

**MR INVESTOR :**  
**WHAT GOES UP, MUST COME DOWN**

Probably, more out of sentiment than economic sense, The Stock Exchange of Hongkong Ltd got off to a record start for the first day of trading in the year 2000, as the Hang Seng Index put on 407.53 points to hit the record level of 17,369.63.

The Total Turnover was just a shade over \$HK18 billion.

Investors piled in as though there were no tomorrow.

The Y2K fears were, just that: Fears; nothing more.

Strangely, however, HSBC Holdings plc, by far the most important single constituent stock, which is included in the calculation of the Hang Seng Index, due to its huge market capitalisation, actually lost ground, giving up \$HK1 to close at \$HK108 per share.

The loss in the share price of HSBC Holdings followed the previous week's announcement that The Bank had completed its purchase of Republic New York Corporation.

This takeover, worth about \$HK76 billion, had been fraught with problems, culminating in the death of the Founder of Republic New York Corporation, Mr Edmond Safra.

Now that the dust has settled on the deal, it means that The Bank has just about doubled its private banking business to about 55,000 international clients.

The merger of HSBC Holdings's US interests with those of Republic National Bank of New York, to be renamed, HSBC Bank USA, will mean that The Bank will be the third largest banking institution in the State of New York, with about 455 branches.

However, the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was more interested in potentials than actualities, so that it was, still, hi-tech companies, or would-be, hi-tech companies, which were the '*darlings*' for the first day of trading in the new year.

The Li Ka Shing company, Pacific Century CyberWorks Ltd, continued to be top dog in the Ten Most Active Issues with about \$HK2.14-billion worth of its stock being traded. It represented about 12 percent of the Total Turnover.

The Top Ten accounted for about 37 percent of the Total Turnover -- which is not a very healthy sign because such trading, being weighted in such a manner, in no way can be considered an accurate barometer of the stock market.

In the absence of any fresh and exciting news to stimulate the HKSAR stock market, one was left to the obvious and logical conclusion that the market's spurt was sentiment based rather than being due to economic stimulus.

Tokyo still had a hangover from the New Year celebrations and, as such, The Tokyo Stock Exchange was not open for business last Monday. Thailand, Indonesia, South Korea, and Taiwan, also, did not open for business.

Here is how the rest of Asia fared on the first day of the new millennium:

Thailand	Closed
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Indonesia	Closed
Malaysia	Plus 2.65 percent
The Philippines	Minus 0.06 percent
South Korea	Closed
Singapore	Plus 4.17 percent
Taiwan	Closed
Japan	Closed

## **Tuesday**

HSBC Holdings plc continued to lose ground on the second day of trading of the new millennium, falling \$HK2.50 per share to close at \$HK105.50 per share.

Considering its potential, due to the closure of the long-running battle to clinch the takeover of Republic National Bank of New York (see Monday's report), The Bank's share-price loss may be considered a little extraordinary.

The Hang Seng Index ran into a bout of profit-taking, early last Tuesday morning, falling about 1.71 percent to come to rest at 17,072.82 on a Total Turnover of about \$HK18.83 billion.

There was no particular reason for the widespread sell-off, but, then again, there was no particular reason for the market to gain a little more than 407 points on Monday.

The 2 counters, which topped the Ten Most Active Issues, were Pacific Century CyberWorks Ltd and HSBC Holdings.

These 2 issues accounted for about 13 percent of the Total Turnover.

Midland Realty (Holdings) Ltd, a stock which, of late, has received very little attention, suddenly sprang to life with more than 16 million shares changing hands between a high of \$HK1.13 per share and a low of \$HK1.06 per share.

Midland Realty has announced that it is going to hive off one of its subsidiaries so that many investors know very well what this will mean for one of the HKSAR's largest and most respected listed, real-estate agencies.

On Wall Street, last Monday, there was some talk that the US Federal Reserve Board might consider raising interest rates in the US at its February 1 Open Market Committee Meeting.

This had the effect of dragging down the Dow Jones Industrial Average by about 1.21 percent on Monday, January 3. The Dow closed the session at 11,357.51.

It appears that, with the US economy the strongest for the past century, every time that the Fed schedules a meeting, there is a suggestion of terrible things to come.

They have yet to materialise.

In the Land of the Rising Sun, The Tokyo Stock Exchange managed a marginal gain for the first trading day of the New Year.

The Nikkei-225 added a 68.52-point rise, closing at 19,002.86.

This is the first time since about August 1997 that the Nikkei has been able to bust through the 19,000 level.

On other Asian bourses, this was their story:

Thailand	Plus 3.43 percent
Indonesia	Plus 3.44 percent
Malaysia	Minus 0.13 percent
The Philippines	Plus 0.53 percent
South Korea	Plus 3.01 percent
Singapore	Minus 2.04 percent
Taiwan	Plus 3.64 percent
Japan	Plus 0.36 percent

### **Wednesday**

Not since October 1997 has there been a bloodbath of the scale of last Wednesday's sell-off in the Hongkong Special Administrative Region: The Hang Seng Index shed 7.18 percent, coming to rest at 15,846.72.

Only one other stock exchange in the world came close to such a loss, last Wednesday. That was in Helsinki, Finland, where the HEX Index fell 7.05 percent, shedding nearly 1,000 points off the 14,000 HEX.

The Total Turnover on The Stock Exchange of Hongkong Ltd was a whopping \$HK24.75 billion, a 31-percent increase on the \$HK18.83-billion Total Turnover of last Tuesday.

Pacific Century CyberWorks Ltd was, once again, the top dog on the Ten Most Active Issues, but, last Wednesday, it was likely that Mr Li Ka Shing wished that it was not so prominent -- because tens of millions of dollars were shaved off the market capitalisation of this company.

Pacific Century CyberWorks shed 15 percent of its market capitalisation, falling to \$HK15 per share.

On November 5, 1999, the share price of Pacific Century CyberWorks was \$HK6.10. This, probably, means that it could fall a whole lot further in future trading sessions.

The Turnover of this counter, alone, was about \$HK3.86 billion, or, in terms of the Total Turnover, it represented about 15.60 percent.

Other big losers included most of Li Ka Shing companies, led by Cheung Kong (Holdings) Ltd, off 7.10 percent, and followed closely by Hutchison Whampoa Ltd, whose share price was down by about 7 percent.

HSBC Holdings plc continued its downward spiral, losing nearly 5 percent of its share price which ended the day at about \$HK100.50.

The reason for the big sell-off was said to be due to the partial collapse of the Dow Jones Industrial Average which, on Tuesday, fell by about 3.17 percent to 10,997.93, while the NASDAQ fell 5.55 percent.

In view of the big gains, made by certain counters, listed on The Stock Exchange of Hongkong Ltd, it, really, was not too surprising that the market went into reverse gear, last week.

That certain issues's share price had risen to heights which they, clearly, could not justify, is unquestionable.

That being the case, it was widely expected that the market would shed some more of its *'fat'*.

In most other Asian stock markets, the story was, just about, the same as in the HKSAR, but no other stock exchange suffered to the extent of The Stock Exchange of Hongkong Ltd.

The only exception to the fast erosion of Asian stock prices was in Taiwan where the Weighted Index managed to register a gain of 93.32 points, pushing up the Index to 8,849.87.

In Tokyo, the Nikkei-225 fell 460.31 points, bring down that benchmark to 18,542.55.

On The Tokyo Stock Exchange, however, there was talk that the sell-off would be short-lived. As such, there were a number of Japanese investment houses that were buying long.

At the same time, international investment houses were shorting the market -- which makes for an interesting scenario, like farting against thunder, one might say.

This is the way it looked in other parts of Asia on the day of the first big sell-off of the New Year:

Thailand	Minus 6.54 percent
Indonesia	Minus 3.16 percent
Malaysia	Minus 2.04 percent
The Philippines	Minus 3.64 percent
South Korea	Minus 6.87 percent
Singapore	Minus 5.50 percent
Taiwan	Plus 1.07 percent
Japan	Minus 2.42 percent

### **Thursday**

As expected, prices of shares, listed on The Stock Exchange of Hongkong Ltd, continued to fall -- and to fall fast.

The Hang Seng Index lost another 4.38 percent, ending last Thursday's session at 15,153.23 on a Total Turnover of about \$HK23.11 billion.

At one point in the afternoon trading, The Index was off more than 1,000 points -- about 7 percent -- but some brave souls determined to step in to try to support the market.

The high daily Turnover on a fast-falling market is ominous and suggests that there could be far more losses in the wings.

Again, and this is becoming very boring to repeat, Pacific Century CyberWorks Ltd topped the Ten Most Active Issues, and, again, it was the losses in this counter which attracted a great deal of attention.

The share price of this Li Ka Shing company fell another 13.40 percent to close at \$HK13.90 on a Turnover of \$HK3.60 billion.

This counter, alone, represented nearly 16 percent of the Total Turnover.

Other big Li Ka Shing losers included Hutchison Whampoa Ltd, which was off another 5.14 percent to \$HK101.50 per share, and Cheung Kong (Holdings) Ltd, which shed another 8 percent or so to close at \$HK85 per share.

HSBC Holdings plc continued its downward plunge, losing another 2.96 percent to fall to \$HK97.50. This is, just about, the same price it held, prior to the big run-up.

It has been a long time since investors of the HKSAR have seen such a sell-off of stocks and shares in such a short period of time: Pity those who invested their life-savings in a stock-market, bubble-gamble, after being carried away by the spirit of the day!

While losses were widespread, the Top Ten Most Active issues accounted for about 47 percent of the Total Turnover -- which may be a modicum of comfort for some people, who may feel that certain moguls should receive their come-uppances.

The sell-off was in direct response to what was happening on Wall Street where investors were on a roller-coaster ride, seeing the Dow Jones Industrial Average shaved closely one day, only to rebound the next day.

However, as is par for the course in Asia, and in the HKSAR, especially, investors panic in the way that, when one dog hears a bark, 100 dogs bark in unison.

In the US, it was announced that orders for US-manufactured goods remain robust.

The US Commerce Department announced that orders for the month of November 1999 rose by about 1.20 percent, compared with the October statistic, which was a negative 0.20 percent over the preceding month.

This is the first time in the previous 3 months that there had been a positive figure for US-manufactured goods.

The good news was being greeted by some economists as being a precursor to the Fed, considering raising interest rates in the first few days of February.

In Japan, The Tokyo Stock Exchange was not spared a haircut: The Nikkei-225 lost 374.29 points, about 2 percent, coming to rest 18,168.27.

This is the way it looked in other Asian stock markets, last Thursday:

Thailand	Minus 4.81 percent
Indonesia	Plus 1.54 percent
Malaysia	Plus 0.32 percent
The Philippines	Plus 0.21 percent
South Korea	Minus 2.59 percent
Singapore	Minus 1.33 percent
Taiwan	Plus 0.82 percent
Japan	Minus 2.02 percent

## **Friday**

It was a battle for supremacy for much of last Friday's market, with bulls and bears, vying with each other for seeming control of direction on The Stock Exchange of Hongkong Ltd.

During one point in the morning session, just before noon, the Hang Seng Index was up more than 3 percent, compared with Thursday's closing level, but selling pressure was so strong that The Index lost about 100 points in less than 20 minutes.

By the end of the day, The Index was stuck at 15,405.63.

The Total Turnover for the day was about \$HK19.32 billion of which nearly 11 percent could be pinpointed to trading in the counter of Pacific Century CyberWorks Ltd, the Li Ka Shing company, which has hugged the Top Ten Most Active Issues for the past 10 trading sessions.

What was only too apparent about last Friday's stock market was that investors had, just about, given up on so-called, hi-tech stocks and had opted for the more solid blue chips.

One good example of this trend was that the share price of HSBC Holdings plc rose back to \$HK100.50, a gain of about \$HK3, compared to the closing rate on Thursday.

There was no special news to influence the market either way so that most investors were following what was taking place in New York where the Dow Jones Industrial Average is seesawing, back and forth.

In Japan, The Tokyo Stock Exchange saw the Nikkei-225 just about stand still for most of the trading session, ending up just 25.14 points to 18,193.41.

Even so, Sony Corporation saw its shares nosedive about 8 percent to 23,700 yen.

Sony has lost about 25 percent of its market capitalisation since the beginning of the New Year.

One factor, which is beginning to be felt in the HKSAR, is the antics in Europe, and especially in London where The Financial Times-100 is taking more than a little bit of a pounding.

Last Thursday, London saw another 89 points wiped off its Index -- the 1.40-percent loss causing the FTSE to fall to its lowest level in the past few months.

In the first 3 trading days of 2000, about \$HK1,218 billion has been lost in the market capitalisation of the constituent stocks that make up the FTSE.

For margin investors in Europe, if they are holding scrip in HKSAR-listed issues, also, it is a guarantee that they will sell the HKSAR to shore up a situation in Europe.

It was on a very unsure note that investors and brokers closed their doors, last Friday, with many of them wondering what the new week would bring: More losses, perhaps?

In other parts of Asia, this is the way that things shaped up for the week, ended January 7, 2000, the first week of the new millennium:

Thailand	Plus 2.22 percent
Indonesia	Closed
Malaysia	Closed
The Philippines	Plus 0.73 percent
South Korea	Minus 1.26 percent
Singapore	Plus 1.98 percent
Taiwan	Minus 0.86 percent

Japan	Plus 0.14 percent
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