VOLUME II No. 34 M O N D A Y February 21, 2000

MR INVESTOR: THE HANG SENG INDEX LOSES 4.49 PERCENT IN FIVE TRADING DAYS

Taking its cue from Wall Street, the previous Friday, February 11, The Stock Exchange of Hongkong Ltd went into fast retreat from the opening bell, last Monday, February 14.

The Hang Seng Index, after falling about 60 points at the opening, increased its losses throughout the day, resulting in The Index, shedding 191.34 points by the close of trading at 4 pm, coming to rest at 17,188.96.

The losses were in spite of the excitement, generated by Mr Li Ka Shing's antics with regard to Pacific Century CyberWorks Ltd, which company is preparing to wage war on both the Government of Singapore and London-based Cable and Wireless plc for control of Cable and Wireless's subsidiary in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC): Cable and Wireless HKT Ltd.

Pacific Century CyberWorks, over the weekend of February 12 - February 13, informed the world that it was putting together a bid to outmatch that of Singapore Telecommunications Ltd (SingTel).

To this end, Pacific Century CyberWorks made a Placement of its shares, last Monday, raking in another $HK7.70 billion, net of expenses (or something close to this figure).

As a result of these antics, the share price of Cable and Wireless HKT Ltd rose nearly 22 percent to close at about $HK27.65 per share.

Cable and Wireless HKT was the most active counter, with about $HK2.29-billion worth of its overpriced stock, changing hands. The volume of activity in this issue accounted for about 8.11 percent of the Total Turnover of about $HK28.24 billion.

While Cable and Wireless HKT was the temporary *'darling'* of investors, the ugly duckling was HSBC Holdings plc, whose share price continued to fall another 3.31 percent (about $HK3 per share) to hit $HK87.50 per share, after hitting a low of $HK86.50 per share.

The volume of activity in this counter was just $HK4.86 million shy of the volume of trading in Cable and Wireless HKT, at about $HK2.286 billion.

The Ten Most Active Issues accounted for about 39.44 per cent of the Total Turnover, with more than 22 percent of that Total Turnover attributable to just 2 counters.

Aside from the excitement, generated by Pacific Century CyberWorks (its shares were suspended last Monday), it was worthy of note to record that the share price of Hutchison Whampoa Ltd shed 7.39 percent of its market capitalisation to close at $HK131.50 per share, compared with the previous Friday's closing level.

Losers outnumbered gainers by the margin of just about 2:One.

The previous Friday, the Dow Jones Industrial Average shed about 2 percent of its value, coming down to 10,425.21. This downsizing of Wall Street stocks affected trading on The Stock Exchange of Hongkong Ltd, last Monday, because it was not known how much further The Dow would fall.

The Dow is now down about 11 percent below its record level, attained on January 14.

There are many US stock-market players who were expecting a 10-percent pullback in The Dow, but last Friday, there were questions being asked as to whether or not there would be a further falling of the blue-chip index.

In Japan last Monday, share prices fell fast and furiously on The Tokyo Stock Exchange as the Nikkei-225 shed 153.56 points, dropping back to 19,556.46.

Japan, of course, was hit, over the weekend, by the collapse of the large supermarket chain, Nagasakiya Ltd. This company left behind a trail of debts, amounting to more than $HK22 billion (the final figures are still being calculated).

The main credit bank of Nagasakiya is Dai-Ichi Kangyo Bank, the shares of which were hotly sought after last Monday – to be sold.

The share price of this bank suffered a loss of about 7.75 percent of its market capitalisation, compared with the previous close.

This bank is estimating losses from the Nagasakiya debacle of about 108 billion yen (about $HK8 billion).

Losers on this bourse were about 1.90 to each gainer.

In other Asian stock markets, the situation was, just about the same as in the HKSAR and Japan:

Thailand	Minus 1.88 percent
Indonesia	Minus 0.21 percent
Malaysia	Minus 0.15 percent
The Philippines	Minus 1.02 percent
South Korea	Minus 4.44 percent
Singapore	Plus 0.06 percent
Taiwan	Minus 1.55 percent
Japan	Minus 0.78 percent

Tuesday

The Hang Seng Index continued its violent retreat, last Tuesday, closing at one of the lowest levels of the day.

Losses were substantial as The Index shed nearly 3 percent of its value, compared with Monday's closing level.

As soon as the opening bell kicked off the market, sellers lined up, dumping shares as soon as buyers could be found.

By the luncheon bell, The Index stood at 16,758.15, a fall of 360.81 points, compared with the previous close.

At the close of trading at 4 pm, further erosion of the Hang Seng Index had set in with the Index, having dropped to 16,688.16, representing a fall of 500.80 points, or 2.91 percent, compared with Monday's closing level.

Had it not been for Pacific Century CyberWorks Ltd, the share price of which rose 6.89 percent, $HK1.70 per share to $HK26.35 per share, no doubt, the Hang Seng Index's losses would have been substantially much more.

Pacific Century CyberWorks saw its counter trade $HK11.97-billion worth of scrip, the largest volume of activity in this counter, ever.

Of the Total Turnover of about $HK35.75 billion, trading in Pacific Century CyberWorks, alone, accounted for about 33.48 percent of this figure.

The Top Ten Most Active issues represented about $HK20.21 billion, or about 56.53 percent of the Total Turnover.

To state that the market was controlled by just a handful of issues would have been the understatement of the century.

While Pacific Century CyberWorks was in favour, following its $HK7.70-billion Placement of shares, topping up its war chest in order for it to enable Management to make a play for Cable and Wireless HKT Ltd (see Monday's report), the share price of Cable and Wireless HKT fell to sellers, who pushed down the price by about 7 percent to $HK24.55 per share.

Cable and Wireless HKT, even at $HK15 per share, is overpriced, and the only reason that the price is greater than $HK20 per share is due to the possibility that it could be taken over, either by Pacific Century CyberWorks or Singapore Telecommunications Ltd.

Cable and Wireless HKT was the third most active issue, last Tuesday, with about $HK1.26-billion worth of its scrip, changing hands.

Other big losers included Hutchison Whampoa Ltd, down 5.70 percent to $HK124 per share, Cheung Kong (Holdings) Ltd, down 5.67 percent to $HK108 per share, SmarTone Telecommunications Holdings Ltd, down 5.72 percent to $HK31.30 per share, and China Telecom (Hongkong) Ltd, down 4.17 percent to $HK63.25 per share.

One factor, which may or may not have concerned the HKSAR stock market, overly, last Tuesday, was a bomb blast at Tiananmen Square, Beijing.

The official version of the event was that a Chinese man with mental problems had set off the blast, which killed him and injured a South Korean tourist.

One wonders.

In the US, again the suggestion of interest-rate increases reared its head, following a report from the US Federal Reserve Board that stated that industrial production was at an 18-month high in January.

The Fed has, repeatedly, warned that the US economy is growing too quickly; and, that accelerating the inflation rate is a big threat to the economy.

Dr Alan Greenspan had scheduled a bi-annual economic forecast to be delivered to the US Congress for last Thursday.

Thus, the fear that he would recommend reining in the US economy was a possibility, once again.

Tokyo saw its market continue to retreat with the Nikkei-225, falling 188.63 yen, about one percent, to 19,367.83 yen.

The financial failure of the supermarket chain, Nagasakiya Company Ltd, dogged the market: How many other failures are waiting in the wings?

What exacerbated an already worrying economic situation in the Land of the Rising Sun was the property company, L. Kakuei Corporation, which filed the Japanese equivalent of Chapter 11 – protection from creditors – when it admitted to having total liabilities of more than 153.40 billion yen (about $HK11 billion).

Then, adding insult to injury, the trading house of Tomen Corporation announced that it would be seeking about 200 billion yen (about $HK14.41 billion) in what amounts to a Scheme of Arrangement with its creditors.

Banking shares came under immense pressure: Which bank would be the biggest loser in the spate of financial failures?

Fuji Bank fell about 8.25 percent to 812 yen, The Industrial Bank of Japan saw its share price fall about 9 percent to 770 yen, and Dai-Ichi Kangyo Bank lost another 7 percent to 786 yen.

The only Asian stock market not to come under fire, last Tuesday, was Indonesia, which just managed to eke out a fractional gain:

Thailand	Minus 3.71 percent
Indonesia	Plus 0.50 percent
Malaysia	Minus 0.28 percent
The Philippines	Minus 1.96 percent
South Korea	Minus 3.42 percent
Singapore	Minus 1.65 percent
Taiwan	Minus 0.14 percent
Japan	Minus 0.96 percent

Wednesday

The Hang Seng Index clawed back some of its losses of Monday and Tuesday, but the gains of last Wednesday were far from being convincing.

Once again, one saw the effect on trading on The Stock Exchange of Hongkong Ltd of the Top Ten Most Active issues.

In the case of last Wednesday, the pin-up share was HSBC Holdings plc whose share price regained some of the past glory, rising 5.41 percent on Tuesday's closing level, to end the session at $HK92.50, a $HK4.75 gain.

A total of about 17.84 million shares in HSBC Holdings changed hands, representing a turnover of about $HK1.65 billion in that counter.

Of the Total Turnover of about $HK26.62 billion, share trading in HSBC Holdings represented about 6.20 percent of this figure.

It is well known and accepted that the weighting of HSBC Holdings in the calculation of the Hang Seng Index, HSBC Holdings, being a Constituent share in The Index, is very material. This must be correct because The Bank is right up there, being one of the top 5 banks in the world, in terms of market capitalisation.

Pacific Century CyberWorks Ltd was, however, still the *'darling'* of investors, with about $HK1.93-billion worth of its scrip, being traded. The turnover in this counter represented about 7.25 percent of the Total Turnover.

However, the share price of Mr Li Ka Shing's Internet investing company came under immense fire with the result that the price fell about 3.79 percent, or $HK1 per share, falling to $HK25.35 per share.

Pacific Century CyberWorks had an emotional setback, last Wednesday, when it became known that its Japanese corporate friend was not particularly interested in joining it in trying to take over Cable and Wireless HKT Ltd (see Monday's report).

The Japanese telecommunications giant, the largest in Japan, Nippon Telegraph and Telephone Corporation (NTT), announced, early in the day, that it had no interest in teaming up with Pacific Century CyberWorks on this proposed project.

NTT is planning to be a major competitor of Cable and Wireless HKT within a year, in any event.

The combined turnovers of Pacific Century CyberWorks and HSBC Holdings represented about 13.45 percent of the Total Turnover.

Cable and Wireless HKT lost a lot of its shine as its share price fell to $HK23.95, a loss of about 2.44 percent, compared with Tuesday's closing level.

Even so, it is terribly overpriced, considering its losses, last year, and prospects for the current year, announced by Management to be another loss-maker.

Gainers outpaced losers by a ratio of 2.06:One.

On Japan's major stock exchange in Tokyo, the Nikkei-225 put on 231.35 points to 19,599.18, but this 1.19-percent gain, like the gains on The Stock Exchange of Hongkong Ltd, was hardly convincing.

There are far too many bankruptcies and company failures in Asia's largest economy, at this point, to make one have much faith in buying into companies, listed on The Tokyo Stock Exchange.

There was no particular news to stimulate trading on The Tokyo Stock Exchange so that the trading volume was more contained than usual.

In the US, the talk was that Dr Alan Greenspan, the Chairman of the US Federal Reserve, would recommend more interest-rate increases in the coming months – and that prospect contained trading on Wall Street.

What gave credence to this prospect was news from the US Commerce Department, which stated that home construction in the US in January rose to its highest levels in the past year.

Housing starts rose 1.50 percent in January to a seasonally adjusted annual rate of 1.78 million units.

In another report, this time from the US Labor Department, it was announced that prices for imported goods rose 0.10 percent in January, compared with the like period in 1999.

All the roads appear to lead to higher borrowing costs in the largest economy in the world – and this is guaranteed to have a domino effect round the world.

In other Asian stock markets, there was a mild improvement, but, like the Hongkong Special Administrative Region (HKSAR), the improvements were far from being convincing:

Thailand	Minus 1.89 percent
Indonesia	Minus 2.35 percent
Malaysia	Plus 0.33 percent
The Philippines	Minus 2.22 percent
South Korea	Minus 0.22 percent
Singapore	Plus 0.59 percent
Taiwan	Plus 1.07 percent
Japan	Plus 1.19 percent

Thursday

The toing and froing in the shares of Li Ka Shing's Pacific Century CyberWorks Ltd caused The Stock Exchange of Hongkong Ltd to witness very erratic trading conditions.

'It's on!' exclaimed one broker to this analyst, referring to Pacific Century CyberWorks's avowed intent to take over Cable and Wireless HKT Ltd (see Monday's report).

And then, 10 minutes later: *'Maybe not … Sorry.'*

As a result, the Hang Seng Index, after being up more than 100 points in the morning session, saw disappointed investors dump their shares, bought on rumours that Pacific Century CyberWorks had made the grade.

It seems clear, at this point at least, that the son of Mr Li Ka Shing, Mr Richard Li, and his grand plans for Pacific Century CyberWorks to take over the HKSAR's once largest telecommunications company, will not bear fruit in the short pull.

The Total Turnover, last Thursday, was a rather dull $HK25.56 billion, dull, that is, compared with trading volumes, seen earlier in the week, with the Top Ten Most Active issues, representing about 35.52 percent of total trading – which is down from nearly 50 percent, earlier in the month.

Pacific Century CyberWorks was the most active counter, following by Cable and Wireless HKT Ltd and HSBC Holdings plc. These 3 counters accounted for nearly 18 percent of the total volume of activity.

Gainers and losers were just about equal in a market, which ended the session with the Hang Seng Index off by 62.16 points to 16,981.23.

The gangland killing in the Macau Special Administrative Region (MSAR) of the People's Republic of China (PRC), regardless of what some people may say, had no impact on trading since the HKSAR stock market cannot be influenced by what is taking place in the former Portuguese colony, now just a haven for gamblers and idiots.

What affects trading in the HKSAR, these days, is telecommunications-related and Internet-related share speculation, with every nutcase, trying to jump on the bandwagon.

Also, of course, the HKSAR is watching what is happening on Wall Street, while Wall Street, in turn, is always waiting to hear what Dr Alan Greenspan, Chairman of the US Federal Reserve, will say next.

Dr Greenspan, last Thursday (New York time), made an address to the US Congress in his bi-annual economic pronouncements.

After The Stock Exchange of Hongkong closed, it was announced that Dr Greenspan was advocating higher interest rates in the US – which means higher interest rates for the rest of the world, too.

Dr Greenspan explained to the world that US interest rates would have to rise in order to control US consumer spending – which is inflationary.

Evidently, according to Dr Greenspan, the 4 interest-rate increases since last June have had little impact, and the US economy is still in top gear.

Surging stock prices are creating wealth and contributing to consumer spending, while the US economy is growing faster than its ability to cope with expanding consumer demand – which is very inflationary.

The US Government, meanwhile, is spending more than it is earning – which is, also, inflationary.

Whether or not Dr Greenspan's pronouncements are to be considered valid is a matter for history to determine, but they do appear to make very good sense.

Dr Greenspan, without question, has proved to be very sound in his reasoning, and most intelligent people take heed of that which he, carefully and thoughtfully, utters.

On the New York Stock Exchange, last Thursday, New York time, the Dow Jones Industrial Average took Dr Greenspan's statement to heart, slumping about 47 points, which was a 157-point swing because, prior to the announcement of the good Doctor's statements, The Dow had been 110 points higher than Wednesday's closing level.

In Japan, while Dr Greenspan was preparing to tell the world of his beliefs in respect of the US economy, The Tokyo Stock Exchange, contrary to expectations, put on another spurt, with the Nikkei-225, rising 192.22 points to close at 19,791.40.

What was somewhat surprising about this gain was that it was announced, early in the day, that Moody's Investors Service was concerned about *'Japan Incorporated'* and its mounting debt, which could reach 150 percent of Gross Domestic Product (GDP).

It is well known, and the Japanese Government has confirmed this, that Japan is pulling out all the stops in an attempt to boost its flagging economy. To this end, it is borrowing billions of US dollars.

What is of concern to some people is that this debt burden could be unsustainable.

This is not the first time that Moody's Investors Service has hoisted the red flag on Japan.

But Japanese investors appeared to be unconcerned about Moody's Investors Service, or the number of financial failures in that country: They were in a mood to buy -- and buy they did.

The hi-tech counters were hot, with Canon, jumping 430 yen, nearly 10 percent, to 4,880 yen, and Murata Manufacturing, a company that makes ceramic capacitors for electronic manufacturers, up about 6 percent to 20,400 yen.

Banks, again, came under pressure, with Daiwa Bank, down 4.33 percent to 265 yen, Sakura Bank, off 8.64 percent to 539 yen, and Fuji Bank, shedding another 4 percent to 841 yen.

Nobody yet knows which Japanese banks will have to take the biggest *'bath'* due to confirmed corporate, financial failures, announced in the past few weeks (please see Tuesday's report), so all the banks got it in the neck.

There was a cavalier attitude among many investors in Asia, last Thursday, with the result that 5 stock markets gained ground while 3 stock markets lost ground:

Thailand	Minus 4.03 percent
Indonesia	Minus 3.49 percent
Malaysia	Plus 0.81 percent
The Philippines	Minus 1.33 percent
South Korea	Plus 2.05 percent
Singapore	Plus 0.80 percent
Taiwan	Plus 1.37 percent
Japan	Plus 0.98 percent

Friday

Hundreds of people formed queues outside banks and financial institutions where prospectuses of tom.com Ltd could be obtained – and this was just the first day of the release of the prospectuses.

tom.com is another of Mr Li Ka Shing's ideas to tap the HKSAR investment market for funds, in spite of the fact that tom.com is a new company with no profits and no track record: The corporate idea is just being floated; and, people are lining up to give Mr Li their cash in the hope that the share price of tom.com will rise quick enough for them to unload their shares, making a handsome profit.

With so many people, chasing so few shares, it is a guarantee that the share price of tom.com will fly.

However, while tom.com was creating excitement in some circles, the more sophisticated investors were unloading their shares on The Stock Exchange of Hongkong Ltd.

The Hang Seng Index shed another 382.07 points, about 2.25 percent, coming to rest at 16,599.16 at the close of trading, last Friday.

The closing level of the Hang Seng Index meant that it had lost 4.49 percent of its value in 5 trading days.

The Total Turnover was $HK27.34 billion and, for a change, the Top Ten Most Active issues were not as dominant as had been the case in the past because, in aggregate, the Top Ten represented only about 33.83 percent of the total volume of activity for the day's trading.

The Stock Exchange of Hongkong Ltd was the first market in the world to understand the full impact of the pronouncements of Dr Alan Greenspan and his address to the US Congress (see Thursday's report).

Many international funds were clearing stocks of HKSAR scrip in anticipation of an uncertain Wall Street, which is likely to be plagued by fears of more interest-rate hikes in the near term.

Liquidity appeared to be the key to unloading stock, last Friday, with companies with large market capitalisations, coming under immediate fire.

China Telecom (Hongkong) Ltd lost 4.09 percent of its market capitalisation, falling to $HK58.50 per share. That loss, alone, accounted for about 36 percent of the Hang Seng Index's fall.

Hutchison Whampoa Ltd shed 2 percent to $HK121.50 per share, Cheung Kong (Holdings) Ltd gave up 3.70 percent to $HK104 per share, HSBC Holdings plc fell 1.88 percent to $HK91.25 per share, and Pacific Century CyberWorks Ltd was off 1.55 percent to $HK25.40 per share.

In spite of the losses on the Hang Seng Index, the ratio of gainers to losers was, surprisingly, 1.21:One.

In Japan, The Tokyo Stock Exchange experienced a rather rough ride, but, by the end of the trading session, the Nikkei-225 had recorded a negative figure of just 2.37 points, putting the closing figure for the Nikkei-225 at 19,7898.03.

Tokyo, of course, like the HKSAR stock market, was very concerned about how Wall Street would react to Dr Greenspan's very clear suggestions of further interest-rate increases.

After both Japan and the HKSAR had gone to bed, Wall Street started trading – and the Dow Jones Industrial Average suffered the biggest loss since January 4.

The Dow fell 295.05 points, about 2.80 percent, ending the week at 10,219.52

Losers outnumbered gainers by a ratio of 3:One.

With the prospects of a long weekend, US investors were taking no chances and were amind to sell … just in case. (The New York Stock Exchange will be closed today to commemorate Presidents Day)

Surprisingly, more than one billion shares changed hands on the New York Stock Exchange while about 1.90 billion shares changed hands on the NASDAQ.

Both figures were unofficial record levels of trading.

The sell-off was due in large to Dr Greenspan and his statements to the US Congress.

In other Asian bourses, this is the way the week of February 14-18 ended:

Thailand	Plus 0.63 percent
Indonesia	Minus 0.10 percent
Malaysia	Plus 0.64percent
The Philippines	Plus 0.78 percent
South Korea	Minus 2.05 percent
Singapore	Minus 2.36 percent
Taiwan	Plus 0.45 percent
Japan	Minus 0.01 percent

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