

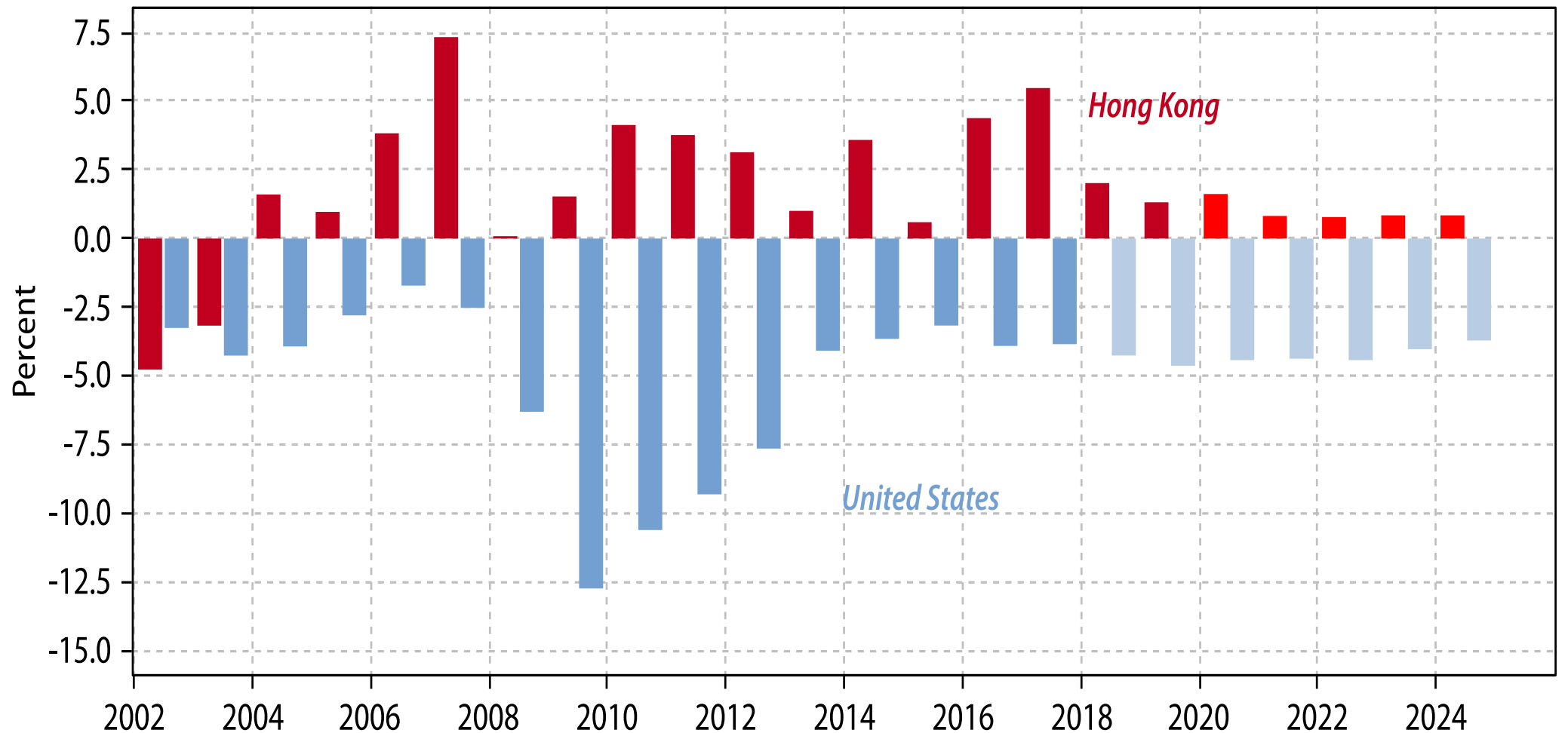
May 2019

Is the HK\$ set to devalue?

Louis-Vincent Gave

Which fiscal policy is more unsustainable?

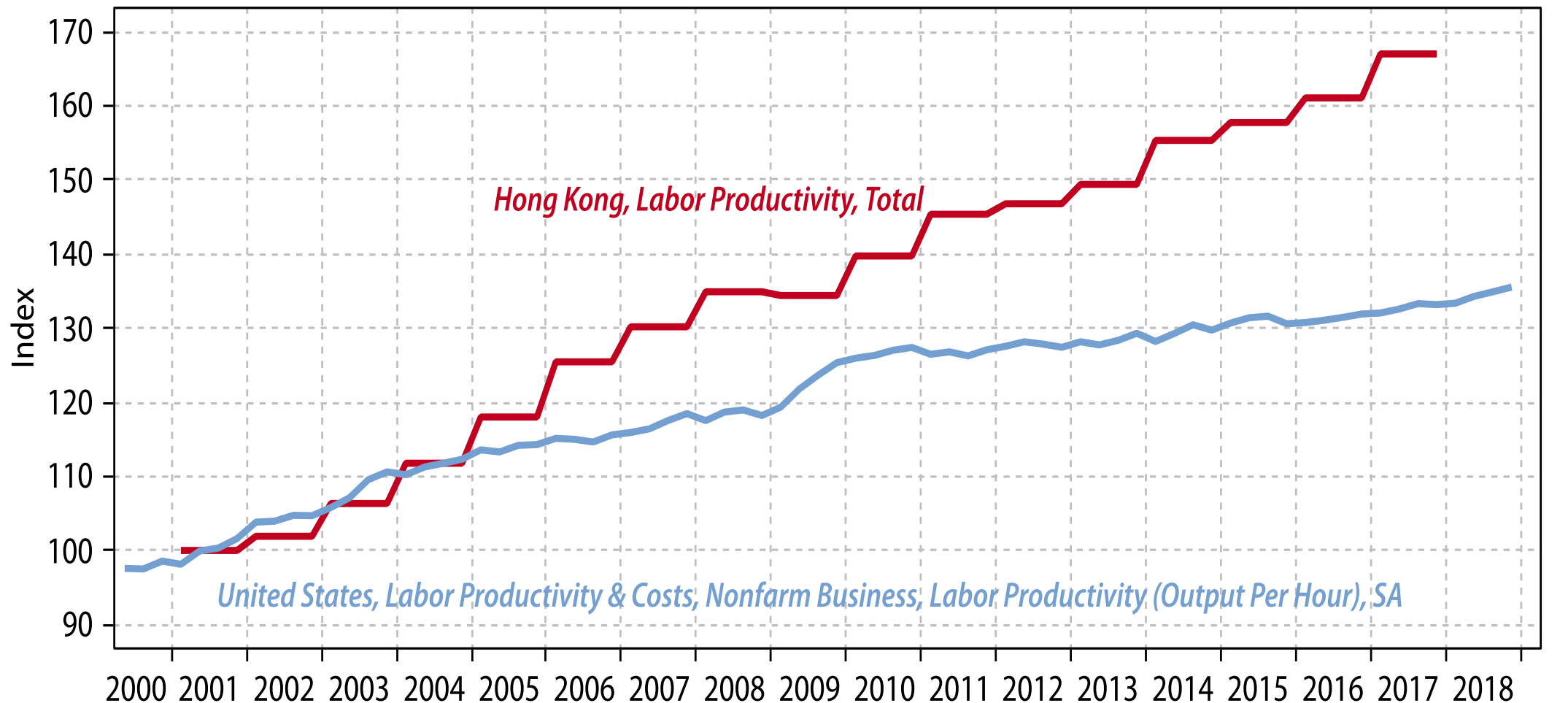
Hong Kong vs USA, Budget Deficit as a % of GDP



Gavekal Data/Macrobond

Why should HK\$ devalue when worker productivity is stronger in HK?

Hong Kong & USA Productivity



Gavekal Data/Macrobond

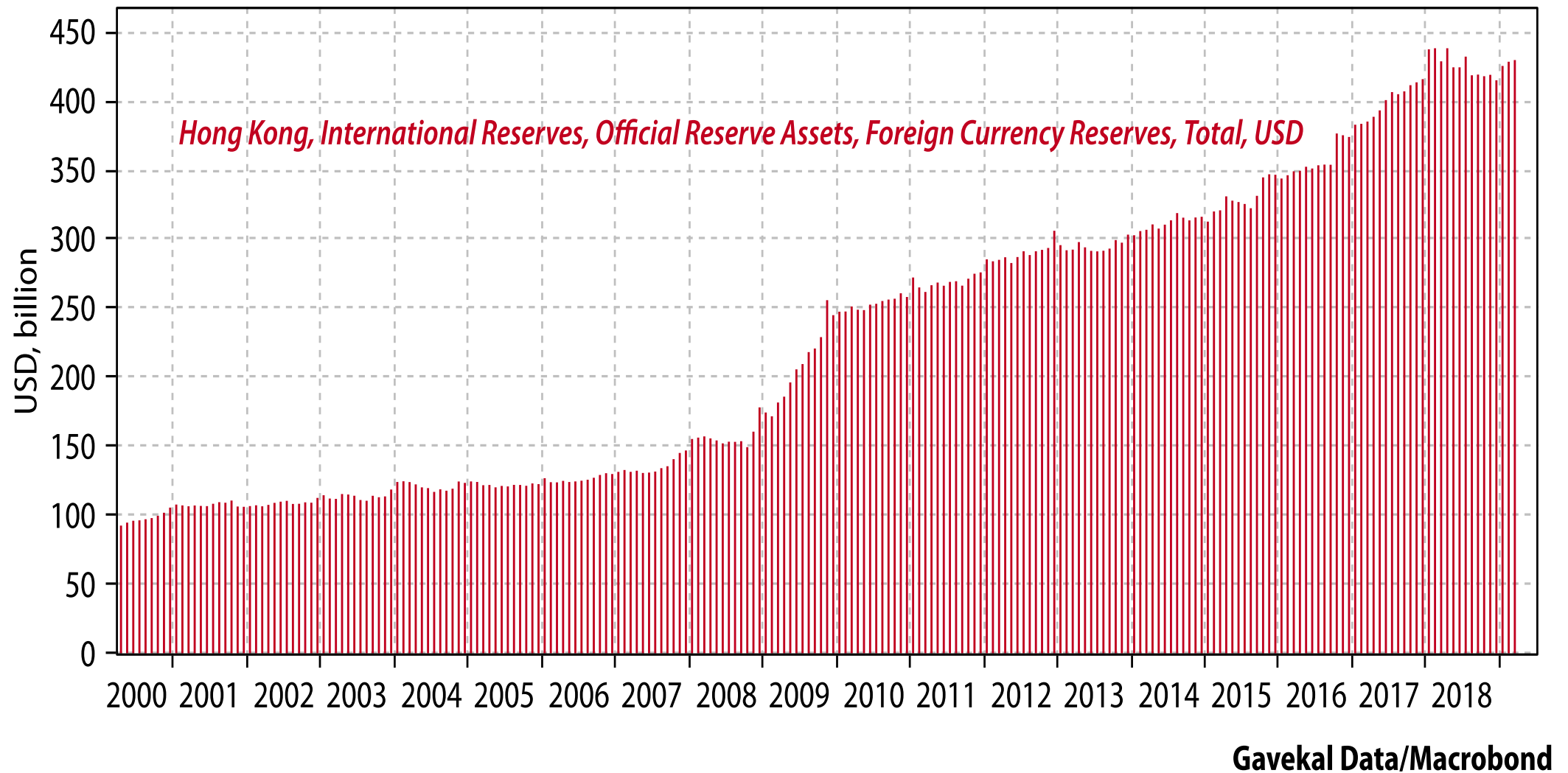
Why borrow in US\$ when borrowing in HK\$ is cheaper?

Hong Kong & USA - Interbank Rates, 3 Month, Fixing



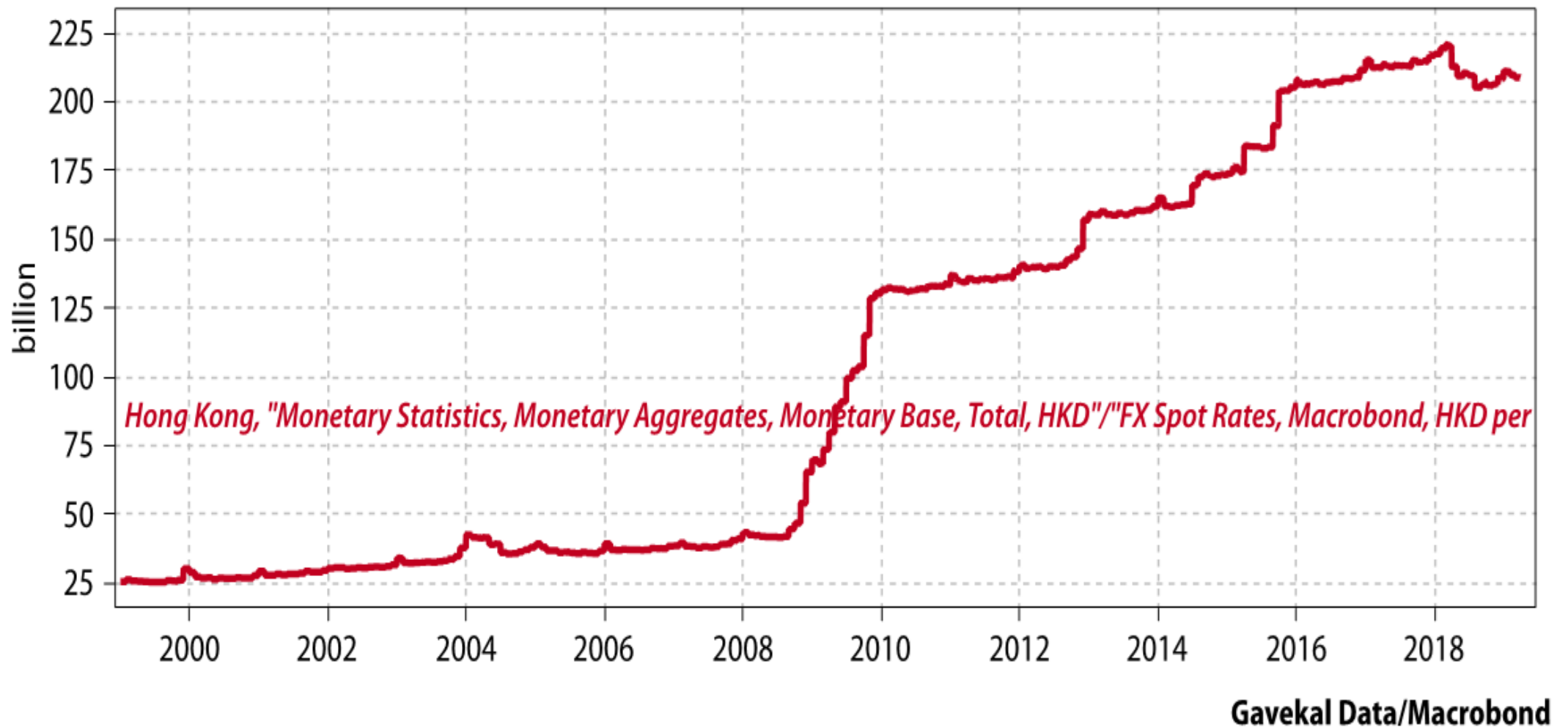
At US\$440bn, FX reserves are close to all time highs

Hong Kong FX Reserves



FX reserves are 2x the monetary base

Hong Kong, "Monetary Statistics, Monetary Aggregates, Monetary Base, Total, HKD"/"FX Spot Rates, Macrobond, HKD per USD"



FX reserves are 45% of M3, pretty much in line with historical average

HKMA FX reserves as a % of HK dollar M3



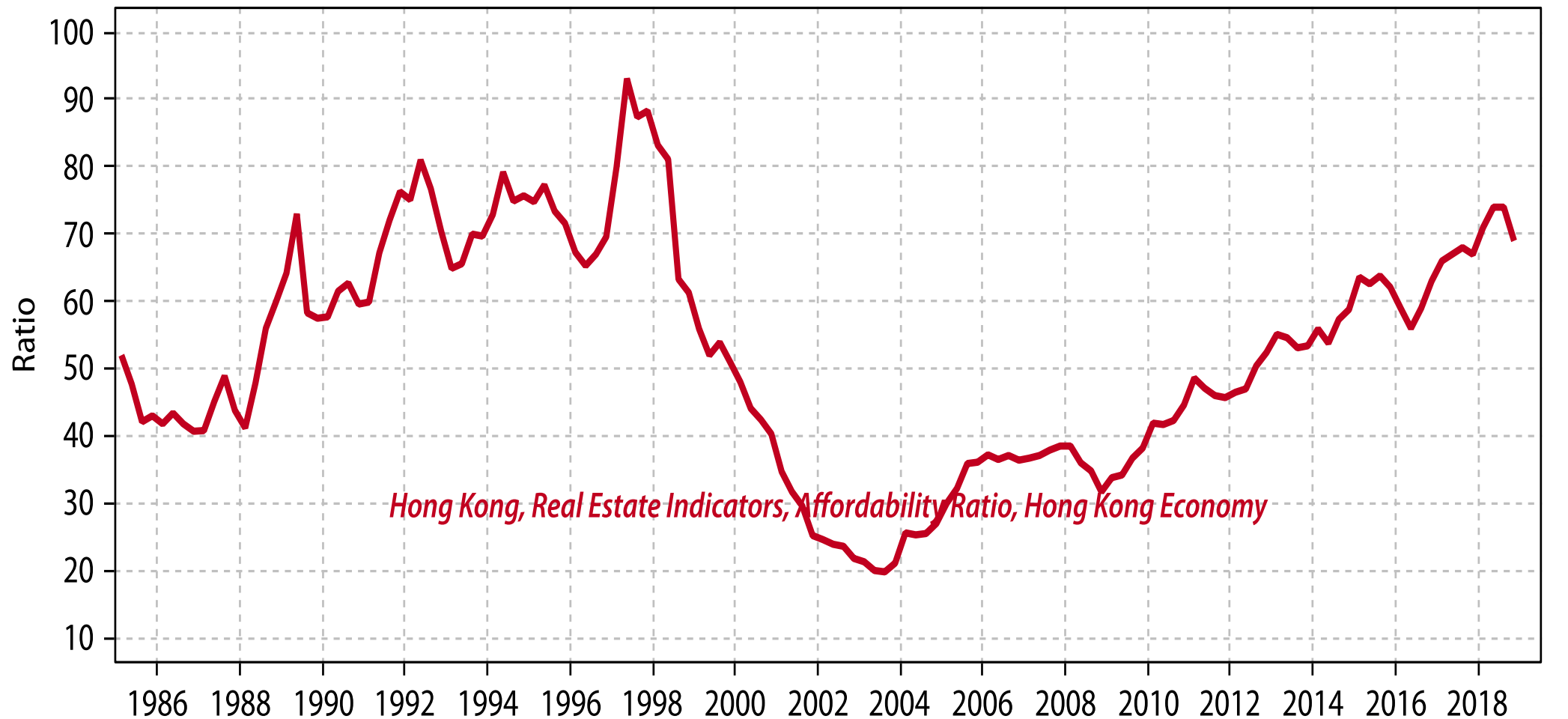
HK real estate prices are bouncing back

Hong Kong, Real Estate Residential Prices, Overall Price Index



Even as affordability ratio remains stretched

Hong Kong, Real Estate Indicators, Affordability Ratio, Hong Kong Economy



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Contact and disclaimer

Thank you!

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