

**MR INVESTOR :  
THE HANG SENG INDEX SCREAMS AHEAD**

Talk about an investor, roller-coaster ride and one must talk about the antics of The Stock Exchange of Hongkong Ltd, last Monday.

At one point in early trading, the Hang Seng Index had spurted away more than 200 points higher than the previous Friday's closing level, then, it lost all of its gains and went into negative territory so that, by the close of the morning session, it was off about 34 points.

The afternoon, 90-minutes session saw short-covering and speculative buying, pushing The Index back onto positive ground, closing the day at 15,167.55 on a Total Turnover of \$HK14.40 billion.

The 59.14-point resultant gain can be attributed, to a great extent, in dealings in the giant banking group, HSBC Holdings plc.

HSBC Holdings was the most actively traded issue, with more than 11.41 million shares changing hands at prices, ranging from a high of \$HK93.50 per share and \$HK91.75 per share.

This counter, alone, contributed about 7.36 percent to the Total Turnover and was one of the biggest gainers, putting on about 2.49 percent, compared with late trading in London, the previous Friday.

The reason for the interest in The Bank was that, in New York, where it is, also, traded, investors maintained, all things being equal, that the share price is far too low, taking into consideration the banking group's near-term and long-term potential.

There had been a dearth of exciting corporate news over the past few weeks so that the stock market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was, pretty much, drifting, waiting to see which way the winds of fortune would blow.

The US Federal Reserve Board's Open Market Committee Meeting was just one week away and, still persisting, were fears of what would happen if the Fed announced an interest-rate hike of more than 25 basis points.

It was only too clear that, if it transpired that Wall Street went into retreat, later in the week, the HKSAR market would follow, hard on the New York Stock Exchange's heels.

It was announced in London, the previous Sunday night, that Cable and Wireless plc, the 'parent' of its 54.40-percent, HKSAR listed subsidiary, Cable and Wireless HKT Ltd, was in negotiations to merge its interests with the Government of Singapore's Singapore Telecommunications Ltd.

If the talks are successful – and dealing with the likes of people of the ilk of Mr Lee Kuan Yew, the Founder of modern Singapore, who still calls himself, Senior Minister, even though he is not supposed to be part of the existing Government, and his puppets – then the merger is worth upwards of about \$HK435 billion.

The formal announcement of the merger talks between Singapore Telecommunications and Cable and Wireless HKT Ltd came just 3 days after the Chief Executive of Cable and Wireless HKT Ltd was quoted as saying that he did not believe the reports (of the previous week), that Cable and Wireless plc would sell, or merge, its interests with the Singapore Government's telecommunications enterprise.

Cable and Wireless HKT Chief Executive Linus Cheung is quoted as saying: *'Don't believe those reports. I have no plans to change my parents, I'm very happy with our association with Cable and Wireless. That serves the*

*purpose of a worldwide alliance for us.'*

If Chief Executive Linus Cheung is to be believed in all that he claimed, last Friday, then it must follow that senior Management at Cable and Wireless in London is not keeping him very well informed of what is happening within the *'parent'*.

One wonders as to the reason for this reticence from London.

Alternatively, somebody is not telling the truth, the whole truth, and nothing but the truth.

Of course, there is another alternative: The Press, reporting what the great Chinese man had said, got it all wrong ... poor chaps!

Under the able direction of Chief Executive Linus Cheung, Cable and Wireless HKT Ltd turned in a Loss Attributable to Shareholders of about \$HK2.77 million for the 1999 Interim, ended September 30, 1999.

From a telecommunications mountain, Cable and Wireless HKT Ltd has become a telecommunications molehill.

In Japan, the story was different, with the Nikkei-225, rising 178.62 points to end the trading session at 19,056.71.

The reason for the positiveness in the Land of the Rising Sun was due to the successful conclusion of talks over the weekend with the G7 – the Group of Seven Industrialised Nations.

The Japanese, of course, are quite concerned about the strength of the yen, vis-à-vis other *'hard'* currencies and wanted the G7 to consider what action(s), if any, that could be taken to relieve the situation.

The consensus was that the G7 is collectively concerned about the situation and would maintain a watching brief.

Even though it is known that the share price of Sony Corporation is far too high (and senior Management has confirmed this as being fact), considering the near-term profits' future, the price of this Japanese giant continues to rise.

The share price of Sony put on another 950 yen, last Monday, to close at 25,150 yen.

(Sony is presently considered the barometer of hi-tech stocks in Japan).

Everybody was waiting, last Monday, to see what would happen on Wall Street because, from The New York Stock Exchange, the HKSAR would take its cue.

On other Asian stock markets, this is what happened last Monday:

Thailand	Minus 0.35 percent
Indonesia	Minus 1.20 percent
Malaysia	Plus 0.06 percent
The Philippines	Minus 0.34 percent
South Korea	Plus 0.17 percent
Singapore	Minus 0.61 percent
Taiwan	Plus 1.42 percent
Japan	Plus 0.95 percent

## Tuesday

The Dow Jones Industrial Average suffered its 10<sup>th</sup> largest fall in its history: It shed 243.54 points, equal to 2.16 percent, last Monday.

The Dow, at 11,008.17, was at its lowest level in more than a year.

The Reason: Fears that, at last, the Fed will do something drastic to slow down the US economy – and that means to raise interest rates by more than 25 basis points.

It was hardly any wonder that the Hang Seng Index was under intense pressure, all of last Tuesday morning's session, since what affects New York affects the HKSAR, it is commonly held, now.

And that goes doubly for perceived fears.

As was the trend on Monday on The Stock Exchange of Hongkong Ltd, so it was repeated on Tuesday: The Index gave up more than 250 points in the first 10 minutes of trading, only to see short-covering and bargain-hunting step in to shore up the flagging market.

By the end of the morning session, the Hang Seng Index stood at 15,109.31, down 58.24 points by the noon bell.

Trading in the shares of HSBC Holdings plc took it on the nose for the entire morning session as the share price fell \$HK2.25, or about 2.43 percent, coming to rest at \$HK90.50 at the luncheon break.

For certain, if the Fed raises interest rates in the US, the HKSAR will have to follow suit – and that will mean that corporate profits will be shaved as operating costs will mount.

And that is the real fear.

When the session ended at 4 pm, last Tuesday, the Hang Seng Index had registered a loss of 64.51 points, coming to rest at 15,103.04 on a Total Turnover of about \$HK14.85 billion.

HSBC Holdings plc hit a low of \$HK89.75 a share, but finished the day at \$HK90.50 on a turnover of nearly 14 million shares, representing about \$HK1.27-billion worth of the Total Turnover, or about 8.55 percent of all the trading for the day.

Pacific Century CyberWorks Ltd, the Li Ka Shing would-be, hi-tech company, shot back to the Top-Of-The-Pops (the most heavily traded counter) as more than \$HK1.29-billion worth of its scrip changed hands, with the price, rising 10 cents per share to \$HK16.65 per share.

The reason for interest in this counter was due to an announced 50-50 joint venture with CMGI Asia, said to be the largest single Internet company in the world, controlling, this company alleges, the most extensive global cyber network.

Pacific Century CyberWorks Ltd, as at last Tuesday's closing level, had a Market Capitalisation of about \$HK151 billion.

And it has yet to make a penny in realised profits.

There were still persistent and confirmed reports of racial and religious trouble in Indonesia, spreading to the neighbouring island of Bali, once thought to be safe haven for tourists.

It will be decades before that country can recover from its troubles; and, this time, the racial trouble is bound to affect international tourism.

In Thailand, a gang of 10 Karen rebels from Myanmar (formerly Burma) stormed a hospital at Ratchaburi, about 120 kilometres west of Bangkok, taking hostage some 553 staff and patients of the hospital.

The Thai Army stormed the hospital and killed all the rebels ... without one casualty of the hostages or the Thai Army soldiers.

In Japan, The Tokyo Stock Exchange came under pressure, again, with the Nikkei-225, losing 161.18 points to end the session at 18,895.53.

It was said that the 0.85-percent loss was due to profit-taking in industrials, led by steel manufacturers, which came under heavy selling pressure.

Sony Corporation continued to make headway in an otherwise falling market, for most of the session, at least, however, it had to succumb to continued selling pressure and so, as a result, the share price gave up 120 yen, dropping to 25,030 yen.

Nippon Telegraph and Telephone (NTT) refused to be ruffled by the downturn and managed to make a gain of 1.31 percent over Monday's close, to end the session at 1.55 million yen.

In other Asian markets, selling pressure ruled the day: All Asian markets lost ground:

Thailand	Minus 0.84 percent
Indonesia	Minus 1.05 percent
Malaysia	Minus 0.26 percent
The Philippines	Minus 0.40 percent
South Korea	Minus 3.84 percent
Singapore	Minus 1.14 percent
Taiwan	Minus 0.16 percent
Japan	Minus 0.85 percent

### **Wednesday**

It was go, go, go on The Stock Exchange of Hongkong Ltd, last Wednesday, as the Hang Seng Index roared to life with a vengeance which has been unseen for many a moon.

The Index was alive with buying fever at the first sounds of the opening bell. It rose more than 300 points, almost immediately, and refused to give up any ground all the trading day.

By the end of the morning session, The Index stood at 15,403.66. It put on another 24.06 points in the 90-minute afternoon trades, to end the day at 15,427.72.

The Total Turnover was about \$HK18.60 billion, with one counter, Pacific Century CyberWorks Ltd, accounting for about \$HK6.42-billion worth of this volume, representing about 34.52 percent of the Total Turnover.

Because of the heavy weighting of Pacific Century CyberWorks, it is difficult to understand the market's true direction since it is clear that one counter cannot be indicative of the entire market.

When just 10 counters represented about 40 percent to the Total Turnover, it was bad enough, but for one counter to represent nearly 35 percent of all the trading in one day, it cannot mean too much – except that there is widespread speculation in that one counter.

The Top Ten Most Active Issues accounted for about \$HK10-billion worth of the Total Turnover, or about 54 percent.

Aside from the usual suggestions of this company, linking up with that company, and the further suggestions that e-commerce will revolutionise the world (probably correct), there was no news of any materiality that could be said to have been responsible for last Wednesday's letting the bull out of the pen.

If anything, the opposite was the case.

It was announced that the Government of the People's Republic of China is to control the proliferation of information over the Internet, throughout the world's most populous country, by using the State Secrets Weapon.

What this means is that if somebody does not like an article on a website, the PRC Government may just allege that the website is trying to subvert the lawful Government by the dissemination of State Secrets.

What is a State Secret? That has yet to be defined, it appears.

Hutchison Whampoa Ltd announced that it was teaming up with the US-based, on-line shopping enterprise, named Priceline.com.

This deal was said to be worth about \$US20 million (about \$HK155 million).

Hutchison Whampoa saw a total of about 5.49 million of its shares change hands, representing a turnover in this counter of about \$HK585.24 million.

In Washington, the US, the Chairman of the Federal Reserve Board, Dr Alan Greenspan, told the Senate Banking Committee of the thinking of the Federal Reserve Board.

Dr Greenspan said that the primary goal of the Fed was the control of inflation, which should be low and stable.

This may be taken as a precursor to next week's Open Market Committee where it is generally held that the Fed will announce an increase in interest rates.

In Thailand and Indonesia, things appeared to have quietened down, but in Japan, the Nikkei-225 followed the example of the HKSAR, rising 215.66 points to end the session at 19,111.19.

Hi-tech issues were in hot demand, yet again, with Sony, leading the charge as it gained another 450 yen to 25,480 yen.

After the market closed, Sony announced that third quarter earnings were off by about 10.20 percent, compared with the 1999 comparable period.

The reason for the drop in earnings: A stronger yen vis-à-vis the US dollar and a slowdown in PlayStation Game Machines.

All of the other blue chips followed Sony's example, with NEC, gaining 110 yen to 2,380 yen, Toshiba, rising 49 yen to 825 yen, and Fujitsu, putting on another 40 yen to close at 3,850 yen.

On Wall Street, Monday's losses were all but forgotten as the Dow Jones Industrial Average nudged its way up, wiping out some of the losses, incurred earlier in the week.

The Dow ended last Wednesday's session at 11,032.99, a gain of just 3.10 points, compared with Tuesday's close.

Other Asian stock markets had a mixed reaction to what was happening in the HKSAR and the Land of the Free and the Home of the Brave:

Thailand	Minus 0.85 percent
Indonesia	Minus 1.00 percent
Malaysia	Minus 1.17 percent
The Philippines	Minus 2.38 percent
South Korea	Minus 0.64 percent
Singapore	Plus 0.92 percent
Taiwan	Plus 2.24 percent
Japan	Plus 1.14 percent

## **Thursday**

There were at least 10 million reasons for The Stock Exchange of Hongkong Ltd to see share prices eroded, last Thursday, but there was just one reason which overpowered all of the 10 million other reasons: Speculators in the Hongkong Special Administrative Region are a-mind to take a punt on the market.

And that is it.

The Hang Seng Index shot up 490.09 points, or about 3.18 percent, in a trading day like no other trading day remembered in recent months.

The bulls ruled the day from the first sounds of the opening bell.

By the close of the morning session, the Hang Seng Index had registered a gain of 394.36 points; and, then added another 95.73 points in the 90-minutes afternoon session.

Of the Total Turnover of \$HK18.50 billion, 4 counters accounted for about 28.38 percent of this volume of activity.

The 4 counters were Pacific Century CyberWorks Ltd, China Telecom (Hongkong) Ltd, Hanny Holdings Ltd and Hutchison Whampoa Ltd.

The Ten Most Active Issues represented about 46.38 percent of the Total Turnover.

Many of the solid issues, such as HSBC Holdings plc and The Bank of East Asia Ltd, were all but forgotten in the mad dash of investors to pick up any scrip with a seeming Internet association.

Hutchison's scrip, for instance, rose \$HK6 a share, about 5.58 percent, to see its price hit \$HK113.50 per share (please see Wednesday's report) while its *'parent'*, Cheung Kong Holdings Ltd, was carried away in the buying frenzy, rising about 3.57 percent to \$HK101.50 per share.

The stock market of the HKSAR was wild, last Thursday, but one recalls the meltdowns of the past, meltdowns that always follow such madness – if last Thursday's trading was, indeed, madness.

In Europe, last Thursday, things of a different nature were popping, with the fall of the euro below 100 cents (US), being the biggest shocker.

The euro fell against the US dollar and the Japanese yen, following a report from the US that things in the world's largest economy were stronger than ever.

Speculators bailed out of the euro and into the US dollar – since there is nothing to hold up the euro in the same manner as the US economy or, even, the Japanese economy, for that matter.

In late New York trading, the euro was trading at 98.85 cents (US), a new low for the euro and a fall in its international exchange rate of about 1.34 percent in one day.

On The New York Stock Exchange, the Dow Jones Industrial Average lost 4.97 points, coming to rest about 11,028.02.

Losers outpaced gainers by the narrow ratio of 16:15.

NASDAQ lost similarly.

Which just goes to underscore that The Stock Exchange of Hongkong Ltd was on its own.

In Japan, there was a bit of a concern when the Government announced that industrial output fell 1.40 percent in December, compared with the November statistics.

The Ministry of International Trade and Industry announced:

**Total Output Index, Month-On-Year**

Production 101.6 -1.4% +5.10%  
Shipments 103.9 -1.1% +5.30%  
Inventories 93.0 -1.6% 6.8%

**General Machinery**

Production 90.7 -1.3% +3.9%  
Shipments 98.5 -1.0% +6.8%  
Inventories 86.0 -2.5% 10.7%

The Tokyo Stock Exchange took the news in its stride and the Nikkei-225 rose 98.53 points to 19,209.72.

Like the HKSAR, it was the hi-tech sector of the market that benefited the most.

The share price of Sony Corporation did its *'thing'*, pushing up to the 26,250-yen level, a gain of about 3 percent in one trading day.

This was in spite of a 10-percent decline in revenues in the October-December quarter.

In other Asian stock markets, the ratio of gainers to losers was 6:2:

Thailand	Plus 1.21 percent
Indonesia	Plus 0.20 percent
Malaysia	Minus 0.41 percent
The Philippines	Minus 1.17 percent
South Korea	Plus 2.68 percent
Singapore	Plus 2.05 percent
Taiwan	Plus 0.49 percent
Japan	Plus 0.52 percent

**Friday**

It was another wild ride on the stock market train of The Stock Exchange of Hongkong Ltd.

In a follow-through from last Thursday, the Hang Seng Index caught fire as soon as trading started – and the bulls shook free of their keepers' hands.

The Index was up more than 300 points within the first hour of the opening, and that, just about, set the pace of trading for the entire day.

By the close of the market, the Hang Seng Index stood at 16,185.94, a gain of 268.13 points, compared with the close of trading on Thursday.

But the Hang Seng Index had been considerably higher for most of the trading session.

The noonday bell saw The Index at 16,239.34, up about 321.53 points, compared with the closing level of the previous day.

However, a bout of profit-taking shook out some of the gains.

Again, it could not be said with any real conviction that the HKSAR stock market deserved its gains, but one cannot fart against thunder.

The Total Turnover for the day was at a 2-year record of \$HK20.73 billion.

Of the Top Ten Most Active Issues, China Telecom (Hongkong) Ltd stole the day as more than \$HK1.40-billion worth of its scrip changed hands, with the price, rising \$HK2 per share to \$HK52.25 per share.

The Top Ten Most Active Issues accounted for about \$HK8.49 billion of the Total Turnover, or about 41 percent.

For the week, then, The Index gained exactly 1,018.39 points, equal to about 6.71 percent, compared with the previous week.

The very material gains in the Hang Seng Index came on the eve, so to speak, of the US Fed's meeting, scheduled for tomorrow.

It is generally accepted, and stock markets, around the world, have just about discounted a 25-basis point increase in US interest rates in their indices.

The HKSAR investment community appeared to be unruffled by the prospects of an interest-rate rise, as early as the middle of this week.

In this regard, while the HKSAR investment community appeared to be impassive about the prospects of an interest-rate increase, in the US, last Friday, after the HKSAR market had gone to bed, the Dow Jones Industrial Average fell to its lowest level in the past 3 months.

The Dow gave up about 289.15 points, falling to 10,738.87 (about 2.62 percent), while the NASDAQ shed 152.61 points, off about 3.78 percent, compared with Thursday's closing level.

The reason: Fears that the Fed will raise interest rates by as much as 50 basis points.

The US Government released, after the market had closed, the facts about the US economy, stating that fourth quarter employment costs had increased about 1.10 percent, compared with expectations of increases of not more than 0.90 percent.

Then, Amazon.com Incorporated announced that it was letting go about 150 employees, equal to about 2 percent of its total workforce.

Amazon.com, claiming to be the biggest Internet retailer, has lost about \$US550 million (about \$HK4.27 billion) in the past 5 years – with little prospects of a turnabout situation.

Which appears to prove that being the largest on the Internet does not mean having a healthy Bottom Line.

Because it is generally expected that the US economy would start to slow down, European bourses went into reverse gear, with London's Financial Times Index, shedding about one percent of its value.



Back in the HKSAR, coming up this week and, for the greater part of this month, heavyweights, such as The Bank of East Asia Ltd, HSBC Holdings plc, Hang Seng Bank Ltd, and etc, will all be reporting their 1999 Results.

The Bank of East Asia is expected to be first in line, with most investors, expecting a much better result, compared with 1998.

In Japan, the Nikkei-225 gained 225.06 points to 19,434.78, having hit the highest level since August 1997 at one point in trading.

Sony Corporation did it again, putting on another 840 yen to close at 27,090, a gain of 3.20 percent, compared with Thursday's closing level.

As stated earlier (see earlier reports), Sony's gains came on the back of poor earnings' reports and a warning from its Chairman that the price of the shares should not, realistically, be more than 20,000 yen.

And so the week came to a close, with many an HKSAR investor, making visits to his bank, loaded with stock-market profits.

This was the way that other Asian markets ended the trading week of January 28, 2000:

Thailand	Plus 0.64 percent
Indonesia	Minus 1.55 percent
Malaysia	Minus 0.43 percent
The Philippines	Minus 0.29 percent
South Korea	Plus 3.57 percent
Singapore	Minus 0.90 percent
Taiwan	Plus 0.71 percent
Japan	Plus 1.17 percent

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