

Transcript of remarks by SFST at media session

Saturday, November 12, 2016

Following is the transcript of remarks by the Secretary for Financial Services and the Treasury, Professor K C Chan, at a media session after attending a radio programme today (November 12):

Reporter: Mr Chan, how do you see the upcoming interest rate and also how is it going to affect the world's economy and the local stock and property markets?

Secretary for Financial Services and the Treasury: I think the Federal Reserve has been giving hint that they will consider raising interest rate in December, depending on the data. That's given before the US election. After the US election, I think the market has taken a view that since Trump is in control not only of the White House, but also of the Senate and the House (of Representatives), it will be very easy for him to push through the infrastructure investment policies. That is going to be good for the US economic growth. But he also raises a prospect of inflation in the US because the US has already had a very tight labour market. Given inflation prospect rising, the long interest rate in the US has already gone up. This will put pressure on the Federal Reserve to raise interest rates in the future. I think the market is now expecting a turnaround, an inflection point of the interest rate policy in the US. Of course, this is only market expectations, it may not bear out, it may not happen, but the market is currently betting on a higher interest rate. If that happens, it will start a normalisation of interest rate. I believe the low interest rate has been around for too long, a normalisation of interest rate under the circumstances of a good growth story is a good thing. How would it affect Hong Kong's property market? Of course it will have a cooling effect on Hong Kong's property market, and how much? I don't know. See how fast it comes.

Reporter: Mr Chan, how do you see the speculation that the Shenzhen-Hong Kong Stock Connect will be launched in a week or two? Is it going to happen? What do you think about its impact on Hong Kong?

Secretary for Financial Services and the Treasury: The Shenzhen-Hong Kong Stock Connect will happen very soon. I don't have a date for you yet. The Shenzhen-Hong Kong Stock Connect is really an extension of the

Shanghai-Hong Kong Stock Connect, so you know the mechanism very well. It will have some positive effects on the volume of Hong Kong's stock market. I don't think there's a lot of that increase coming because we are talking about some additional shares on Hong Kong's stock market being available for the Mainland investors. I think most likely the effect will be facilitating both Hong Kong and international fund managers using the Hong Kong platform to invest in Shenzhen market. That's a good thing for Hong Kong's asset management industry.

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

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