BUSINESS

THE INFORMER

EVENTS

Tuesday, February 12: British Chamber of Commerce breakfast: "Retail financial services in the Greater Bay Area".

Wednesday, February 13: British Chamber of Commerce breakfast: "Hong Kong real estate outlook: 2019 and beyond".

Thursday, February 14: British Chamber of Commerce breakfast: "How technology and customer behaviour are shaping the consumer of tomorrow".

American Chamber of Commerce lunch: "Why is trust, culture and values the ultimate strategic asset for leadership teams in 2019?" Bank of America Tower.

Friday, February 15: American Chamber of Commerce lunch: "APAC economic outlook in 2019".

Tuesday, February 19: American Chamber of Commerce breakfast: "Making zero impact fashionable".

British Chamber of Commerce breakfast: "Innovation, skills and citizenship: Financial and professional services in the digital era".

RESULTS

February 11 1st Quarter: K Group Holdings
Interim: Sino Vision Worldwide Holdings, Super Strong Holdings
3rd Quarter: Amuse Group Holding, Beaver Group (Holding), China Ocean Fishing Holdings, China Technology Solar Power Holdings, Deson Construction International Holdings, EJE (Hong Kong) Holdings, Hao Bai International (Cayman), Hing Ming Holdings, hmvod, Hua Xia Healthcare Holdings, Lumina Group, Madison Holdings Group, Miricor Enterprises Holdings, OOH Holdings, Roma Group, Sanbase Corporation, Sau San Tong Holdings, Shentong Robot Education Group, Speed Apparel Holding, Steed Oriental (Holdings), Top Standard Corporation, Winson Holdings Hong Kong, Yin He Holdings, Zhi Cheng Holdings

February 12 1st Quarter: LHN
Interim: Bosa Technology Holdings, Inno-Tech Holdings, Kirin Group Holdings, WT Group Holdings
3rd Quarter: Altus Holdings, Bar Pacific Group Holdings, Chi Ho Development Holdings, CL Group (Holdings), CNC Holdings, Code Agriculture (Holdings), Dining Concepts Holdings, Easy Repay Finance & Investment

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> SECTION 1

PROGRESSIVE CORPORATE CULTURE

> SECTION 1

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Chart of the day: Getting support

The US dollar has been trading in the range of 6.70 to 6.98 yuan in the past six months, in line with ANZ's expectation. The pair is currently hovering at the low end of the range amid positive sentiment that there will be a trade deal between the United States and China. However, as much of that expectation has been priced in, the sustainability of yuan strength hinges on whether a trade deal indeed materialises. On the upside, ANZ maintains that the 7-yuan level is unlikely to be breached, given China's restrictions on capital outflows, coupled with tools at the central bank's disposal to support the currency. On the downside, it sees support at 6.70 to 6.75 yuan. Meanwhile, ANZ expects the CFETS yuan index to hover at the level of 92 to 95.

TRADE

FED PAUSE CAN BOOST EMERGING MARKETS

As the US central bank rolls back its tightening rhetoric, the effect could be 'reigniting a wall of money' for Asian economies, a research report says

Chad Bray
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A pause in tightening by the US Federal Reserve could be a boost to emerging markets as investors look beyond China-related securities for growth, according to the Institute of International Finance.

In a research report, Robin Brooks, the trade group's chief economist, and associate economist Jonathan Fortun said much of the pickup into emerging market stocks and bonds this year had been driven by China, but that had broadened in recent weeks, particularly in equities.

The Fed's recently changed stance on further rate increases could "reignite a wall of money" into emerging markets, according to the report.

"What made [the January 29 to 30 Fed] meeting so notable was how much of the Fed's long-standing narrative was dropped, including the tightening bias, the [quantitative tightening] path and risk assessment," Brooks and Fortun said. "Perhaps the most important change was the addition of 'patient' to the statement, a loaded term in Fed parlance.

"The last time 'patient' made an appearance was in December 2014, when it replaced 'considerable time' and signalled a shift to cautious tightening.

"'Patient' stuck around for the January 2015 meeting, was dropped in March and the Fed eventually raised rates for the first time in December 2015. 'Patient', in other words, signals a prolonged pause."

The economists said they expected the Fed to hold off on any further rate rises until the second half of the year, when they forecast two.

In a separate note this week, Jon Harrison, the managing director of emerging markets macro strategy at TS Lombard, said the outlook for growth in China and the timing of when further stimulus by Beijing affected the economy were the biggest risks to emerging market investors.

As the trade war escalated last year, China's economy grew at its weakest pace since 1990, with a gross domestic product growth rate at 6.6 per cent.

"We met 20 institutional investors in London in late January during our China macro marketing trip," Harrison said. "In general, there was greater optimism than during our prev[...]s visit in November, centred o[...]e prospect of new stimulus[...]e caution first that stimulus po[...]s not yet sufficiently strong to s[...]-lise growth, and second that [...]e is a growing risk of deflation.'

Richard Titherington, [...]e emerging markets and Asia-P[...]-ic equities chief investment o[...]r at J.P. Morgan Asset Man[...]-ment, said China had a great [...]-centive to resolve trade dispu[...]

The US has set a March d[...]-line for the world's two la[...]t economies to reach an agree[...]t on trade. If no deal is reache[...]S President Donald Trump [...]s threatened to raise tariff[...]n about US$200 billion of Chi[...]e imports to 25 per cent.

"The trade dispute has [...]t China, not just in terms o[...]e stock market declines, but [...]o consumer confidence and [...]-pany [capital expenditure]," [...]-erington said. "With China u[...]r pressure, we expect them to [...]k compromises. Any succes[...]n those fronts would be relat[...]y positive for [emerging marke[...]

25%

The level of the tariffs the US threatens to impose on about US$200 billion of Chinese imports

> MACROSCOPE B8

MARKETS

Sony follows SoftBank with 100b yen share buy-bac[k]

Bloomberg and **staff reporter**

Sony Corp is buying back as much as 100 billion yen (HK$7.1 billion) of its own stock in the electronics maker's first-ever large-scale repurchase.

The buy-back, which will occur from Tuesday to March 22, makes up 2.4 per cent of the company's stock.

It comes days after Japanese telecoms and technology giant SoftBank Group announced a 600 billion yen buy-back, its biggest-ever.

Sony has been seeking to strengthen its financial footing under chief executive Kenichiro Yoshida, who was promoted from chief financial officer last year. Last week, the firm reported weaker profits in the PlayStation business and cut its annual revenue forecast, triggering the steepest share drop in almost 3½ years.

"It seems they were perturbed by the steep stock decline," said Masahiro Wakasugi, a Bloomberg Intelligence analyst.

"They're watching the stock price, cash flow is strong and they have the financial resources to carry this out. So it's a strong message to investors."

Shares in Sony ended yesterday 4.1 per cent firmer. Before the buy-back announcement, the stock had declined 14 per cent over the week to its lowest since October 2017.

The Tokyo-based company last bought 6.3 billion yen worth of its own stock in 2004 as it sought to fully merge PlayStation subsidiary Sony Computer Entertainment into the parent firm.

Sony's results underscore the struggle at technology giants, which are seeing slowing demand for their products and services.

Apple reported a decline in revenue for the first time in two years, while chip makers Intel Corp and Nvidia Corp have warned of weaker sales as China's economy starts to sputter and uncertainty over Brexit lingers.

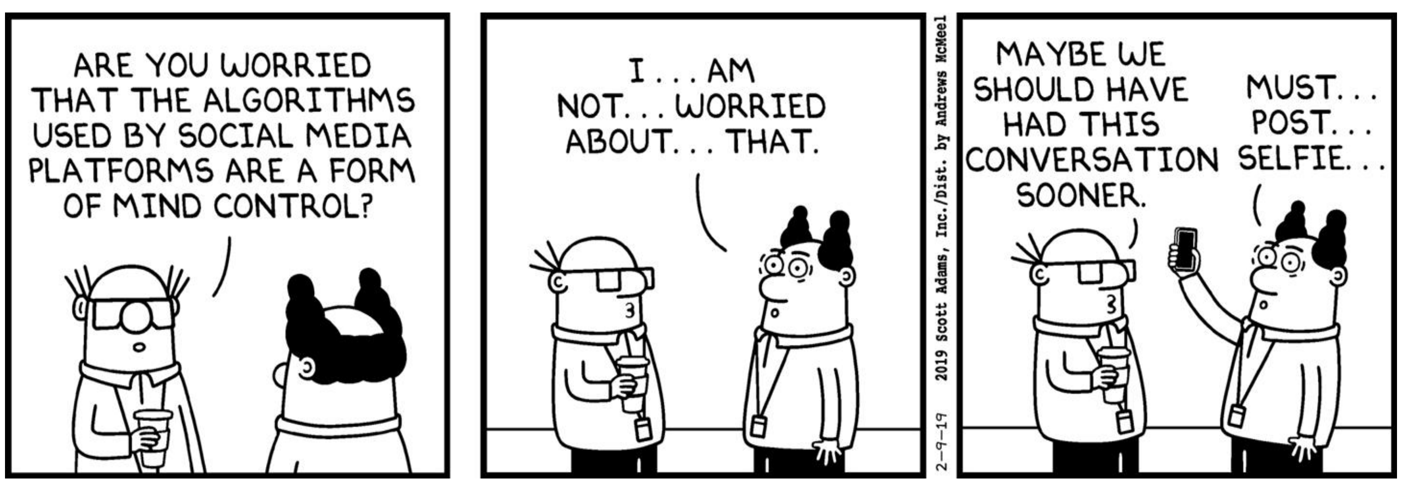
"The buy-back itself was a surprise," said Hideki Yasuda, an analyst at Ace Research Institute. "Management probably thinks Sony's share price is un[...]-valued."

Meanwhile, shares in [...]-Bank jumped 18 per cen[...]n Thursday, the most in a de[...]e, after the group revealed its [...] back plan, which marks a sh[...] strategy for founder Masayoshi Son, who has long favoured spending his capital on technology investments.

Son unveiled the repurchase as he tries to close the gap between what he thinks the company is worth and its market value.

The buy-back will be funded with proceeds from the 2.4 trillion yen initial public offering of the company's telecommunications unit in December.

DILBERT



COMMENTARY

Data analytics, not innovation, makes tech giants 'giant'

Facebook's decision to integrate WhatsApp and Instagram is about expanding its 'network effect'

Howard Yu

Internet companies are often dubbed the "fruit flies" of the business world. Change is rapid, life cycles are short and there's not much room for mistakes. Misreading the market once can lead to diminished earnings; misreading it a few times can send a company packing.

And that's perhaps why Mark Zuckerberg's insistence on integrating WhatsApp and Instagram, which both ran independently and grew tremendously without Facebook's oversight, has generated much controversy in the media and anxiety among the company's executives. What could be Zuckerberg's rationale for bringing WhatsApp and Instagram closer into the fold of Facebook? Is it a good strategy?

Facebook, Google, Amazon, Alibaba Group (which owns the *Post*), Uber and Airbnb are all platform businesses.

Among economists and academics, the "network effect" is a common term to explain the value of a platform that depends on the number of users on either side of the exchange. The more users Facebook has, the more attractive it becomes to a news outlet such as *The New York Times* to post articles on, leading even more users to join Facebook.

And once a platform reaches a certain size, it's thought to be too dominant to be dethroned by a challenger. That's why we see Google dominating in the realm of search engines, Facebook in social networks, Twitter in micro-blogging and YouTube in video sharing.

But size, it turns out, is more a consequence of success than the direct source of it. Mighty Uber, for instance, had to bow out of Southeast Asia by selling its operation in several countries to local rival Grab last year. TikTok, a media app for creating and sharing short videos, prospers in India despite Snapchat and YouTube. And currently, Toutiao is defying WeChat to become China's most popular news platform.

The reason these smaller challengers, especially during their early days, manage to thrive despite the lack of a "network effect" against the giants is that being small allows them to spur initial growth: they can pay unrelenting attention to their chosen market segment.

In the Philippines, where eight major dialects are spoken, a Grab representative will speak in the local dialect when someone calls customer service. Passengers can also text drivers through a chat with an automatic translation feature. Instead of forcing drivers to accept credit card payments in the name of "frictionless" transactions, Grab embraces cash.

In other parts of Asia, where a lack of trust and scanty safety records plague the taxi industry, Grab lets riders retrieve drivers' police records through the app and share their routes and licence plate numbers with friends and family. The app also masks passengers' phone numbers on the driver's end as an additional safety precaution.

Though none of these local tweaks could be claimed as technological breakthroughs, they helped Grab win over local consumers and ultimately threw Uber out of Southeast Asia.

Why didn't Uber pay more attention to local needs?

"There are always millions of things to make the company better. But we have to always prioritise," a former Uber manager said. "There had been much firefighting on the regulatory situation with government meetings, or cash collection issues, or tax debates, whether Uber should be treated as an onshore or a purely internet-based company. All these demand immediate attention, which crowds out other less pressing agendas."

The other agendas, in this case, are the top priorities at Grab.

But what Uber has that Grab doesn't is money and engineers dedicated to data intelligence. Using a machine learning approach, Uber offers one group of drivers one existing reward scheme and another group a different one, learning about the drivers' behaviours and fine-tuning its bonus scheme to be more cost-effective, all without human intervention.

> **The only real advantage of a big tech company is data analytics and its automation**

"You can do this by hand in one market, but you can't do this fast enough across 10 countries simultaneously without a smart algorithm working round the clock. This sort of smart automation is what Uber does well, not product localisation," I was told.

The only real advantage of a big tech company is data analytics and its automation, not fearsome entrepreneurship in a new market segment. Facebook didn't invent Instagram or WhatsApp; it bought them. Google didn't invent YouTube or Waze; it bought them.

If big tech can only grow by swallowing up entrepreneurial start-ups and arriving at its existing advantages through "data integration" to the point of invading consumer privacy, then it's not so different from the age-old industry consolidation in terms of monopolies charging higher prices and affecting consumer well-being. A different narrative calls for a different societal response.

Howard Yu is the author of ***LEAP: How to Thrive in a World Where Everything Can Be Copied****, and LEGO professor of management and innovation at the IMD Business School in Switzerland*

Quadriga clients face new hurdle to return of assets

Bloomberg

The latest twist in the drama that stranded C$190 million (HK$1.12 billion) in assets on cryptocurrency platform Quadriga CX spells more bad news for investors: British Columbia's securities regulator said it did not have jurisdiction over the exchange.

The agency "does not currently have any indication that Quadriga was trading in securities or derivatives or operated as a marketplace or exchange under British Columbia securities laws", Brian Kladko, a spokesman for the British Columbia Securities Commission, said in an emailed statement. "As such, [the commission] does not regulate it."

Vancouver-based Quadriga has been unable to access C$190 million in bitcoin and other cryptocurrencies belonging to its customers since chief executive Gerald Cotten, who had the electronic keys to access the cache, died in December. That has left 115,000 users scrambling to figure out how to get back their money.

The Canadian Securities Administrators published an investor alert in June saying a platform might call itself an "exchange", but it might not be selling or trading securities or derivatives and, if such was the case, it would not be subject to regulation.

British Columbia's securities regulator does have some oversight on the exchange's owner, Quadriga Fintech Solutions, which is a public firm. It ordered that shares of Quadriga Fintech cease trading in March 2016 for failing to make required filings.

Those looking for recourse cannot turn to the courts just yet. Quadriga was given creditor protection this week in Nova Scotia Supreme Court, essentially halting any legal claims against it while the firm gets its financial footing.

Cotten essentially operated the exchange from his laptop in Nova Scotia.