



**HKIMR**

Hong Kong Institute for  
Monetary Research

香港金融研究中心

(a company incorporated  
with limited liability)

[www.hkimr.org](http://www.hkimr.org)

The HKIMR was established by the Hong Kong Monetary Authority (HKMA) in August 1999 to conduct and support research on issues in monetary policy, banking and finance that are of strategic importance to Hong Kong and the Asian region.

#### **Highlights of this issue:**

HKMA and BIS Joint  
Conference on Asia-Pacific  
Economies

Eighth Annual International  
Conference on the Chinese  
Economy

Visiting Fellow – Soyoung  
Kim

Visiting Fellow – David Ng

# Hong Kong Institute for Monetary Research – *Newsletter*

Thirty-First Issue (March 2017)

## Recent Activities

### HKMA and BIS Joint Conference on “The Resilience of the Regional Economies in a Turbulent Global Environment”

*The Hong Kong Monetary Authority (HKMA) and the Bank for International Settlements (BIS) jointly held a conference on Asia-Pacific Economies on October 20, 2016. The theme of the conference was “The Resilience of the Regional Economies in a Turbulent Global Environment”.*

The conference was aimed at bringing together senior policy makers from various central banks, leading academics and experts from international organisations and the private sector to share their views in an interactive roundtable discussion on the most pressing issues facing the Asia-Pacific economies.

The conference started with welcome remarks by Eddie Yue (Deputy Chief Executive, HKMA). A keynote speech was delivered by Changyong Rhee (Director of the Asia and Pacific Department, International Monetary Fund). The conference covered a wide range of issues, including financial imbalances in Asia, capital flows, China’s economic slowdown and its effect on the rest of the region, and potential growth in Asia.

The conference featured a luncheon speech by Andrew K. Rose (Professor, Haas School of Business, University of California) entitled “Exchange Rate Behaviour with Negative Nominal Interest Rates: Some Early Observations”.

The speakers at the conference were senior representatives of central banks, international financial institutions, well-known academics and private sector economists.



Eddie Yue (Deputy Chief Executive, HKMA) delivering the welcome remarks



Changyong Rhee (Director of the Asia and Pacific Department, International Monetary Fund) delivering the keynote speech

The conference was well received and was attended by more than 100 participants.

The conference programme and the presentation of the luncheon speech can be accessed on the HKIMR website at the following link:

[http://www.hkimr.org/conferences\\_detail-id97](http://www.hkimr.org/conferences_detail-id97)



Sukhdave Singh  
(Deputy Governor, Bank Negara Malaysia)



Hyun Song Shin  
(Economic Adviser and Head of Research,  
Bank for International Settlements)



Andrew K. Rose (Professor, Haas School of Business,  
University of California) delivering his luncheon speech  
“Exchange Rate Behavior with Negative Nominal Interest  
Rates: Some Early Observations”



From left to right: Donald Hanna (Managing Director, Guard  
Capital Management), Min Chang (Director General, Research  
Department, Bank of Korea), Pierre-Olivier Gourinchas  
(Professor, University of California, Berkeley) and Jaturong  
Jantarangs (Assistant Governor, Bank of Thailand)



From left to right: Tao Wang (Managing Director, UBS),  
Jun Ma (Chief Economist, PBoC Research Bureau) and  
Eli Remolona (Chief Representative, Bank for  
International Settlements)



## Eighth Annual International Conference on the Chinese Economy

The HKIMR held its Eighth Annual International Conference on the Chinese Economy in Hong Kong on January 12-13, 2017. The theme of the conference was “China’s Economic Rebalancing: Where is it Heading?”

This conference aimed to provide a forum for academics, policy makers and business economists to discuss important analytical and policy issues related to the Chinese economy. The conference series was launched in 2010 and has been well received.

This year’s conference included eleven high quality research papers, covering a wide range of issues including China’s economic rebalancing, structural reform and international spillovers, RMB exchange rate, China’s monetary policy framework and optimal stabilisation policy, and China’s monetary policy transmissions.

The conference was attended by more than 100 participants, including representatives from central banks around the world. The conference programme, the papers and presentation slides can be accessed on the HKIMR website at the following link: [http://www.hkimr.org/conferences\\_detail-id98](http://www.hkimr.org/conferences_detail-id98)



Lillian Cheung (Executive Director (Research) of the HKMA) delivering the opening remarks



Zheng Liu (Federal Reserve Bank of San Francisco) (left) and Gunes Kamber (BIS)



Sally Chen (Resident Representative, IMF Hong Kong SAR Sub-Office)



Yin-Wong Cheung  
(Professor, City University of Hong Kong)



Conference participants

## Visiting Fellow – Soyoung Kim

*Soyoung Kim is a Professor at the Department of Economics, Seoul National University. He received his PhD in economics from Yale University. Prior to his current position, he was part of the faculty at University of Illinois at Urbana-Champaign and Korea University. He received research awards such as the Arnould O. Beckman Research Award, Tae Sung Kim Research Award for the best Korean economist under 40, Chung Ram Research Award for the most distinguished Korean economist under 45, Mae Kyung Economist Award and NEAR Research Award. He was listed as one of the 100 most promising talents of Korea by the Donga-Daily Newspaper. He was involved with various institutions and universities, such as IMF, BIS, ADB, ADB Institute, Bank of Spain, HKIMR, National Economic Advisory Council, Bank of Korea, KIEP, KIF, KCCI, AIRI, Ministry of Strategy and Finance in Korea, Statistics Korea, USC, HKUST, and Princeton University under various designations. His research covers International Finance/Open Economic Macroeconomics, Monetary Economics and Financial Economics.*



“During my visits to the HKIMR, I was able to make significant progress in my work on international capital flows, capital market financing, financial development, and long-term finance.”

This is the fourth time I have visited HKIMR. My first visit was 10 years ago. Since then, I have become a frequent visitor to HKIMR and Hong Kong. HKIMR is a great place to work on a research project, especially on China and Asian economies. I find it valuable and enjoyable to meet the staff and other visitors who provide various suggestions and advice. During my visits I have had the opportunity to meet three directors (Hans Genberg, Dong He and Lillian Cheung), other staff and numerous visitors. In addition to an excellent research environment, I also enjoyed the nice view from the office and great food in Hong Kong. I look forward to visiting HKIMR again in the future.

During this visit, I am working on a project on Chinese monetary policy. China uses various monetary policy instruments, for example, reserve requirement ratio, benchmark lending and deposit rates, repo or reverse repo rates, differentiated, dynamic and target reserve requirements and central bank bills. Most recently, the PBoC lifted the deposit rate ceiling and introduced instruments such as the Short-term Liquidity Operations (SLO), Standing Lending Facility (SLF), Medium-term Lending Facility (MLF) and Pledged Supplementary Lending (PSL) to build an interest rate corridor system. These changes reflect the PBoC's intention to move from a quantity-based monetary policy framework to an interest rate-based policy framework. This practice of using multiple policy instruments is quite different from that in main industrial countries, so it is not so easy to directly apply the usual approach used in past studies on the effects of monetary policy in main industrial countries. The research project investigates the effects of various types of monetary policy instruments separately by carefully modelling the interactions and relationship among monetary policy instruments in China. This is to draw some implications for the PBoC's recent attempt to change the monetary policy framework to an interest rate-based framework.

To model interactions among various monetary policy instruments and to identify shocks to various monetary policy instruments, the research uses short-run, non-recursive zero restrictions and/or sign restrictions. Then, the project addresses the following questions. What are the effects of each monetary policy instrument on key macro variables? What is the relative effectiveness of various monetary policy instruments? Is the short-term interest rate instrument more effective than quantity-based instruments? What do we expect when monetary policy framework fully changes to an interest rate-based one? What are the relationship and interactions among various monetary policy instruments? How does the dynamics of the interaction of different policy instruments change over time with the change of monetary policy framework of the PBoC?

During previous visits, I worked on the effects of monetary policy shocks in six emerging countries (Korea, Thailand, the Philippines, Mexico, Brazil and Colombia), and the effects of exchange rate shocks on output and the current account for China and Japan.

## Visiting Fellow – David Ng



“I am thankful that HKIMR hosted me during several visits, where I conducted research, learned about Chinese financial markets and enjoyed Chinese food...I look forward to future opportunities to visit HKIMR and work with colleagues there.”

*David Tat-Chee Ng is a Professor of Finance at Cornell's S.C. Johnson College of Business. Previously, he served as a Visiting Associate Professor of Finance at the Wharton School of the University of Pennsylvania from 2008 to 2010. He conducts research in empirical asset pricing and international finance. In particular, he studies fund flows and examines how fund flows affect asset prices domestically and internationally. He also conducts research on implied cost of capital and its applications in finance. He received his PhD from Columbia University.*

I grew up in Hong Kong and went to St Joseph's College for my primary and secondary education. Now living in the U.S., I am grateful for the opportunity to visit Hong Kong. I am thankful that HKIMR hosted me during several visits, where I conducted research, learned about Chinese financial markets and enjoyed Chinese food. I enjoyed the excellent location, beautiful view, knowledgeable colleagues, and high-quality conferences. It is a really good place to learn about Chinese financial markets and conduct research.

I have visited HKIMR four times since 2011. I worked on a variety of topics while I was here. The first project studies the importance of foreign ownership linkages for international stock returns. In the second project, I documented that emerging market investors became an important source of capital investment. In the third project, I further investigated how emerging market investments were related to their information endowment. In the fourth project, I worked on issues related to corporate bonds. In particular, I started to work with HKMA colleagues Cho Hoi Hui and Andrew Tsang on a project examining on-shore and off-shore bonds in China.

Several journal articles resulted from my work during my visit to HKIMR.

- Karolyi, A., D. Ng, and E. Prasad, (2013) The Coming Wave, *Finance and Development*, June 2013, Vol. 50, No. 2.
- Ng, D. T., Bartram, S., Griffin, J., & Lim, T. (2015). How Important Are Foreign Ownership Linkages for International Stock Returns? *Review of Financial Studies*. 28:2993-3035.
- Karolyi, A., D. Ng, and E. Prasad (2016), The Coming Wave: Where do Emerging Market Investors Put Their Money. Working paper. Presented in *American Finance Association Annual meeting 2016*.
- Goldstein, I., Jiang, H., & Ng, D. T. (2017) Investor Flows and Fragility in Corporate Bond Funds. *Journal of Financial Economics*, forthcoming.

I encourage others to apply for the HKIMR fellowship. I look forward to future opportunities to visit HKIMR and work with colleagues there.

## Application for Visiting Research Fellow

The HKIMR accepts applications for positions as Visiting Research Fellow on an ongoing and highly competitive basis under the Thematic Study Fellowship Programme and the Regular Research Fellowship Programme. The Council of Advisers reviews proposals four times a year. The deadline for the next round of applications is March 31, 2017.

Please visit our website (<http://www.hkimr.org/content-id13>) for more details on research topics, requirements and submission guidelines.

*Applicants should note that papers produced partly or wholly under this visiting programme are required to acknowledge the financial support of the HKIMR if the papers are submitted to any journals.*

## Upcoming Activities

### Conference on “The Price, Real and Financial Effects of Exchange Rates”

The Hong Kong Monetary Authority (HKMA) and the Bank for International Settlements (BIS) are co-organising a conference on “The price, real and financial effects of exchange rates” on August 28-29, 2017 in Hong Kong. This is the 2017 BIS Asian Office annual research conference. The conference will include papers on exchange rate puzzles, the role of currency invoicing and intra-regional trade in determining the impact of exchange rate changes on trade flows, the link between exchange rates (and exchange rate reserves) and risk-taking, and determinants of corporate hedging of foreign exchange risks.

### Call for Papers: Conference on “Unconventional Monetary Policy: Lessons Learned”

The Hong Kong Monetary Authority, Federal Reserve Board and Federal Reserve Bank of Atlanta will sponsor a conference “Unconventional Monetary Policy: Lessons Learned”. The conference will be held in Hong Kong on **October 12-13, 2017**. Specific topics include but are not restricted to:

- The effectiveness of unconventional monetary policy in the zero lower bound economy.
- Should monetary policy target an inflation rate above 2% when the economy is at the zero lower bound?
- What is the transmission mechanism of unconventional monetary policy on output, interest rate spreads and inflation expectations?
- The role of fiscal policy when the nominal interest rate is at the lower bound.
- What are the desirable interactions between monetary and fiscal policies and how to assess the feasibility of such interactions?
- How does unconventional monetary policy affect asset prices and what are the consequences?
- Measuring the unintended consequences of unconventional monetary policy: e.g. effect on bank profitability, insurance companies/pension funds, market liquidity or income/wealth inequality.
- International spillover and spillback effects of unconventional monetary policy.

We invite authors to submit completed papers or extended abstracts. Preferences are for completed papers, and priority will be given to empirical papers. If you know of a paper that fits the conference theme, please forward this message to the author.

Organisers: Hongyi Chen (Hong Kong Institute for Monetary Research), John Rogers (Federal Reserve Board), and Tao Zha (Federal Reserve Bank of Atlanta).

Please submit the full paper with an abstract in pdf format to [hkimr@hkma.gov.hk](mailto:hkimr@hkma.gov.hk), using the authors' names as the filenames of the papers, and enter “Paper Submission for HKMA-FRB-Atlanta Fed Joint Conference” as the email subject line. The organisers will select the papers based on originality, analytical rigour and policy relevance.

The deadline for paper submission is **March 31, 2017**. Only the authors of accepted papers will be informed by **May 26, 2017**. Economy-class travel and local accommodation for speakers and discussants from academic institutions will be funded by the organiser.



## Visiting Fellows and Seminars

February 13-22, 2017

**Soyoung Kim**

(Seoul National University)

March 27 – April 28, 2017

**Johannes Van Biesebroeck**

(University of Leuven)

March 27 – April 9, 2017

**Wei Cui**

(University College London)

**March 14, 2017**

*Is monetary policy less effective when interest rates are persistently low?* – Boris Hofmann, Bank for International Settlements

**March 24, 2017**

*The 2017 OECD Economic Survey of China: Towards more resilient and inclusive growth* – Vincent Koen and Margit Molnar, OECD

## Correspondence

**ADDRESS:**

55/F Two International Finance Centre,  
8 Finance Street,  
Central, Hong Kong

**PHONE:**

(852) 2878-1978

**FAX:**

(852) 2878-7006

**E-MAIL:**

hkimr@hkma.gov.hk

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Gaofeng Han  
Zhibo Tan

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Selina Cheung

**Administrative Assistant:**  
Judy Kwan

## Recent HKIMR Working Papers

**No.04/2017** “Exchange Rate Movements and Fundamentals: Impact of Oil Prices and China’s Growth” by Shuo Cao and Hongyi Chen

**No.03/2017** “Can Exchange Rate Dynamics in Krugman’s Target-zone Model be Directly Tested?” by Cho-Hoi Hui, Chi-Fai Lo and Po-Hon Chau

**No.02/2017** “Effects of Intermediate Input Tariff Reduction on Innovations in China” by Qing Liu and Larry Dongxiao Qiu

**No.01/2017** “Effects of Capital Flow on the Equity and Housing Markets in Hong Kong” by Yin-Wong Cheung, Kenneth K. Chow and Matthew S. Yiu

**No.20/2016** “Credit Default Swaps, Exacting Creditors and Corporate Liquidity Management” by Sarah Qian Wang, Dragon Yongjun Tang and Marti G. Subrahmanyam

**No.19/2016** “Effects of Monetary Policy Shocks on Exchange Rate in Emerging Countries” by Soyoung Kim and Kuntae Lim

**No.18/2016** “Dynamic Interactions between Government Bonds and Exchange Rate Expectations in Currency Options” by Cho-Hoi Hui and Edward Tan

**No.17/2016** “How Do Housing Purchase Limits Affect Firm Default Risks in Mainland China?” by Gaofeng Han and Shilin Zheng

**No.16/2016** “Risk-adjusted Covered Interest Parity: Theory and Evidence” by Alfred Wong, David Leung and Calvin Ng

**No.15/2016** “The Diffusion and Dynamics of Producer Prices, Deflationary Pressure Across Asian Countries, and the Role of China” by Hongyi Chen, Michael Funke and Andrew Tsang

**No.14/2016** “Offshore Renminbi Trading: Findings from the 2013 Triennial Central Bank Survey” by Matthew S. Yiu and Yin-Wong Cheung

**No.13/2016** “A New Approach to the Estimation of Equilibrium Real Exchange Rates among East-Asian Economies” by Juan Carlos Martinez Oliva

**No.12/2016** “International Banking and Cross-border Effects of Regulation: Lessons from Hong Kong” by Kelvin Ho, Eric Wong and Edward Tan

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