Hong Kong’s Richest Man Sees Property Prices Rising Amid Curbs

Hong Kong billionaire Li Ka-shing expects property prices in the city will rise “a little bit” this year, even as the government takes steps to cool the world’s costliest real estate market.

The government in November increased the stamp duty to 15 percent for all residential purchases, excluding first-time buyers who are permanent residents. The curbs initially sent developer stocks tumbling -- including shares of Li’s Cheung Kong Property Holdings Ltd. -- as investors assessed the effect the new rules would have on turnover and value.

CK Property shares are down about 15 percent since the tax was increased. Yet private housing prices in November surged to the highest since data was first made available in 1979, the city’s rating and valuation department said Dec. 30. Li expects the real estate market still has room to increase.

“I believe it will rise a little bit, but it won’t be outrageous,” he said, speaking to reporters Thursday before the start of the annual dinner for his group of companies.

He said he sees CK Property’s recurring income increasing 50 percent in the next two to three years, although he isn’t too optimistic about the economy in 2017. “It won’t be an easy market amid rising interest rate and political tensions, but I personally still have confidence,” he said.

The real estate developer reported profit before investment property revaluation for the six months ended June 30 was HK$8.3 billion ($1.07 billion) from HK$5.54 billion a year earlier.

Li, 88, arrived in Hong Kong from war-ravaged China in 1940 and started his fortune making plastic flowers to export to the West. His business has fared beyond the former British colony, spanning from property to supermarket chain and telecoms. The Bloomberg Billionaires Index values his wealth at $29.2 billion.

China’s Epic Short Squeeze Is Back as Yuan Rally Crushes Bears

For yuan bears, it’s the worst kind of deja vu.

As China’s currency posts a record two-day rally offshore and skyrocketing interbank rates make short positions prohibitively expensive, memories of an epic squeeze last January are rushing back to bearish traders. The abrupt market reversal almost exactly a year ago marked the beginning of a nearly 5 percent rally that lasted two months.

“Another extraordinary day in China,” said Gareth Berry, a foreign-exchange and rates strategist at Macquarie Bank Ltd. in Singapore. “It looks like a classic case of a consensus trade blowing up at the start of a new year.”

The turbulence represents the latest twist in a battle between China bears -- who say slowing economic growth makes a devaluation inevitable -- and policy makers fearing a sudden drop will destabilize the financial system. Pessimists have mostly been on the right side of the trade since a one-time exchange rate adjustment in August 2015, but sudden bouts of strength have proven painful for short sellers who need to periodically roll over their bets.

Derivatives markets show the extent to which some speculators were caught off guard. The extra cost of bearish options over bullish contracts posted its biggest three-day drop since May 2014, according to three-month risk reversal prices compiled by Bloomberg. Option-implied odds of the onshore rate hitting 7 per dollar in the first quarter tumbled to 36 percent, from 65 percent just two days ago.

The onshore yuan gained 0.7 percent to 6.8830 per dollar in Shanghai, while the rate in Hong Kong extended its two-day advance to 2.5 percent. The city’s overnight deposit rate touched a record 100 percent, while the spread between the offshore and onshore exchange rates reached the widest since 2010.

Read more: China said to consider options to bolster yuan

"It’s painful to sit on short yuan positions now, given the soaring funding costs," said Sim Moh Siong, a currency strategist at Bank of Singapore Ltd.

While the role of government intervention in the latest squeeze is unclear, Bloomberg News reported this week that policy makers were encouraging state-owned enterprises to sell foreign currency. National Australia Bank Ltd. says bears are unlikely to see a major reprieve any time soon as authorities keep tight control of the yuan before this month’s inauguration of U.S. President-elect Donald Trump.

“There are no signs of the market loosening,” said Ngan Kim Man, deputy head of treasury at China Everbright Bank Co.’s Hong Kong branch.

The People’s Bank of China has plenty of reasons to give the yuan some short-term support. Trump has pledged to label the country a currency manipulator on his first day in office, while the exchange rate came close to breaking through the psychologically-important level of 7 per dollar earlier this week. Policy makers also want to avoid a flood of capital outflows as citizens’ annual foreign-exchange quotas reset for the new year.

Reserve Currency?

"Judging from the speed of the yuan’s appreciation, the PBOC may have intervened to prop up the exchange rate," said Kenix Lai, a Hong Kong-based foreign-exchange analyst at Bank of East Asia Ltd. "The PBOC is expressing its strong determination to keep the currency stable and is seeking to restore confidence.”

The central bank didn’t immediately respond to a faxed request for comment sent outside regular business hours.

Short squeezes like the one in Hong Kong’s offshore market this week come at a cost. While surging interbank rates help deter bearish speculators, they also undermine China’s push to make the yuan an international reserve currency, said Michael Every, head of financial markets research at Rabobank Group in Hong Kong.

“What’s the point of being a reserve currency and having fought so hard to become a reserve currency, and then not letting anybody get hold of that currency,” he said. “China basically wants to have its cake and eat it on all fronts.”

Analyst estimates compiled by Bloomberg suggest China will eventually let the yuan continue its descent. The exchange rate will fall to 7.15 per dollar by year-end before sliding to 7.3 the following year, according to the median projections.

In the short term, though, the currency is unlikely to be a one-way wager, said Angus To, deputy head of research at ICBC International Research Ltd. in Hong Kong.

"After this round of liquidity squeeze, speculators will at least scale down short yuan bets for the next two months,” To said. “We expect the offshore yuan to stabilize at around 6.8 yuan per dollar after the market run."

Bitcoin Plunges as Much as 23% From Wednesday’s Record High

Bitcoin prices plunged as much as 23 percent from Wednesday’s all-time high, according to Bloomberg data, as some traders took gains and investors celebrated a rally in the yuan.

Bitcoin fell to as low as $888.99 Thursday before inching back to $957.54. The digital currency hit a record $1,161.89 Wednesday, according to Bloomberg data, thanks to continued adoption in China and other parts of the world where traditional currencies are tightly controlled.

“Bitcoin appears to be coming off the highs as traders are taking their gains after the sharp appreciation over the last few days and weeks,” Gil Luria, an analyst at Wedbush Securities, said in an e-mail.

Bitcoin is also reacting to a rally in the Chinese yuan, which just posted a record two-day run-up offshore. In the past, as the value of yuan -- and other fiat currencies, such as Indian rupee -- went down, some Chinese put their money into bitcoin to preserve their savings.

“Its run-up has been broadly correlated with the weakness in” the Chinese and Indian currencies, Steven Englander, an analyst at Citigroup Inc., said in an e-mail. “There is speculation that the Chinese authorities may try and hamper the use of bitcoin as a way of getting around Chinese capital outflow restrictions. At the best of times it is pretty illiquid, so even a small imbalance can have a big impact on price.”