Hong Kong set to join free trade partnership

by www.thestanadard.com.hk
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Hong Kong has gained support from Beijing and some neighboring countries to join the Regional Comprehensive Economic Partnership signed by 15 countries to promote free trade, Chief Executive Carrie Lam Cheng Yuet-ngor said.

Speaking at an online Belt and Road Summit yesterday, Lam said Hong Kong has "free trade agreements in effect with Asean, Australia and New Zealand, as well as our Closer Economic Partnership Arrangement with the mainland."

"We are grateful for the clear support we've received from some of the RCEP member states and we look forward to beginning discussions on Hong Kong's accession to the partnership at the earliest opportunity," she said.

Ten members of Asean together with China, Japan, South Korea, New Zealand and Australia signed the world's biggest free trade deal two weeks ago, which was seen as a huge coup for China in extending its influence in the region. The 15 RCEP members account for about 30 percent of global gross domestic product.

Lam said the SAR is the best partner for those seeking opportunities in the Belt and Road development due to the SAR's multi-lingual experts in finance, trade, logistics, law and other professional service industries.

"Our advantages include rule of law, an efficient and open market, free flow of capital and information, a simple and low tax system and under One Country, Two Systems - Hong Kong can act as a bridge between foreign and mainland markets," she said.

She said local manufacturers and exporters crave foreign trade partners and believe the Belt and Road Initiative could bring them opportunities.

The vice chairman of the National Development and Reform Commission, Ning Jizhe, said Beijing will focus on developing "double economic circulation" within and outside China and Hong Kong will play a vital part in connecting the domestic market with international ones.

"Hong Kong, as a witness and participant of national development, cannot and shall not be absent in the process," Ning said.

However, he said the SAR should strengthen its status as the global hub for offshore trading of the yuan and as a free port.

"Hong Kong enterprises can also make use of their management experience and help mainland companies improve competitiveness," he said.

The Vice Minister of Commerce, Wang Bingnan, said the Greater Bay Area will become a crucial connection linking Hong Kong with the Belt and Road Initiative.

He said Beijing will support the SAR in taking part in the mainland's annual International Import Expo and establish closer trade relationships through the Mainland and Hong Kong Closer Economic Partnership Arrangement.

China Communications Construction Company executive director Wang Tongzhou said companies should adjust their supply chains amid the Covid-19 pandemic as many projects have been delayed.

HK retail recovery on way: Morgan Stanley

by www.thestanadard.com.hk
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Hong Kong's retail market is expected to rebound in the first half of next year, Morgan Stanley said, as high and low-end retail shop shares will outperform those in between. Morgan Stanley also predicted office rents will bottom out during the second half of next year.

It raised the rating of Fortune Reit (0778), Hysan (0014) and the Link Reit (0823), with the Reit's target price rising 11 percent to HK$78.

The bank took a positive view on Harbour City and Times Square operator Wharf Real Estate Investment Company (1997), as it may benefit from a pickup in luxury retail sales.

The target price of the company's shares increased 50 percent to HK$42.

The number of Chinese tourists is expected to rebound during the second and third quarters of 2021, and the Hong Kong retail market will usher in a two-year recovery period, said the bank.

In other news, Hong Kong's PMI index rebounded to 50.1 last month, the highest since March 2018, IHS Markit said.

It stabilized from 49.8 in October and reached a new high since March 2018, marking a return to the boundary line of dryness and prosperity, said the market research company.

IHS Markit chief economist Bernard Aw pointed out that with the tightening of epidemic prevention measures, which may hinder economic recovery, the new round of epidemic has affected business confidence.

Meanwhile, JP Morgan Asset Management estimated that Hong Kong economy's will grow 4.8 percent next year after a fall of 5.7 percent in gross domestic product this year.

Even if the economy grows by 4 to 5 percent next year, it will still be difficult for the economy to return to pre-pandemic levels, said the bank.

And Secretary for Commerce and Economic Development Edward Yau Tang-wah said that the local economy has been steady this quarter, but the annual economy would inevitably shrink.

China's November exports surge more than expected

by www.rthk.hk
Monday, Dec 07, 2020

China's exports rose at the fastest pace since February 2018 in November, helped by strong global demand and as the factory recovery from the coronavirus in the world's second-largest economy outpaced those of its major trading partners.

Exports in November rose 21.1% from a year earlier, customs data showed on Monday, soundly beating analysts' expectations for a 12.0% increase and quickening from an 11.4% increase in October.

Imports rose 4.5% year-on-year in November, slower than October's 4.7% growth, and underperforming expectations in a Reuters poll for a 6.1% increase, but still marking a third straight month of expansion.

Analysts say improving domestic demand and higher commodity prices helped buoy the reading.

That has led to a trade surplus for November of US$75.42 billion, the largest since at least 1981 and wider than the poll's forecast for a US$53.5 billion surplus and US$58.44 billion surplus in October.

Booming sales of fridges, toasters and microwaves to households across the locked-down world have helped propel China's manufacturing engine back to life, super-charging demand for key metals like steel, copper and aluminium, after a sharp slump early in the year.

In another sign of brisk trade, China's export surge and the low turnaround rate of containers from abroad have triggered a recent shortage of containers domestically, state media China Daily reported.

A spate of early month economic data showed China's economic recovery from the coronavirus pandemic has stepped up, with manufacturing surveys showing new export orders expanding at a faster pace for November.

But some analysts cautioned that surging infections and fresh lockdowns in some key trading partners could dent demand for Chinese goods.

A sharp appreciation of the yuan in recent months could also cloud the outlook for exporters. Some firms reported that a strong yuan squeezed profits and reduced export orders in November, the statistics bureau said this week.

The yuan has booked six straight months of gains, its longest such winning streak since late 2014, and is trading at 2-1/2 year highs.

While a Biden administration is expected to soften some of the diplomatic rhetoric seen in strained US-China trade relations in recent years, there are no immediate signs the President-elect intends to unwind the punitive tariffs introduced under the Trump administration.

Economist predicts yuan at 6 per US dollar by end 2021

by www.thestanadard.com.hk
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Continuing flows into China's bonds and stocks has one yuan bull predicting the currency could strengthen to a level not seen in nearly three decades.

A "flood" of foreign cash will chase yuan-denominated assets in 2021 because they will offer far better yield than the rest of the world, according to Liu Li-gang, chief China economist at Citigroup Inc, Bloomberg reports.

He predicts the currency could rally by 10 percent to 6 per US dollar – or even more – by the end of next year. The yuan hasn't been that strong since late 1993, just before China's unification of official and market exchange rates triggered a plunge in the currency.

The yuan has gained since late May, rising to a more than two-year high.

Overseas funds have increased their holdings of onshore bonds and stocks by more than 30 percent this year to records, official data showed, prompted by index inclusions and the country's wide interest-rate premium over other markets. To slow the advance, Beijing has made it cheaper for traders to bet against the yuan and has relaxed capital curbs to allow more outflows. But those measures have done little to dampen optimism.

That puts the People's Bank of China in a policy quandary. It needs to narrow the yuan's yield premium over the rest of the world to slow the appreciation, as too strong a currency could undermine its push to support an economic rebound that's reliant on global demand for Chinese exports.

Meanwhile, it wants to keep interest rates elevated, as Beijing's earlier stimulus helped fuel a rapid buildup in leverage, sending an indicator for the country's debt levels to a record high.

"The problem China faces next year will be huge, unrelenting capital inflow," Citi's Liu said. "The yuan's appreciation will be a key threat to China's macro economy."

The Chinese currency has strengthened by nearly 10 percent from this year's low in late May, making it the second best performer in Asia following the South Korean won.

The yuan advanced in both onshore and offshore markets Monday.

A rapid advance in the yuan could impair Chinese exports by making them more expensive. That will in turn hurt China's growth, because outbound shipments have emerged as a key driver for the economy on global demand for its pandemic-related goods. Also, sustained appreciation in the currency could attract speculative money inflows, fueling local asset bubbles and creating financial risks.

That's why policy makers will seek to slow the advance, said Dariusz Kowalczyk, senior emerging-markets strategist at Credit Agricole CIB.

The PBOC may further relax restrictions for funds to leave China and guide the exchange rate weaker with its daily reference rates, he said, adding the yuan could end 2021 at 6.35. The country could lose some of its export orders if the pandemic gets under control next year, helping to rein in the appreciation, said Becky Liu, head of China macro strategy at Standard Chartered Plc.

The last time the yuan got close to 6 was in January 2014, when the currency was bolstered by hot money inflows. The central bank managed to reverse the course of the rally by sharply weakening its fixing rate for two consecutive days.

“We still like the Chinese currency against the dollar, but we do recognize that the pace of appreciation will be slower,” said Stephen Chang, a portfolio manager at Pacific Investment Management Co. in Hong Kong. “We think it’s worth being overweight in China government bonds.”

China GDP seen growing 7.8pc in 2021

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China's economy is expected to grow by 7.8 percent in 2021, according to the Chinese Academy of Social Sciences.

The global epidemic has not eased, bringing great uncertainty to future development, said Li Xuesong, a senior officer at the think-tank.

But he said that life in China has gradually returned to normal as it has achieved both victories in epidemic prevention and economic development, making it the only major economy in the world to have achieved positive growth.

China's yuan funds outstanding for foreign exchange rose 5.93 billion yuan to 21.17 trillion yuan last month, the first growth for nine months, People's Bank of China data showed.

The news came as the yuan edged higher against the greenback yesterday, with the market shrugging off the central bank's latest effort to stem the rise of the currency by reducing capital inflows.

The onshore yuan opened at 6.5340 per US dollar and was changing hands at 6.5391 at midday, before closing slightly lower. Traders said the currency market did not immediately react to a decision by the PBOC to lower a parameter on cross-border financing, although it was widely seen as an attempt to slow the pace of the yuan rally.

The PBOC move could reduce China's overall size of foreign debt as the reduction would scale back the room Chinese companies have to borrow overseas.

The action was "intended to cool down the yuan's appreciation," CIB research said in a note.

"But it will be hard to shake the appreciation trend before any significant changes to the fundamentals," CIB added.

In other news, mainland media reported that a wave of chip shortages has broken out - affecting everything from smartphones to personal computers, and airplanes to the automotive industry - and that the shortage of semiconductor foundry production capacity may extend to at least the first half of 2021.

Hong Kong seen breaking IPO record in 2021

by www.thestanadard.com.hk
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Hong Kong is expected to have about 120 to 130 initial public offerings next year, raising more than HK$400 billion and likely exceeding the record level of 2010.

Hong Kong's listing environment has become increasingly conducive to fundraising by new economy companies as more investment funds are setting up here due to the new limited partnership fund regime, says Dick Kay, leader of the Deloitte China national public offering group.

Southern China regional leader Kinson Lau added: "The launch of the Hang Seng Tech Index, incorporation of weighted voting rights and secondary stocks into Hang Seng indices, conclusions of the corporate WVR beneficiaries consultation, proposals for a paperless listing and subscription regime and sentiment toward changes in the US regulatory environment will provide further impetus for secondary listings of US-listed Chinese companies from innovative sectors."

Deloitte forecasts that more than 10 secondary new listings in Hong Kong will raise over HK$100 billion in 2021. They include renowned technology and new economy enterprises, with some having corporate weighted voting rights structures.

Another four or five new economy firms are expected to complete IPOs that could each raise at least HK$10 billion.

By the end of this year Hong Kong is projected to have recorded about 145 new listings, raising about HK$397.3 billion.

That will represent a 12-percent drop in the number of new listings but a 26-percent rise in IPO proceeds.

Meanwhile, Chinese detergent maker Blue Moon (6993) closed 13 percent higher at HK$14.8 yesterday. That was less than expected as its shares rose around 20 percent in gray markets on Tuesday.

Also yesterday, Netjoy (2131), a mainland short video marketing solutions provider, and Sino-Ocean Service (6677), a property management service provider, fell more than 1 percent in gray markets last night ahead of their debuts.

Zero2IPO, an integrated service platform for equity investment, has also opened retail books to raise up to HK$440 million, with a minimum investment of HK$4,444 per board lot of 400 shares.
Far East Horizon (3360) plans to spin off and separately list its equipment operation business.

And China International Marine Containers (2039) is considering a spin-off of CIMC Safeway Technology to list in the A share market.

Hong Kong exports soar beyond expectations

by www.thestanadard.com.hk
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Hong Kong exports increased by 5.6 percent to HK$379.6 billion year on year in November measured by the value of goods, beating estimates of 1.8 percent.
Imports were up 5.1 percent at HK$405.2 billion.

The data followed growth of 0.6 percent in imports in October and a decrease of 1.1 percent in exports.

The visible trade deficit was HK$25.6 billion - equivalent to 6.3 percent of the value of the imports of goods.

The value of total exports fell by 2.8 percent in the first 11 months of the year over the same period 2019, while the value of imports dropped by 5 percent.

A visible trade deficit of HK$296.6 billion, which amounted to 7.7 percent of the value of imported goods, was recorded in the first 11 months.

Total exports to Asia saw growth of 5.7 percent last month as exports to some major destinations rose. Taiwan saw a rise of 19.4 percent, Vietnam 14.3 percent, the Philippines 10.5 percent, the mainland 8 percent and Japan 1.5 percent.

On the other hand, decreases were seen in the value of total exports to Singapore of 21.2 percent and India of 14.3 percent.

Exports to Germany and the United States saw growth of 7.1 and 1.5 percent.

Imports from South Korea jumped by 20.8 percent while it was 20.8, 19.4, 15.3, 8.1, and 4.3 percent for Taiwan, Vietnam, Singapore and the mainland.

A government spokesman said the value of merchandise exports resumed growth on a year-on-year basis in November.

China, EU seal landmark investment deal

by www.rthk.hk
Wednesday, Dec 30, 2020

President Xi Jinping and top European Union officials concluded a business investment deal on Wednesday that will open big opportunities to European companies, but has the potential to irk the new American administration.

Amid concerns about the human rights situation in China, the EU said the seven-year-long negotiations were concluded in “principle" during a videoconference involving Xi, European Commission President Ursula von der Leyen and EU Council President Charles Michel.

German Chancellor Angela Merkel, whose country holds the rotating presidency of the EU, and French President Emmanuel Macron also took part in the discussions with the Chinese president, the EU said.

“We are open for business but we are attached to reciprocity, level playing field and values," von der Leyen said.

The videoconference launches a ratification process that will take several months. To enter into force, the agreement will need to be ratified by the European Parliament, and the issue of human rights could be a sticking point.

According to EU figures, China is now the bloc’s second-biggest trading partner behind the United States, and the EU is China’s biggest trading partner. China and Europe trade on average over €1 billion a day.

The agreement will give European companies unprecedented access to the Chinese market, Brussels said.

Calling the deal "of major economic significance", an EU statement said: "China has committed to an unprecedented level of market access for EU investors."

According to the EU, the deal was brokered after China committed to pursue ratification of the International Labor Organisation’s rules on forced labor.

The EU said China has committed to "effectively implement" International Labour Organisation rules it has already ratified "and to work towards the ratification of the ILO fundamental conventions, including on forced labour."

On Tuesday, the EU expressed concerns about “the restrictions on freedom of expression, on access to information, and intimidation and surveillance of journalists, as well as detentions, trials and sentencing of human rights defenders, lawyers, and intellectuals in China.”

The EU hopes the agreement, known as CAI, will help correct an imbalance in market access and create new investment opportunities for European companies in China by ensuring they can compete on an equal footing when operating in the country.

The 27-nation bloc said the agreement is the most ambitious that China has ever agreed with a third country and will give additional access to many areas including the electric cars and hybrid vehicles sector, as well as private hospitals, telecoms and cloud services.

But it has the potential to cause tension with the administration of US President-elect Joe Biden only weeks after the EU proposed a trans-Atlantic dialogue to address “the strategic challenge presented by China’s growing international assertiveness.”

The EU, however, said the investment agreement will give the EU the same level of market access in China that the United States has and insisted that the deal will benefit other trading partners by getting China to commit to high standards of conduct.

The EU previously said the agreement, which includes provisions for settling disputes, should increase the transparency of Chinese state subsidies and make sustainable development a key element of the relationship between the EU and China.

The deal also includes clear rules against the forced transfer of technologies, a practice in which a government requires foreign investors to share their technology in exchange for market access.