28. May 2020

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Security law for Hong Kong – Update from the Investment Division

Erste AM Communications



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What has occurred since yesterday?

Politics 1 – Further tensions between the USA and China. As reported China is attempting to implement a national security law in Hong Kong. Since the UK handed over Hong Kong to China in 1997 the concept "One state, two systems" is in place. That granted Hong Kong a far-reaching autonomous economic special status and allowed free trade and the continuance of Hong Kong as a financial center in the Asia. Hong Kong offers for many Western companies a gateway to Asia and the Chinese market. The direct intervention by China does not only lead to resistance in Hong Kong. Also the USA have reacted and questioned the trade relationship with Hong Kong. A widening of the trade restrictions from China to Hong Kong would not hurt China, but Hong Kong and many Western companies. A further battleground in the conflict about the global hegemony has been opened.

Politics 2 – the recovery plan "Next generation EU" of the European Commission remains an important topic. We, i.e. our chief economist Gerhard Winzer report also in our macro-economic analyses about it. In the end it is about the collectivization of government debt and about the question from which budgets they should be and can be serviced. Due to the construction of the EU there are long-term political discussions with significant economic consequences.

Unlock and fly – Boeing announced that the company will resume production of its 737 Max plane again even despite a massive production and staff cut.

The equity markets had a good day yesterday. The European markets showed gains of around 1%. The US equity index S&P 500 could gain as well and kept above the 3000 point level. Investment grade government bonds remained almost unchanged. Government bonds of EU periphery countries gained from the announcement of the recovery program. Corporate bonds traded a bit higher. Gold traded in the mean time a bit weaker, but stays at ca. USD 1721 per gold ounce. Oil decreased a bit and the brand WTI with delivery in July 2020 trades currently at USD 31,72.

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