

**MR INVESTOR :
IT IS ALL SYSTEMS 'GO!' ON ASIAN BOURSES**

On the last day of the Year of the Rabbit, the Hang Seng Index took a terrible wallop, as the Hang Seng Index dropped like a rock in stagnant water: It lost 4.04 percent of the previous Friday's closing value.

The Index ended the session at 15,532.34 on a Total Turnover of \$HK16.33 billion, the Turnover, being down about 20-odd percent, compared with the volume of activity on Friday, January 28.

Losers and gainers were 1.69:One.

A 5-percent loss in a counter was not unusual for a quite a number of high-flyers, with Hutchison Whampoa Ltd, dropping \$HK5.50 per share to \$HK112 per share, Cheung Kong (Holdings) Ltd, off \$HK4.75 per share to \$HK98.25 per share, and Pacific Century CyberWorks Ltd, down 50 cents per share to \$HK18.35 per share.

Few counters were saved from the investor frenzy to sell, and, in some cases, to sell at any price.

This was especially true of those speculators, who had bought shares earlier on margin, because they suspected that the possibility existed that they would be unlikely to be able to meet margin calls if the stock market continued to drop, quickly.

Previously, TARGET had suggested that a partial meltdown could be expected on The Stock Exchange of Hongkong Ltd because there appeared to be no earthly reason for the previous week's gains of 1,018.39 points, equal to about 6.71 percent.

It happened a little quicker than had been expected, but some kind of a correction had to come on the eve of the meeting of the US Federal Reserve Board – because there was every reason to think that an interest-rate increase was looming.

The Top Ten Most Active Issues on The Stock Exchange of Hongkong Ltd were, just about, unchanged, and represented, in aggregate, nearly 45 percent of the Total Turnover.

The Hang Seng Index fell last Monday-week for a number of reasons, the most important of which, contrary to what many people were saying, was that it was due for a major correction, in any event, following the previous week's very material gains.

It is of some interest to note that The Index had nose-dived nearly 700 points, during the morning trading session, last Monday-week, but finished at the first sounds of the luncheon bell at 15,521.76, down about 664.18 points, compared with the previous close of 16,185.94.

Aside from an overdue correction, there were the very real concerns about the US stock markets, with Wall Street, having tumbled dramatically, the previous Friday, January 28.

The Dow Jones Industrial Average closed the week of January 28 at 10,738.87, a loss of 289.15 points, compared with the close of Thursday, January 27.

The level of The Dow, the previous Friday, was the lowest point it had seen for about 2 and a half months.

The NASDAQ, on the other hand, suffered its second biggest point loss in one day's trading in history, shedding 152.61 points to 3,886.95, representing a fall of nearly 4 percent.

Like trading in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), losses on Wall Street, on Friday, January 28, were not uncommon to be in excess of 4 percent in a single counter.

General Electric Company, for instance, shed about 4.40 percent of its value, falling to \$US135.375 per share (about \$HK1,051.86) and Wal-Mart Stores Incorporated, one of the largest retailers in the world, lost about 8.82 percent of its Market Capitalisation, dropping back to about \$US54.56 a share (about \$HK423.93).

The fear of inflation, starting to rear its ugly head, again, was the reason for the US stock markets' perceived woes.

And rightly so, too.

For the entire week, ended January 28, the NASDAQ had suffered an 8.20-percent reversal.

The US Government announced on the previous Friday that Gross Domestic Product, inflation and employment costs were all growing faster than had, otherwise, been expected, during the last quarter of 1999.

This, of course, rekindled fears of an interest-rate increase, higher than 25 basis points.

The Stock Exchange of Hongkong Ltd only cottoned on to that little ditty last Monday-week, January 31.

One important statistic of the US markets was that Amazon.com has lost more than 40 percent of its market value since last December. This is equal to about \$US17 billion (about \$HK132.09 billion).

That prices on Wall Street are too high is evidenced by the fact that Yahoo is presently selling for about 570 times last Year's earnings, and America Online is selling at a Price-Earnings Ratio of about 218 times.

The average P/E Ratio for the Standards and Poors 500 is about 29 times earnings.

Back in Asia, Tokyo took no notice of the HKSAR on Monday, January 31, or of Wall Street's losses of the previous week, and the Nikkei-225 continued to be strong, gaining 104.92 points, closing the session at 19,539.70.

This was a 30-month high.

The Japanese stock market would have gone even further, it was speculated, had it not been for the strong suggestion that the Fed would announce an increase in interest rates, the following day.

This is the way that other Asian markets perceived the situation last Monday-week:

Thailand	Plus 0.03 percent
Indonesia	Plus 0.27 percent
Malaysia	Minus 1.44 percent
The Philippines	Plus 1.02 percent
South Korea	Plus 0.23 percent
Singapore	Minus 2.39 percent
Taiwan	Plus 1.13 percent
Japan	Plus 0.54 percent

Tuesday

The Dow Jones Industrial Average rebounded on the first day of trading for the new week in New York and, despite the US Federal Reserve Board's Open Market Committee Meeting, having been scheduled for the following day, investors ploughed right back in, buying telecommunications and financial shares.

The Dow put on 201.66 points, about 1.90 percent, to rise to 10,940.53.

Investors in the HKSAR appeared to take heart from the news of what was happening on Wall Street, with the Hang Seng Index, regaining some of Monday-week's lost ground.

While trading on The Stock Exchange of Hongkong Ltd was a little shaky, during the morning session, as soon as brokers returned from their luncheon break, it was business as usual – and The Index was up again.

The losses of Monday-week, and many of the fears of Monday-week, appeared to have been forgotten, at least for the time being.

The Total Turnover stayed at a very respectful \$HK15.88 billion, accounted for, to the extent of about 38.29 percent, by the Top Ten Most Active Issues.

The Hang Seng Index ended the session at 15,653.86, up about 121.52 points, compared with Monday-week's close, but, at the noon bell, The Index was registering a gain of only 72.53 points.

This would appear to indicate, without question, that there were/(are) still many players in the HKSAR, who were of a mind to buy, just prior to, and, perhaps, after, the Chinese New Year festivities, which began last Friday.

The Bank of East Asia Ltd announced a cracking Final Result for the 1999 Financial Year, ended December 31, with Turnover, up about 5.11 percent to \$HK3.50 billion, Operating Profit, up \$HK661.21 million to about \$HK1.61 billion, and the all-important Net Profit After Taxation and Minority Interests, up about 81.60 percent, compared with the 1998 Year, to about \$HK1.49 billion.

The Final Dividend recommendation is 38 cents per share, up about 171 percent, compared with the 14-cent Final Dividend, which was paid out at the end of the 1998 Year.

The Results of The Bank of East Asia had been anticipated because, in the 1998 Year, it had had to bite the bullet with regard to very large loans, extended to entities in the People's Republic of China.

The next big one, for which to wait in line, will be the '*king*' of the HKSAR: HSBC Holdings plc. And, then, will come the '*king's*' local subsidiary, Hang Seng Bank Ltd.

By far, these 2 banking stocks are among the most important in these 416 square miles; and, investors take their lead from these counters.

The Tokyo Stock Exchange experienced widespread but moderate selling pressure, resulting in the Nikkei-225, falling 116.32 points to 19,423.38, last Tuesday, February 1.

The very real potential for an interest-rate hike in the US, cascading down to Asia, was the fear on that market, as with most other Asian markets.

Even so, Sony Corporation continued its march forward, gaining another 170 yen per share to end the session at 27,130 yen.

The ratio of losers to gainers was 1.56:One.

Many other Asian markets were preparing for the Lunar New Year Celebrations, with the result that many investors were too busy with party preparations and buying gifts for loved ones and friends than in watching stock-market figures go up and down.

This was how the situation shaped up in Asia last Tuesday, February 1:

Thailand	Minus 0.44 percent
Indonesia	Minus 3.07 percent
Malaysia	Closed
The Philippines	Minus 0.80 percent
South Korea	Minus 1.60 percent
Singapore	Plus 0.00 percent
Taiwan	Plus 1.14 percent
Japan	Minus 0.60 percent

Wednesday

While the (US) Sword of Damocles hung over the proverbial head of investors of the Hongkong Special Administrative Region (HKSAR), by way of the very real threat that interest rates would rise within hours of the closing of The Stock Exchange of Hongkong Ltd, the Hang Seng Index drove up another 135.96 points, about 0.87 percent, compared with February 1, Tuesday close.

The Index had been much higher, during the day, but investor jitters shaved the gains, from about 2 percent to less than one percent.

On a Total Turnover of about \$HK16.65 billion, it became evident, last Tuesday-week, that trading on the HKSAR stock market was becoming more diverse and not dominated by just one or 2 of the Top Ten Most Active Issues.

As it was, nevertheless, the Top Ten still accounted for 31 percent of the Total Turnover, led by the old favourite, HSBC Holdings plc, that counter, seeing about \$HK896.49-million worth of scrip change hands, during the day.

The share price of HSBC Holdings plc ended down 50 cents per share to \$HK91.50 per share.

There are fears, in some quarters, that The Bank may have had to make further provisions for bad and doubtful debts in the last Financial Year, ended December 31, 1999, in spite of making huge provisions in the previous Year (ended December 31, 1998).

While some players were willing to take a gamble and to buy stocks before the deliberations of the US Fed had been known, by and large, there was a general feeling that to err on the side of conservatism and caution would not be a mistake.

After the market closed, the HKSAR Government announced that The Hongkong Monetary Authority had raised the Base Lending Rate by one quarter of one percent – 25 basis points – to 7.25 percent.

The new rates would take effect the following morning – last Thursday.

The US Federal Reserve had, prior to The HKMA, making its pronouncements, told the world that US interest rates would rise 25 basis points to 5.75 percent.

In the Land of the Rising Sun, the Japanese stock markets, pretty much, followed the HKSAR market, with the Nikkei-225, gaining another 155.53 points, closing the session at 19,578.91.

But there was a major difference with regard to The Tokyo Stock Exchange and The Stock Exchange of Hongkong Ltd: The Nikkei-225 Index had hit a 2-and-a-half-year high.

Information technology stocks were the *'darlings'* for the Japanese, with counters, such as Fujitsu Ltd, the largest computer manufacturer in Japan, gaining 70 yen per share to hit 3,910 yen per share.

Sony Corporation, a favourite of many Japanese investors, put on another 610 yen per share to rise to 28,160 yen per share.

On the news front, there was little to report, with the exception that the Government of the PRC was not too happy at the thought that the US Government would be giving the Government of Taiwan some more military support.

This is the way that other Asian markets perceived the situation last Wednesday:

Thailand	Minus 0.35 percent
Indonesia	Minus 2.15 percent
Malaysia	Plus 2.25 percent
The Philippines	Plus 0.13 percent
South Korea	Plus 1.60 percent
Singapore	Plus 1.84 percent
Taiwan	Closed
Japan	Plus 0.80 percent

Thursday

It was all systems *'Go!'* on The Stock Exchange of Hongkong Ltd, despite the 25-basis-point hike in US interest rates.

The Hang Seng Index defied gravity, rising, yet again, another 178.30 points to hit 15,968.12 on a Total Turnover of about \$HK17.86 billion.

The boys with the calculators determined that one counter, China Telecom (Hongkong) Ltd, accounted for nearly 20 percent of the rise.

China Telecom regained more than 6 percent of its market capitalisation, rising to \$HK53 per share for a \$HK3.20 gain on the day.

It was the most active issue for the day with its turnover, accounting for about 6.55 percent of the Total Turnover.

For a change, the difference in The Index at the close of trading at 4 pm was not far off the morning session's close of 15,972.47.

The 1999 Final Results of The Bank of East Asia Ltd, having been fully digested by last Thursday, saw investors begin to realise that, perhaps, the conservatism of Chairman David Li Kwok Po was not so bad after all.

As a result, the price of the shares of The Bank of East Asia rose about 6 percent to close at \$HK21.35 per share, a gain of \$HK1.30 percent, compared with the Wednesday closing level.

The ratio of gainers to losers was about 2.80:One.

In other news around Asia, Mr Stanley Ho, the gambling kingpin of The Macau Special Administrative Region (MSAR) of the People's Republic of China (PRC), continued to make waves over his proposed investment in The Philippines.

The gambler has been accused, by certain politicians in that banana republic, of having links with unsavoury elements – crooks and snooks – with herds of Filipinos, claiming that the country would be better off without Mr Ho and his billions of dollars.

Mr Ho has threatened to pull out of The Philippines, completely, unless the unwarranted attacks on his person are stopped, immediately.

It has been remarked by criminologists that The Philippines, probably, has more gangsters per capita than any other nation of earth, those in politics and those who are walking the streets of Manila and Makati.

As such, it is suggested that it takes one to know one.

In Japan, The Tokyo Stock Exchange had another good day, with the Nikkei-225, rising another 207.51 points to 19,786.42.

This is another 30-month record high for the Nikkei since it has not seen such levels since the middle of 1997.

As the Nikkei continues to climb, so more foreign funds flood into the country: Success is always followed by those who, also, would like to achieve it.

Sony Corporation continued to confound the skeptics, its share price, rising another 550 yen to 28,100 yen.

Another major hi-tech stock, Softbank Corporation, claiming to be the world's largest investor in online businesses, gained 9,000 yen per share to close at 133,000 yen per share.

And this was how Asia went to bed on the last trading day of the Year of the Rabbit:

Thailand	Minus 1.03 percent
Indonesia	Plus 1.78 percent
Malaysia	Plus 1.57 percent
The Philippines	Plus 1.12 percent
South Korea	Plus 0.70 percent
Singapore	Minus 0.97 percent
Taiwan	Closed
Japan	Plus 1.06 percent

Friday

With the exception of Tokyo, all Asian stock markets were closed last Friday. Trading resumed on Tuesday, February 8.

Last Friday, the big news to hit the streets was the deal, struck between Vodafone AirTouch plc and Mannesmann AG.

This \$US190.50-billion (about \$HK1,480.19 billion) deal is the largest ever in the history of the world.

The deal, struck after a fight that lasted for more than 3 months, is that Vodafone will exchange 58.96 of its shares for every share of Mannesmann. That values Mannesmann at \$US349.70 (about \$HK2,717.17) per share.

Hutchison Whampoa Ltd, a Li Ka Shing company, owns about 10 percent of Mannesmann so that that publicly listed company stands to gain, greatly, by the deal.

In New York, last Thursday, the Dow Jones Industrial Average put on just 10.24 points, about one tenth of one percent, but the NASDAQ rose 137.06 points, about 3.40 percent, to 4,211.02, compared with last Wednesday's close.

The NASDAQ, of course, is heavily weighted in favour of hi-tech stocks.

The 3 counters that led the NASDAQ were Microsoft Corporation, Intel Corporation and Cisco Systems Incorporated, with all 3 counters, making healthy gains.

The US Government announced, early Thursday morning, Washington time, that US factory orders had risen more than had been expected in December 1999.

The performance of most US factories, the report suggested, was the best in the past 4 years.

The December 1999 statistics are that orders for US goods rose about 3.30 percent in December, compared with November, after increasing about 1.40 percent in November, compared with the previous October.

For the entire 1999 year, US orders rose about 6 percent, compared with 1998. This is the biggest gain since 1995.

On The Tokyo Stock Exchange, last Friday, the Nikkei-225 fell back to 19,763.13, a loss of about 0.12 percent.

Once again, Sony was on the lips of Japanese investors as the share price of this electronics giant put on another 1,080 yen, or about 3.84 percent, to end the week at 29,180 yen.

Softbank, like Sony, continued its claim to fame, but in the case of this company, it gained 7.26 percent, about 9,000 yen, closing the day at 133,000 yen.

This was a record level for Softbank, which, recently, has been tipped to rise to as high as 400,000 yen per share.

In futures trading, however, it appeared that the punters were going for only marginal gains for the Nikkei for the month of March.

And that was how Asia went to bed on Friday, February 4, 2000.

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