

Press release

Transcript of SFST's media session Saturday, January 28, 2012

Following is a transcript (English portion) of remarks by the Secretary for Financial Services and the Treasury, Professor KC Chan, after attending a radio programme today (January 28):

Reporter: Secretary, a question about possible QE3 in the US. The effect of QE2 are causing bubbles around the world. For the effect of QE3, what will be the effect on Hong Kong?

Secretary for Financial Services and the Treasury: The effect of QE2, of course, has been causing bubbles in many asset markets around the world, including in its own domestic market in the US. The effect of QE3, should that be coming, will also be giving some support to the asset prices which is the policy intention of the Central Bank. Because in this kind of anaemic growth environment, they view that it is important to support the market and to encourage consumption. But whether or not it will lead to a bubble in asset markets, we have to really look at other factors. This year's economic situation is very different. Many countries and economies are facing economic difficulties. So, generally speaking, anyone who invests in the asset market, has to take into account both the interest rate as well as the underlining fundamentals of the world economy in making their own investment decisions.

Reporter: Talking about the economic conditions, what's been different from QE2 to QE3?

Secretary for Financial Services and the Treasury: I think this year the world is very much affected by the worries in the euro zone economy. It is an overhanging threat to the world's economic growth. In that case, it is a very different kind of micro environment that we have now, compared

to the micro environment two years ago.

Reporter: Have we seen the worst?

Secretary for Financial Services and the Treasury: Have we seen the worst? I don't think we've seen the worst. I think the euro zone situation would take a while to work itself out. And I would not be surprised that there would be some setbacks in the process.

(Please also refer to the Chinese portion of the transcript.)

Ends