

with great power, comes great responsibility



I-Ching & The World of Metaphysics

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Hong Kong and US Dollar Peg will be history by 2015?

The Hong Kong Dollar Link, as the local currency peg to the US dollar is officially called, was set up in 1983 to guarantee currency stability before the handover of Hong Kong to China in 1997. Such short-term stability remedy at that point of time has left Hong Kong government to hang on to it until today for more than 20 years. Is it time to de-peg, given the increasing dependent of Hong Kong economy on the mainland while decreasing the dependent on US market thus the currency peg?

No one would want to rock the boat for the time being especially the government officials and that is not hard to understand why. Nevertheless when push comes to shove it will de-link and is the matter of time the peg will become history. The increasing importance of Reminbi as world currency is stifled by the fact that Reminbi is not a free float currency but this will soon become history as well.

Early this year I was scratching my head when I heard Donald Tsang (CEO of Hong Kong) called to create and promote Hong Kong as 'Dining City' but later to find out that PRC government had announced to promote Shanghai City as Super logistics as well as financial center by 2020. This is a wake up call to all Hong Kongers! I still remembered vividly in my mind when I first came to Hong Kong in 1992, all my friends were in the early twenties and were working hard either moonlighting or having at least more than one job at hand, some are selling advertisement space while having a business venture with partners, some are studying part time while working as government servant. Today we see young people are hoping from job to job, some jobless, and some are spending most of their time at home surfing computers that stifled their social and creative skills. As such you can see how the attitudes have changed all together 15 years later but the peg still hold. At that time, I was working for a Malaysian corporation that ventured into China, the hospitality from the China counterparts were overwhelmingly warm, last week when I was in Xiamen airport and my associate asked me to take a taxi to his place and after our appointment he ask me to leave?!! Uncalled for, but such changes do not surprised me since I did not forget that our roles have exchanged after 15 years, today, we need them more that they need us, but the peg still remain unchanged!

It does not take a genius to figure out what is the rational behind current PRC government acts such as exchanging currencies with many countries while at the same token to issue Reminbi bond in Hong Kong. The ultimate goal at least to my personal opinion is paving way to free float Reminbi in near future. To remind you that when Shanghai wanted to become Financial Center by 2020 (11 years from now), the free float of Reminbi has to be done before that.

Shanghai will play a role that 'directly' replaces the role of Hong Kong both in Logistic and Financial Center, what is left for Hong Kong? Nothing I should say looking at the attitudes of current Hong Kong people and the leadership. I am sure when China plan this, they mean it and they mean it in a big way not only to overtake Hong Kong perhaps New York or London for that matter. Many Hong Kong friends that I talked to do not see the immediate threat due to current law and order of PRC not in the ideal situation. This has bothered me since when the US or the German, or the British stop doing business with country that without proper law and order let alone the world third largest economy, wake up Hong Kong people!



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The dollar de-peg issues will become hot topic again in 2011 and 2012; speculators will find their ways to make money in big way. But the financial markets in my prediction base on Chinese Metaphysics and observing the Stars movements would hit its peak in 2014 and the dollar peg will be history after 2015. In 2015, Mars and Sun are clipping Venus from side to side causing the financial markets to become extremely volatile. Please buckle up for the changes Hong Kong People.

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