MR INVESTOR :
WHAT'S GOOD FOR NEW YORK
IS GOOD ENOUGH FOR THE HKSAR

With The New York Stock Exchange closed on Monday, February 21, for President's Day, The Stock Exchange of Hongkong Ltd was on its own, last Monday, Hongkong time, and would be on its own until Wednesday, Hongkong time, in order to know how Wall Street felt about events over the weekend of February 19 – 20.

As a result, investors took a bearish attitude with regard to the direction of the Hang Seng Index – and share prices fell, fast and furiously.

The Reason: The previous Friday, New York time, the Dow Jones Industrial Average had fallen about 2.80 percent to 10,219.52 amid suggestions of the perceived horrors when the US Federal Reserve decided to raise interest rates, again, in accordance with the prognostications of the Chairman of the Fed, Dr Alan Greenspan.

The Hang Seng Index lost very heavily in the morning session, falling nearly 400 points, of about 2.40 percent, compared with the previous Friday's closing level, but short-sellers started to cover positions so that, the end result was that The Index made a stab at recovery and, in fact, partially did recover, to end the day at 16,322.37 on a Total Turnover of about $HK21.72 billion.

It was noted that Monday's Total Turnover was about 60 percent of the highest-daily recorded Total Turnover of the previous week's trading, indicating, perhaps, that those, holding stock were not about to sell out at the levels of last Monday.

The Ten Most Active issues represented about 41 percent of the Total Turnover, up from an average of about 36 percent for the previous week's trading.

Interest-rate chestnuts were being roasted again over investors' fires even though there was only the vaguest hint of impending interest-rate hikes.

As such, banks came under heavy fire, most of them losing substantial ground.

HSBC Holdings plc fell about 1.91 percent to $HK89.50 per share, Dao Heng Bank Ltd, down 1.90 percent to $HK30 per share, and The Bank of East Asia Ltd, off about 1.30 percent to $HK19.05 per share.

Very few counters were spared the sell-off, but there were, nevertheless, a number of bright spots.

One in particular was Easyknit International Holdings Ltd, the share price of which scooted up more than 121 percent, following the confirmed news that its subsidiary, Easy Concepts International Ltd, was about to be sold to the extent of about 78 percent of its Issued and Fully Paid-Up Share Capital to 2 new investors.

Pity the poor suffering shareholders of the Easyknit Group, who, for the past few years, have had to suffer at the hands of incompetent management whose only policy appeared to be to pitch 8 Rights Issues and one Share Placements since 1997.

Midland Realty (Holdings) Ltd, another dumb-dumb counter, announced that its plans to acquire less than 35 percent of publicly listed Pacific Challenge Holdings Ltd had been scrapped, following the 2 companies, having failed to arrive at an agreement.

(Surprise, surprise!)

Meanwhile, Pacific Challenge announced that a substantial shareholder of the Company had agreed to sell a 30-percent stake to E1 Media Technology Ltd, said to be an Internet investor.

Midland Realty's loss became E1 Media's gain.

The big question on Monday was whether or not the Hang Seng Index would crash through the 16,000 level.

The same type of story was told in Japan where The Tokyo Stock Exchange saw its Nikkei-225 Index fall 245.28 points, representing a loss of about 1.24 percent, compared with the previous Friday's close.

It was déjà vu in Japan, with investors' fears of higher interest rates, following Dr Greenspan's statements to the US Congress.

Banking shares fell sharply as Dai-Ichi Kangyo Bank shed 9.83 percent to 780 yen and Fuji Bank saw about 6.71 percent of its market capitalisation disappear as its share price dropped to 807 yen.

The Tokyo market would have dropped further had it not been for counters, such as Sony Corporation, the share price of which rose the daily limit of 2,000 yen to close the day at 31,650 yen. The gain represented an increase of about 6.57 percent on the day.

And this is in spite of the Chairman of the Company, claiming more than a month ago, that the share price, at 20,000 yen, fully priced the stock.

There was no special news to report about the Hongkong Special Administrative Region (HKSAR), other than the Government of the People's Republic of China (PRC), rattling its sabres, yet again, over the Taiwan Government's reunification plan, or the lack of it.

The PRC Government suggested, in no uncertain terms, that it would not rule out the use of force, if required.

One has heard that same refrain quite a number of times.

That was another big yawn, but there are those who have suggested that, one day, it could come to pass.

Throughout Southeast Asia, it was the same story, with all bourses, taking their lead from the HKSAR; and, the sell-off was widespread, continuing throughout most of the day.

On other Asian stock markets, this was the situation, last Monday:

Thailand	Closed
Indonesia	Minus 1.10 percent
Malaysia	Minus 0.61 percent
The Philippines	Minus 2.68 percent
South Korea	Minus 3.85 percent
Singapore	Minus 2.82 percent
Taiwan	Minus 2.44 percent
Japan	Minus 1.24 percent

Tuesday

More than 370 points was shaved off the Hang Seng Index in the first 2 hours of the morning session, last Tuesday, as investors bailed out in the fear that the worst had yet to come – which, as it turned out, did not materialise.

The morning losses, amounting to about 2.27 percent, compared with Monday's close, had been triggered off by a number of events, all perceived rather than actual.

The Taiwan situation continued to dog the market (see Monday's report) with the Taiwanese Government, telling the Government of the People's Republic of China that it should recognise the fact that Taiwan has had its own government since 1949.

Meanwhile, the Government of the United States of America issued a veiled warning to the effect that it would *'reject any use of force or any threat of force in this situation.'*

The powerful US Seventh Fleet has been patrolling, up and down the Taiwan Strait, intermittently, for years in order to let the PRC Government know how it feels about an invasion of Taiwan so that that Government's statements were hardly novel.

Investors, deeply committed to issues, listed on The Stock Exchange of Hongkong Ltd, were jittery over the situation, however, and were not about to listen to reason.

The afternoon session saw a great deal of short covering, which erased all but 67.20 points of the morning's losses. The Total Turnover was about $HK21.68 billion.

Pacific Century CyberWorks Ltd, the Li Ka Shing Internet investor, dragged down the Hang Seng Index quite considerably as more than 128.24 million shares changed hands, representing a turnover in that counter of about $HK2.81 billion, or nearly 13 percent of the Total Turnover.

Pacific Century CyberWorks lost 6.04 percent of its market capitalisation, falling to $HK22.55 per share.

There was a big question mark, last Tuesday, as to whether or not this company would be able to take over, partially or completely, Cable and Wireless HKT Ltd, thwarting the confirmed plans of the London *'parent'*, Cable and Wireless plc, which company has been in talks with the Singapore Government's Singapore Telecommunications Ltd (SingTel) since late last year.

The Top Ten Most Active issues represented nearly 44 percent of the total stock market's play, last Tuesday, so narrow was trading.

Losers outnumbered gainers by a ratio of nearly 6:One.

In Japan, it was the same story, with the Nikkei-225, suffering a loss of about 0.78 percent, coming to rest at 19,390.58, down 153.17 points on the day.

The perceived problem in that market was not the PRC Government and/or the Taiwanese Government, but how Wall Street would react on Tuesday, New York time, when it opened after Asia went to bed.

Losers on this bourse outpaced gainers by a ratio of about 1.90:One.

As it turned out in New York, after a shaky start, the Dow Jones Industrial Average managed to make an 85.32-point gain to close at 10,304.84, a 201.32-point swing, during the session.

It was announced, during the time that Asian stock markets were open, that the Anglo-Dutch company, Unilever, the company that is undisputed to be the world's largest consumer products company – 400 different brands: Dove Soap to Lipton's Tea to Calvin Kline scents – was to cut 25,000 jobs in 100 countries.

While this cut in the number of employees represents only about 10 percent of the Group's international workforce, it is still a lot of people without pay-cheques.

The information shocked a number of investors in Asia since that part of the world is still trying to recover from the economic slump, which hit it since 1997.

Only one Asian stock market was in the black ink as a result of the international events of last Tuesday:

Thailand	Minus 4.96 percent
Indonesia	Minus .86 percent
Malaysia	Minus 0.81 percent
The Philippines	Minus 1.85 percent
South Korea	Plus 0.56 percent
Singapore	Minus 1.38 percent
Taiwan	Minus 1.82 percent
Japan	Minus 0.78 percent

Wednesday:

Investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) went mad last Wednesday as banks were swamped with prospective investors, all demanding to obtain prospectuses of tom.com Ltd, the latest Li Ka Shing Internet listing.

The police had to be called in to control the crowds.

And all this for a company, which has yet to turn a profit.

While the madness spilled over into late in the day, the most important news of the day was, almost, entirely overlooked: The takeover of the Furama Hotel, once a major hotel in Central, Hongkong.

It was announced that the Singapore Government's Pidemco Land Ltd would pick up a 65-percent stake in the 4-star hotel for about $HK1.88 billion from publicly listed Lai Sun Development Company Ltd.

The deal means that Lai Sun Development will have to take a multi-billion-dollar *'hit'* since it paid about $HK7 billion for the hotel, back in the middle of 1997.

It is the intention of the new owner, and Lai Sun Development has agreed to be a 35-percent partner, to knock down the hotel and turn the site into an office building.

Lai Sun Development is known to be strapped for cash so that the $HK1.88 billion will be used, no doubt, to pay off screaming bankers and other creditors.

Since the shares of Lai Sun Development were suspended, the transaction did not affect trading on The Stock Exchange of Hongkong Ltd where the Hang Seng Index experienced a very choppy day, not unlike Tuesday's trading pattern.

After falling about 170 points in the first 2-and-a-half hours – the morning session – The Index made a 180-degree turn, putting on more than 291 points, resulting in the final figure to be 16,376.79, a gain of 121.62 points, compared with Tuesday's closing level.

The Total Turnover shrank to about $HK17.80 billion, about half of the Total Turnover, compared with the previous week's daily volume on its best days.

The Top Ten Most Active issues included, just about, the same popular names, with Pacific Century CyberWorks Ltd, right up there, being Top Of The Pops, followed closely by HSBC Holdings plc, coming a close second place.

The Top Ten Most Active issues continued to represent about 40 percent of the Total Turnover – thus is the domination of large, market-capitalised counters on the HKSAR stock market.

Pacific Century CyberWorks shed about 6.65 percent of its share price, coming to rest at $HK21.05 per share, while HSBC Holdings fell to $HK88.25 percent, a loss on the day of about one half of one percent.

Losers and gainers were pretty even at the ratio of about 1.25:One.

News wise, there was some concern that Dr Alan Greenspan's resumed talks to the US Senate would shake up the international markets again since Dr Greenspan, Chairman of the Federal Reserve, had told the world, the previous week, that the Fed favoured higher interest rates in order to cool down the pace of advancement of the US economy.

And so banking shares took it on the nose.

In the Land of the Rising Sun, The Tokyo Stock Exchange saw the Nikkei-225 gain another 128.97 points to 19,519.55.

The ratio of gainers to losers on that market was 1.54:One.

Sabre-rattling continued between the PRC Government and the Taiwan Government, with the US Government, putting in its oar in what could well be considered a veiled warning to Beijing to the effect: *'No guns or threats of violence, please … or else Uncle Sam will spank.'*

This is the way that other markets responded last Wednesday to events in the Asian-Pacific Region and the rest of the world:

Thailand	Plus 2.70 percent
Indonesia	Plus 0.17 percent
Malaysia	Plus 0.84 percent
The Philippines	Plus 1.62 percent
South Korea	Plus 3.61 percent
Singapore	Minus 1.48 percent
Taiwan	Minus 0.92 percent
Japan	Plus 0.67 percent

Thursday

In what must have been one of the biggest moves, seen for many a moon, the Hang Seng Index, firing on all cylinders, shot up 4.16 percent in a trading day like no other, seen for years.

The Taiwan/PRC yelling-and-screaming match and the US Government's political posturing, coming down on the side of Taiwan, while warning Beijing not to use, or threaten to use, military force, were all but forgotten in the mad dash by HKSAR investors to shrug off bearish sentiment and get on with the business of making money.

Helping the stock exchange of the HKSAR, of course, was what happened on Wall Street, the previous day: Wednesday.

On Wednesday, New York time, the NASDAQ recorded the largest single day's gain in history, moving up about 3.84 percent, a gain of 168.21 points, compared with Tuesday's close.

During Thursday's trading session on The Stock Exchange of Hongkong Ltd, there was some concern expressed with regard to the suggestion that the US Government might try to drive a spike into a multi-billion, US-dollar landmark trade agreement between the US and the PRC, thus exerting more pressure on Beijing to capitulate to Washington's suggestions.

It seemed only too apparent, last Thursday, that Beijing was not getting much international support for its demands to drive the Taiwan Government to agree to a reunification plan with the PRC, similar to the HKSAR and the MSAR models.

While all this international *'stuff'* was taking up time, back in the *'real world'*, where the only important thing was how to make money in a hurry, the Hang Seng Index registered a 681.87-point gain on a lowish Total Turnover of about $HK18 billion.

The Ten Most Active issues represented about 42 percent of the Total Turnover, with Pacific Century CyberWorks Ltd (the most active issue with a turnover in that counter of about $HK1.86 billion) and China Telecom (Hongkong) Ltd, accounting for nearly 17 percent of the total volume of activity.

The share price of China Telecom rose about 9.09 percent to close at $HK66 per share, representing nearly 50 percent of the gains, made by the Hang Seng Index.

Pacific Century CyberWorks put on 3.56 per cent, rising to $HK21.80 per share.

Scenes of prospective investors, standing outside banks, waiting to get subscription forms for the latest listing candidate, tom.com Ltd, hugged the headlines and the Securities and Futures Commission (SFC) started to make a stink that tom.com Ltd and certain people/companies, associated with the listing, had not been doing sufficient to alleviate the situation.

The SFC maintains that management of tom.com Ltd should have told the Hongkong Police Force to take action and to control the situation. It was as though Mr Li Ka Shing, ultimately, the beneficial controller of tom.com Ltd, had such power – which may, in fact, be the truth of the matter – who knows?

In spite of the fact that it is a *'given'* that interest rates will rise this year, the share price of HSBC Holdings plc, one of the largest banks in the world, managed to make a 2.26-percent gain, rising to $HK90.25 per share.

Which just goes to prove that some people still understand fundamentals when it comes to long-term investment strategies.

In spite of the booming market, however, losers outnumbered gainers by a ratio of about 1.50:One.

On The Tokyo Stock Exchange, the Nikkei-225 managed to scrape up a 51.89-point rise, closing the session at 19,571.44.

If anything, it could be said that Japanese institutional investors were looking more at The Stock Exchange of Hongkong Ltd and its antics – where big money may be earned -- than in the home-grown version in Tokyo and Osaka (the 2 biggest Japanese stock exchanges) where those Indices have had a good run-up, during the past year.

After both The Tokyo Stock Exchange and The Stock Exchange of Hongkong Ltd closed for the day, it was announced that the US retailer, J.C. Penney Company, had decided to close down 45 unprofitable departmental stores and 289 Eckerd drugstores.

It had to be the largest cutback of a departmental store/drug chain in the history of the world; thousands of people's jobs will be lost in the coming months, right across the US. At present, the retailer employs upwards of 260,000 workers in its departmental stores and drugstores.

J.C. Penney's market capitalisation has shrunk by about $US16 billion (about $HK124.48 billion) in the past 2 years, according to statistics, compiled at The New York Stock Exchange.

In other parts of Asia, last Thursday, only the HKSAR stock market registered any kind of an appreciable gain: Five bourses lost ground while 3 bourses registered fractional gains:

Thailand	Plus 0.74 percent
Indonesia	Minus 1.87 percent
Malaysia	Plus 0.03 percent
The Philippines	Minus 1.87 percent
South Korea	Minus 1.51 percent
Singapore	Minus 0.66 percent
Taiwan	Minus 0.45 percent
Japan	Plus 0.27 percent

Friday

Within minutes of the opening of The Stock Exchange of Hongkong Ltd, Management of Pacific Century CyberWorks Ltd, the Li Ka Shing Internet investor, requested a suspension of share trading, pending an announcement.

Pacific Century CyberWorks said that, over the weekend, it would tell the world the state of play with regard to its intentions in respect of Cable and Wireless HKT Ltd, the 54-percent owned subsidiary of London-based Cable and Wireless plc.

Pacific Century CyberWorks's shares may have been suspended, but the shares of Cable and Wireless HKT were permitted to trade – so investors had a lot about which to ponder, during last Friday's trading session.

As a direct result of the Pacific Century CyberWorks's announcement, trading in Cable and Wireless HKT hit the Top Of The Pops with more than 39 million shares switching on a counter volume, in Hongkong dollar terms, of about $HK1.02 billion.

It was the second most active issue, just below China Telecom (Hongkong) Ltd, that counter seeing a turnover of about $HK1.60 billion.

The Hang Seng Index registered a gain for the day of 142.32 points, about 0.83 percent, ending the week at 17,200.98 on a Total Turnover of about $HK17 billion.

The Top Ten Most Active issues represented spot on 39 percent of the total volume of activity for the day.

But the stock market in the Hongkong Special Administrative Region (HKSAR) was restrained, quite considerably, by trading in New York, the previous day, when the Dow Jones Industrial Average shed about 2.80 percent of its value as the rush was on to sell financial and consumer-related stocks.

This flew in the face of the NASDAQ, which went in the opposite direction, advancing 67.32 points, or about 1.50 percent, to 6,617.65.

The Dow ended the Thursday session at 10,092.63, but at 4 points during trading, it dipped below the 10,000 level. The last time that it was as low as this was on April 6, 1999 when it stood at 9,963.49.

The suggestion in the HKSAR was that, if it can happen once, it can happen again.

As it turned out, HKSAR investors were correct because, in New York, last Friday, the Dow did drop again, this time, falling 2.30 percent, ending the week of February 25 at 9,862.12.

And this time, the NASDAQ was not spared as it saw 27.15 points shaved off its high, ending the week at 4,590.50.

In Tokyo, the Nikkei-225 managed another gain of 246.44 points, closing the week out at 19,817.88. Technology stocks, once more, were the objects of investors' attention.

Tokyo was following New York very carefully, especially noting the record gains on the NASDAQ on Thursday.

Sony Corporation, Fujitsu and Softbank all managed healthy gains of 2.94 percent, 3.82 percent and 1.20 percent, respectively.

Financial stocks were not completely forgotten, however, with Sakura Bank, gaining 11.28 percent to close at 651 yen, Bank of Tokyo-Mitsubishi, claiming a 4.49-percent rise to close at 1,374 yen, and Fuji Bank, rising 3.21 percent to close at 900 yen, even.

Gainers outpaced losers by a ratio of about 2.17:One.

For the week, then, the Hang Seng Index gained about 5.38 percent over the previous week's closing level.

This is the way that other Asian stock markets fared, last Friday:

Thailand	Plus 2.64 percent
Indonesia	Minus 1.33 percent
Malaysia	Minus 0.57 percent
The Philippines	Closed
South Korea	Minus 0.30 percent
Singapore	Plus 0.61 percent
Taiwan	Minus 1.74 percent
Japan	Plus 1.26 percent

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