According to the latest research report of Morgan Stanley, an investment bank, recently, the dual effects of liquidity shortage and social unrest have pushed Hong Kong dollar interest rate to a cyclical high, which deviates from the trend of US dollar interest rate. The bank is concerned that high interest rate may put pressure on asset prices and increase the risk of economic downturn.

The report points out that in the past two weeks, the yield curve of the short end and the far end of the Hong Kong dollar has risen significantly, which means that the bear market has flattened and that the Hong Kong dollar forward idea is now at the highest level since the middle of this year.

In the bank's view, due to capital outflows in 2018 and the first half of 2019, the aggregate balance of the Hong Kong banking system has decreased from HK $180 billion to HK $54 billion, which makes the short-term payment demand less transitional. If some banks experience cash shortage and need to use transitional financing to repair the gap, the inter-bank payment process may produce friction.

"At present, the market expects that the demand for payment will increase in the near future, resulting in banks hoarding funds, which may not flow back to the lending market quickly." "However, short-term interest rate volatility is related to the increased demand for payment, not a lack of liquidity in the banking system, but a sign of uncoordinated interbank payments," said Chun him Cheung, strategist at Morgan Stanley in the report

The bank said that despite the sharp rise in forward ideas and interest rates, there has not been a significant reversal of the dollar / Hong Kong dollar HKD = price risk so far, making it more confident that the current pressure on Hong Kong dollar interest rates is closely related to the short-term liquidity shortage.