



Source (Bloomberg)

Yet another currency suffers from a political event. This time it's the Hong Kong Dollar as stocks retreat amid protest crackdown.

Hong Kong's stocks fell the most in almost three weeks, the city's currency weakened and equity-market volatility surged amid the biggest police crackdown on protesters since the city returned to Chinese rule.

The benchmark Hang Seng Index sank 1.9 percent to 23,229.21 at the close in Hong Kong, its biggest loss since Sept. 10, as developers and retailers tumbled. A gauge of stock volatility jumped 24 percent, the steepest surge in three years. The city's currency slid to a six-month low and one-year interest-rate swaps climbed the most in 15 months.

Pro-democracy protesters vowed to press ahead with demonstrations unless Hong Kong's top official steps down, with thousands of people surrounding government offices after violent clashes paralyzed the city center. Rallies in the shopping neighborhoods of Causeway Bay and Mong Kok are picking up after a lull in the morning, leading banks to shut branches and deterring tourists.

The biggest clashes in Hong Kong for decades, which saw anti-riot police use tear gas and pepper spray on demonstrators, are disrupting businesses in one of Asia's financial centers and risk a strong response from the government in Beijing if they are prolonged.

Members are reminded as with most political event driven selloffs in the short term the shock and uncertainty negatively affects both the currency and the market, but as always it is more important to look at aspects such as fundamentals and valuations.

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