impact it much. Their Asian headquarters remain in Hong Kong so HSBC can easily continue to execute as in the past."

HSBC shares were up 2.9 percent in Hong Kong in early trade, compared with a more than 2 percent rise in the benchmark Hang Seng share index.

HK to grasp Belt-Road opportunities

By archive.news.gov.hk
Wednesday, February 24, 2016

Emerging markets are of growing importance in the global economy and Hong Kong needs to expand trading ties with the rest of the world and develop more markets for enterprises.

Delivering his 2016-17 Budget today, Financial Secretary John Tsang said the Belt & Road Initiative is a strategy for long-term development and the emerging markets along the Belt-Road are likely to become the new impetus for Hong Kong's future development.

The Government will continue promotion efforts to deepen understanding of the business sector and the community of these new markets. He also plans to lead a business mission to Central Asia this year to gain first-hand knowledge about the development potential and business opportunities in the region.

The Monetary Authority will establish an office to facilitate the financing of infrastructure projects and provide a platform for pooling the efforts of investors, banks and the financial sector to offer comprehensive financial services for various infrastructure projects.

The Government and the Trade Development Council will organise the inaugural Belt & Road Summit in May to discuss and explore co-operation opportunities and the unique role Hong Kong can play.

Mr Tsang said the Government will strive to pursue trade and investment agreements to expand Hong Kong's commercial and trading networks, creating more favourable conditions for Hong Kong enterprises to access the Mainland and overseas markets.

To cater for long-term air traffic demand and sustain Hong Kong's competitiveness as an aviation hub, the Airport Authority is pressing ahead with the implementation of the three-runway system project.

A "single window" for "one-stop" lodging of the 50-plus trade documents and submissions for trade declaration and customs clearance will be established to facilitate trade in goods.

The Government will continue to promote mutual capital market access between Hong Kong and the Mainland, attract more corporate treasury centres to Hong Kong, strengthen publicity of the city's capital market and develop green financial products, he added.

Voucher scheme set for SMEs

By archive.news.gov.hk
Thursday, February 25, 2016

A $500 million Pilot Technology Voucher Programme will be launched under the Innovation & Technology Fund to subsidise SME's use of technological services and solutions to improve productivity and upgrade business processes.

Elaborating today on the InnoTech initiatives outlined in yesterday's 2016-17 Budget, Secretary for Innovation & Technology Nicholas Yang said the move will enhance the long-term competitiveness of small and medium enterprises.

Under the scheme, aimed to benefit 2,500 companies, the Government will offer up to $200,000 to help an SME adopt tech solutions and services.

The three-year pilot programme will offer $2 for every dollar spent by an SME on such services.

Mr Yang also outlined the Government's measures to encourage more private enterprises to invest in research and development and applied technology, which includes injecting $2 billion to launch a Midstream Research Programme for universities to conduct more applied research projects in key technology areas.

He said the Government will introduce and enhance various funding schemes to encourage more private enterprises to invest in R&D and applied technology, including raising the level of cash rebate under the R&D Cash Rebate Scheme to 40%.

It will also allocate $4.4 billion to expand the Science Park in stages to provide more floor area for startups and tech firms.

PBoC chief rules out yuan's fall

By news.rthk.hk
Thursday, February 26, 2016

The Governor of the mainland's central bank, Zhou Xiaochuan, said on Friday that there is no reason for the yuan to keep falling.

Using another name for the currency, the head of the People's Bank of China said "there is no basis for persistent renminbi depreciation from the perspective of fundamentals".

Zhou was speaking at a conference in Shanghai that was organised by the Institute of International Finance, ahead of a G20 finance ministers meeting.

He said the fundamentals of the mainland's economy remain strong. "China still has some monetary policy space and monetary policy tools to address potential downside risk", Zhou said. "Beijing will maintain prudent financial policy in a flexible and appropriate way", he added.

The authorities keep a tight rein on the yuan, only allowing it to rise or fall by two percent on either side of a daily fix set by the central bank.

In August last year, Beijing adjusted the yuan down nearly 5 percent over a week, spurring fears it was pursuing a currency war to help boost its flagging exports. Last month, it guided the unit down 1.4 percent by setting the daily fix rate lower for eight consecutive sessions – a move that raised worries of a creeping devaluation.

Capital has been flowing out of the mainland due to worries about the flagging economic growth, causing the yuan to weaken – which in turn drives withdrawals. The mainland's economy grew 6.9 percent in 2015, the slowest rate since 1990.