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Summary

Jay Powell was nominated the next Fed Chair and will likely provide policy continuity. The ECB will halve its QE program in 2018 while keeping it open-ended. China's economic momentum remains intact, with third-quarter GDP coming in at 6.8%. Hong Kong equities continued to march higher, reaching a 10-year high.

■ U.S.: Powell nominated to be next Fed Chair

Jay Powell was nominated to succeed Janet Yellen. A centrist, Powell will provide the market with policy continuity. However, one major challenge will be a dysfunctional policy transmission mechanism due to the sheer magnitude of excess liquidity created by large-scale asset purchases. To achieve policy normalization, the Fed will have to make significant progress in shrinking its balance sheet.

Europe: The ECB reluctant to tighten policy

From January to September, 2018, the size of the ECB's QE program will be halved from 60 billion euros to 30 billion euros per month. Nevertheless, ECB President Mario Draghi took pains to stress that QE would not be stopped suddenly. In light of such dovishness, The ECB may not begin deliberating raising interest rates until the second half of 2019.

China: Growth momentum remains intact

Third-quarter GDP expanded by 6.8%, following two consecutive quarters of 6.9% growth. For the first three quarters as a whole, GDP grew 6.9%, considerably stronger than the government's 6.5% for the full year. There is now little doubt that growth in overall economic activity for 2017 will exceed the government's target of 6.5%. More importantly, risks including overcapacity and high leverage are being addressed. Encouraged by solid economic fundamentals, policymakers will likely continue to implement measures that will improve the quality and sustainability of growth.

Hong Kong: Asset prices on the march

Thanks to improving exports, rising private consumption, and low unemployment, Hong Kong's fundamentals have become noticeably stronger than in 2016. Relatively disappointing is the sluggishness in retail sales, which has bottomed but is not likely to stage a strong rebound any time soon. In the first half of 2017, thanks to RMB appreciation against the dollar, improving economic growth, and low interest rates, Hong Kong stocks outperformed its major counterparts worldwide and has reached a 10-year high.

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