Bond market to drive yuan's globalization

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There is a good opportunity for the yuan to further opening up amid global easing and a reshuffling of the international monetary system, and the bond market plays a key role for any currency internationalization, said Ba Shusong, executive director of the HSBC Financial Research Institute at Peking University.

The yuan has emerged as a safe haven asset as the coronavirus epidemic is showing signs of easing in China, and the performance of yuan-denominated assets is stable, said Ba, who is also a member of mainland opportunities committee at the Financial Services Development Council.

Ba said the bond market is at the forefront of yuan internationalization, but it is still a weak point in Hong Kong's financial market.

He suggests expanding the connect schemes to more asset classes in a policy research report on enhancing Hong Kong's status as an offshore renminbi business hub.

Ba's comment came after China decided to scrap quota restrictions on the dollar-denominated qualified foreign institutional investor scheme and its yuan-denominated RQFII, effective on June 6.

In the United States, investors expect Federal Reserve chairman Jerome Powell, to reinforce his message in March - that negative rates would be unlikely to help the economy - in comments today.

Fed policymakers say they will do what it takes to cushion an economy crushed by widespread lockdowns aimed at slowing the spread of the coronavirus, but will likely stop short of cutting interest rates to below zero.

Governments are likely to face more credit rating cuts as the coronavirus continues to take its toll, S&P Global said on Monday.

S&P warns as HK rating maintained

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S&P Global Ratings says Hong Kong is facing a growing risk of being downgraded as the city's retail industry is expected to be hit by the mainland economic slowdown and anti-government protests have returned to the streets.

The credit rating of Hong Kong was maintained at AA+, S&P said. However, the government has launched a series of pandemic relief measures by using fiscal reserves, which may further weaken the credit strength in the future, S&P added.

S&P is the only one among the big three rating agencies which has not lowered Hong Kong's ratings and changed the outlook.

Fitch Ratings and Moody's Investors Service have downgraded Hong Kong's rating twice since September last year.

The retail industry will continue to be hit by an economic slowdown and social unrest and Hong Kong's economy was expected to shrink 3.9 percent this year and grow back to 4.8 percent next year.

Home prices will fall 10-12 percent from the peak this year, S&P estimated. The declining trend was not apparent due to the shortage and low-interest environment.

The agency expects local developers to launch sales of new properties in the recent stable market and the balance sheet of the developers was improving, reflecting that the industry has learnt its lessons from the SARS crisis and financial tsunami.

It also said banks will face profit pressure, dragged down by the narrowed net interest margin, volatile financial market, the rising cost of credit liability and the increase in non-performing assets.

The banks had adequate liquidity with the 18.5 percent of Common Equity Tier 1 capital ratio, it added.

Regulators set rules for Greater Bay Area

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Friday, May 15, 2020

The People's Bank of China, along with other financial and foreign exchange regulators, published a list of guidelines yesterday aimed at connecting financial markets and services in the Greater Bay Area, supporting cross-border facilities in the region.

The central bank said it would support Hong Kong in developing more risk management tools in offshore yuan and commodities markets, pilot cross-border private equity investments and explore setting up a futures exchange in Guangzhou and an international commercial bank to serve the area.

The guidelines further open up banking, securities, and insurance industries in the region, allowing eligible banks to expand their business in the area by establishing legal entities or branches. Overseas banks can set up branches and subsidiaries at the same time.

Meanwhile, Fitch (China) Bohua Credit Ratings, wholly owned by Fitch Ratings, has received approval from the PBOC to rate financial institutions and their securities, as well as structured finance bonds in China's interbank market after S&P Global Ratings was approved to enter the market last year.

The Ministry of Commerce reckons the Chinese economy and supply chain has been affected by pandemic despite a pick up in foreign direct investment into China, which rose 11.8 percent year-on-year to 70.36 billion yuan (HK$76.85 billion) in April. This came as the United Nations forecast the virus-hit global economy would shrink by 3.2 percent this year.

Also, investors in China's sovereign debt market are increasingly concerned that the PBOC won't be easing policy aggressively any time soon after the central bank withdrew some US$28 billion (HK$218 billion) by letting its medium-term loans to banks mature, sending bond prices lower yesterday.

Chinese industrial output posts surprise growth

by news.rthk.hk
Friday, May 15, 2020

The industrial output on the mainland returned to growth for the first time this year in April, official data showed on Friday, as the country continued its gradual recovery after the coronavirus brought activity to a near-halt.

Industrial production grew a more-than-expected 3.9 percent year-on-year last month in a sign that the country is recovering from tough lockdown measures now seen in other parts of the world.

A Bloomberg poll of analysts had forecast growth of 1.5 percent.

But retail sales remained in contraction territory, National Bureau of Statistics (NBS) data showed, signalling that consumer demand is still weak despite the mainland's initial success in containing the outbreak.

Retail sales were down 7.5 percent from a year ago, an improvement from a 15.8-percent plunge in March.

Industrial production growth last month was better than the 1.1-percent contraction in March and 13.5-percent collapse in the first two months of 2020 as well – the first time industrial output shrank in three decades as the virus ravaged the economy.

Unemployment, however, crept up by 0.1 percentage points from March, to 6 percent, adding to concerns over a post-pandemic rebound.

Nomura analysts said in a recent report that markets may have been "overly optimistic" about a swift recovery on the mainland, pointing to collapsing external demand due to the spread of the pandemic and the growing threat of a second wave of Covid-19 infections.

They added that a moderate rebound in locally transmitted cases in recent days remains a concern also.

"Retails sales during this year's Labour Day holiday were still down 6.7 percent from last year, and revenue for the catering and accommodation industries only recovered to around 70 percent of normal levels," said Nomura.

Alibaba, Xiaomi to become part of HSI

by news.rthk.hk
Monday, May 18, 2020

The compiler of the benchmark Hang Seng Index, said on Monday that it has given the green light for the likes of Alibaba, Xiaomi and Meituan Dianping to become part of the 50-year-old index.

The Hang Seng Indexes Company announced the rule change after the market closed, following an industry consultation.

Starting from August, companies from Greater China with a secondary listing in Hong Kong and those with two classes of shares carrying different voting rights will be eligible for inclusion to the key index.

But their weighting will be capped at 5 percent each, compared with the 10 percent cap on heavyweights such as HSBC.

Meanwhile the Securities and Futures Commission (SFC) said in a note that its CEO, Ashley Alder, has been given a three-year extension.

His new term will begin from October 1 this year. Alder was first appointed as the SFC's head in 2011.

HK, Macau tax pact to be gazetted

by news.gov.hk
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The order on the comprehensive avoidance of double taxation arrangement with Hong Kong and Macau will be gazetted on May 22.

Under the arrangement, investors will not have to pay tax twice on a single source of income. It will bring tax savings and greater certainty on taxation liabilities for the residents of both sides when they engage in cross-boundary trade and investment activities.

The order will be tabled at the Legislative Council on May 27 for negative vetting. The arrangement will enter into force after both sides have completed the ratification procedures.

The arrangement was signed in November 2019 and is the 43rd comprehensive avoidance of double taxation agreement signed by Hong Kong.

JD.com set for US$3b listing test next week

by www.thestanadard.com.hk
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Mainland e-commerce giant JD.com is seeking to pass the listing hearing for its Hong Kong secondary listing next week with the aim of making its mainboard debut on June 18 to raise US$3 billion (HK$23.4 billion), the Hong Kong Economic Journal reported.

The planned listing date is the company's 22nd anniversary, as well as the date of its "618" online shopping festival, the second-largest shopping festival in China after Alibaba's (9988) Singles Day event on November 11.

The report said JD.com will not introduce the deal's cornerstone investors.

Meanwhile, WeDoctor, one of China's biggest online health-care startups, is planning to submit its Hong Kong initial public offering application at the end of this month to raise as much as US$1 billion. The Tencent (0700)-backed company has selected JPMorgan and CMB International to arrange the IPO, while Credit Suisse Group dropped off the deal after being sued for its role in Luckin Coffee's US share sale.

Another Tencent-backed company, Chinese payment technology services provider Yeahka, launches its IPO today with the aim of raising up to HK$1.64 billion.

The Shenzhen-based company is offering 98.72 million shares at an indicative price range of HK$12.64 to HK$16.64 per share. The minimum investment is HK$6,723.07 per board lot of 400 shares. It plans to start trading on the mainboard on June 1.

The company was founded by Liu Yingqi, former general manager of Tencent operation Tenpay, in 2011. Tencent held 3.93 percent of stakes in Yeahka before listing.

Meanwhile, mainland electric tools and electric fans exporter SMC Electric relaunched its IPO yesterday after postponing its flotation on March 13 due to "prevailing market conditions."

The company lowered its offering price to HK$0.25 from a range of HK$0.33 to HK$0.38, downsizing the IPO to HK$125 million. The minimum investment is HK$2,525.2 for a board lot of 10,000 shares. It is set to debut on June 2.

In other news, Hong Kong Exchanges and Clearing (0388) will meet with brokers this week to discuss the proposal on cutting the IPO settlement cycle from the current five days, Bloomberg reported citing sources.

It will formally consult the market in the coming weeks if there are no major objections, the people said.

NetEase gears for US$1b IPO by June

by www.thestanadard.com.hk
Thursday, May 21, 2020

NetEase, Chinese second largest game company, is planning a secondary listing in Hong Kong as soon as June to raise US$1 billion (HK$7.8 billion) to US$2 billion, Reuters IFR reported.

Meanwhile, mainland e-commerce giant JD.com is looking to kick off bookbuilding for its US$3 billion Hong Kong initial public offering on June 5 or June 8, the report said.

The IPO schedule has not yet been finalized, it said.

In other IPO news, Haina Intelligent Equipment International, a mainland manufacturer of automated machines for making disposable hygiene products, kicked off a public float yesterday to raise up to HK$174 million, with a minimum investment of HK$6,060.46.

The company is offering 116 million shares at an indicative price range of HK$1.08 to HK$1.5, and is expected to debut on June 3.

The IPO attracted investment from "Shop King" Tang Shing-bor, while local brokers lent HK$580 million to retail investors for subscriptions.

Separately, retail investors placed at least HK$21.5 billion in orders through margin financing for Yeahka's flotation within a day, making it 130 times oversubscribed.