


## MARKET INSIGHT

September / October  
2019





**DARYL LIEW**

HEAD OF PORTFOLIO MANAGEMENT  
REYL SINGAPORE

*“With all these issues,  
it is no wonder then  
that Hong Kongers,  
especially the young,  
are despondent  
about their future.”*

# HONG KONG UNREST

Shocking images of clashes between demonstrators and police in Hong Kong have been broadcast over the media over the last several months. The catalyst for these protests was a controversial extradition bill that would have allowed authorities to detain and extradite people in Hong Kong wanted in territories where Hong Kong does not have extradition agreements - including China. This bill was seen as undermining the autonomy of the territory and bringing Hong Kong further under China's control.

## COMPARISONS WITH THE 2014 UMBRELLA MOVEMENT

Parallels have been drawn with the umbrella movement street protests in 2014, where demonstrators occupied several major junctions in the city, disrupting businesses. The 2014 protests were against proposed reforms to the Hong Kong electoral system which was seen as allowing China to pre-screen candidates for the Chief Executive of Hong Kong. The 2014 protests were largely student-led and did not receive support from the general population. In fact, there were many stories of arguments within families as pragmatic parents forbade their idealistic children from participating in the pro-democracy movement. While the youth are still largely involved in the current protests, there is evidence that they are now supported by the broader population. Where they differ is that the older folk prefer to voice their displeasure through peaceful marches, whereas some of the younger ones have adopted a more militant form of protest.

The proposed extradition bill is the proverbial straw that broke the camel's back, triggering this outpouring of pent-up unhappiness. The reasons are manifold - a combination of social, economic and political factors. Hong Kong was promised 50 years of semi-autonomy following the 1997 handover from the British. However, developments in recent years suggest that individual liberties are slowly being eroded, as China gradually increases its influence over the territory.

In addition, Hong Kong is losing a bit of its luster as a business center with the emergence of competing financial centers and ports in Shanghai and Shenzhen. What's worse is Hong Kong has seen an influx of mainland Chinese who compete with locals for jobs, depressing wages. Despite these economic uncertainties, Hong Kong still has one of the most expensive housing markets in the world, suffering from an acute shortage of affordable public housing. With all these issues, it is no wonder then that Hong Kongers, especially the young, are despondent about their future.

## PROTESTORS' DEMANDS & CHINA'S STANCE

Officially, the protestors have five demands, including the complete withdrawal of the extradition bill and the resignation of Chief Executive Carrie Lam. Beijing however has maintained a hardline stance backing Carrie Lam's administration and the Hong Kong police to maintain law and order. Notably, Beijing has not ruled out sending in Chinese troops, who have been mobilizing across the border in

Shenzhen, should the need arise. This would probably only be implemented as a last resort as there will be international repercussions to such a move and draw memories of the Tiananmen crackdown in 1989.

## ECONOMIC IMPLICATIONS

The immediate economic implications of the protests have mostly been localized, with tourist-related sectors in Hong Kong taking a hit. The middle to longer term effects, however, could be more severe for Hong Kong, as there have been reports of foreign companies and high net worth individuals looking to potentially relocate and transfer their funds to other jurisdictions. Beijing could also re-consider Hong Kong's position in its overall strategic plan, including the territory's role in internationalizing the RMB. There will probably be minimal impact on the global economy unless the violence escalates and Beijing is forced to send in the troops. We pray that Hong Kong's reputation for pragmatism prevails and that a peaceful resolution can be eventually reached.

**IMPORTANT INFORMATION** - This content is being provided by REYL & Cie Holding SA or/and its affiliates (hereinafter referred to as "REYL") solely for information purposes, it shall be intended for internal use strictly and is not intended to be a solicitation or offer, recommendation or advice to buy or sell interests in any security or investment product mentioned in it, to effect any transaction, or to conclude any transaction of any kind whatsoever, in particular to any recipient who is not a qualified, accredited, eligible or / and professional investor. It is intended for the sole use of the recipient and may not be forwarded, printed, downloaded, used or reproduced for any other purpose. Whilst REYL shall use reasonable efforts to obtain information from sources which it believes to be reliable, REYL, its directors, officers, employees, agents or shareholders assumes no liability regarding this content and gives no warranty as to the accuracy, completeness or reliability of any mentioned data and thus assumes no liability for losses arising from the use of this content. This content is intended only for recipient who understand and are capable of assuming all risks involved. Before entering into any transaction, the recipients should determine if the relevant security or investment production mentioned in the content suits his particular circumstances and should ensure that he independently assesses (together with his professional advisers) the specific risks, the legal, tax, accounting consequences and eligibility requirements of any purchase of securities or investment products mentioned in the content. REYL makes no representation as to the suitability of the mentioned information, opinions or securities and investment products. Historical data on the performance of the securities and investment products or the underlying assets are no indication for future performance. The present content has been compiled by a department of REYL which is not an organisational unit responsible for financial research. REYL is subject to distinct regulatory requirements and certain securities and investment products may not be available in all jurisdictions or to all recipient types. The recipient should therefore comply with its local regulations. There is no intention to offer securities or investment products in countries or jurisdictions where such offer would be unlawful under the relevant domestic law.