

**MR INVESTOR :  
BEIJING DID NOT ATTACK TAIWAN, AFTER ALL**

The potentially destabilising effect on Asia of the Taiwan Presidential Elections, held on Saturday, March 18, caused stock markets, throughout the Asian region, to buckle under the heavy weight of those investors who determined not to take any unnecessary risks -- and bailed out as soon as the markets opened.

The Stock Exchange of Hongkong Ltd saw huge armies of sellers, line up as soon as the market opened at 10 am.

Within one hour of the opening, the Hang Seng Index was knocking on the negative 250-point door, compared with the previous Friday's closing level.

By the close of trading of the morning session, the Hang Seng Index was registering a loss of 179.90 points, allowing brokers to take a 2-hour luncheon break in order to ponder how much further the market would fall.

But it did not fall in the afternoon session, rather (TARGET suspects) vested interests boosted the Hang Seng Index so that, in the 90-minute afternoon session, The Index did a 180-degree turn, gaining not only the earlier losses, but also adding another 151.47 points, to boot.

The final result was a gain of about 0.89 percent on the Hang Seng Index, which came to rest at 17,234.46.

The Total Turnover was just about \$HK10.18 billion. This is a very low figure, considering the fact that it was not too long ago when the Total Turnover was greater than \$HK36 billion per day.

The Top Ten Most Active issues, aggregating \$HK4.48 billion, accounted for about 47.54 percent of the total volume of activity.

Trading in securities in Taiwan and the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), of course, was dominated by the election of Mr Chen Shui Ban (or Bian) to be new President-elect of Taiwan.

He is a pro-democrat who has made it clear that, as far as his opinion is concerned, and that this was the unflinching position of his political party, Taiwan is separate and distinct from the PRC.

At least, that was his stance, prior to the previous Wednesday when the PRC Premier, Mr Zhu Rong Ji, warned the Taiwan electorate of the consequences of trying to form a separate State.

On Saturday, and last Monday, President-elect Chen Shui Ban was talking of having Premier Zhu Rong Ji come to visit him (fat chance) or, alternatively, President-elect Chen Shui Ban would travel to Beijing (on what passport and in which capacity?).

As far Beijing is concerned, Taiwan is just another province/territory with a bunch of Shanghainese and Fukienese trouble-makers, all of whom have to be taught obedience to their sovereign power and, if necessary, a little whip-lash across their backsides could bring some reason to the table.

Rioters in the 'pay' of the Kuomintang (the National Party) were running amok through the streets of Taipei, over the weekend, demanding that President Lee Teng Hui leave his position, immediately.

There are those who maintain that President Lee engineered the election of President-elect Chen Shui Ban since it has been his avowed intent that the people of Taiwan should rule the territory and not the Kuomintang, which

has ruled it since about 1949.

Interesting times.

With The Tokyo Stock Exchange, being closed for a national holiday, eyes were on the HKSAR where one noted that the share price of HSBC Holdings plc shed about 1.67 percent to \$HK88.50 per share and Sung Hung Kai Properties Ltd lost 1.39 percent to \$HK68.75 per share.

But, on the other side of the ledger, China Telecom (Hongkong) Ltd jumped about 7.06 percent to \$HK72 per share.

After The Stock Exchange of Hongkong Ltd closed for the day, it was announced that Midland Realty (Holdings) Ltd was enjoying a reversal of fortunes.

The company announced that it had logged in a 1999 Profit Attributable to Shareholders of about \$HK50.69 million compared with a 1998 Profit Attributable to Shareholders of about \$HK10.31 million (Financial Year ended December 31).

There was some concern, last Monday, that the US Federal Reserve Board's Open Market Committee Meeting, which was held last Tuesday, would push up interest rates by at least 25 basis points.

This, of course, had already been discounted in the marketplace, but the concern was: What will happen if interest rates are pushed up 50 basis points -- or even more?

This is how the situation looked in other Asian stock markets:

Thailand	Plus 0.31 percent
Indonesia	Minus 1.01 percent
Malaysia	Minus 0.65 percent
The Philippines	Plus 0.66 percent
South Korea	Minus 0.59 percent
Singapore	Minus 0.83 percent
Taiwan	Minus 2.59 percent
Japan	Closed

## **Tuesday**

Whoever coined the phrase that, in order to be a good politician, one had to be a damned good liar, must have been laughing at just how accurate was his statement with regard to the very volatile Taiwan situation of last week.

After President-elect Chen Shui Ban, the leader of the Democratic Progressive Party (DPP) of Taiwan, stood for the highest post in his territory (TARGET is loathe, today, to call it a country) on a ticket which called for Taiwan's total independence from Beijing, it was announced last Tuesday, just 3 days after his success at the polls, that the DPP was ready to drop its independence demands.

And the Taipei Weighted Index rose 5.49 percent on the strength of the news.

Officially, the news break with regard to this reversal of political positioning by the DPP was that Mr Chen Zau Nan, a Taiwanese legislator, one of 31 members of the elite decision-making Central Executive Committee, would propose deleting the term, '*establish the Republic of Taiwan*' from the DPP's platform, last Wednesday.

Thus ends the political crisis -- and there dies the cry for freedom for 22 million Taiwanese (if there ever were such a cry, of course).

The resolve of President-elect Chen Shui Ban, clearly, is not very strong.

Taiwan's loss is Beijing's gain.

One other political development was that Taiwan's Parliament dropped its 5-year ban on direct trade with the PRC.

The Stock Exchange of Hongkong Ltd took the news very positively as the Hang Seng Index, after suffering a loss of 1.55 percent in the morning session, which saw The Index drop to 16,967.09 against Monday's closing level, reverse its direction in the 90-minute afternoon session, to close at 17,199.98 on a Total Turnover of about \$HK11.62 billion.

The final score was a loss of 34.48 points, equal to one fifth of one percent.

Losers outnumbered gainers by a ratio of about 3.13:One.

The Top Ten Most Active issues represented about 51.81 percent of the Total Turnover, indicating, without question, that the market was trading in a very narrow band.

The 2 most active counters were China Telecom (Hongkong) Ltd and Pacific Century CyberWorks Ltd, their combined trades, accounting for 23.06 percent of the total volume of activity.

Still holding up any advance in the market of the Hongkong Special Administrative Region, of course, was the expected interest rate, widely rumoured to hit all markets last Tuesday, New York time.

Big losses were experienced in blue chip heavyweights, such as HSBC Holdings plc, whose share price shed 1.13 percent to \$HK87.50 per share, and property developer Sun Hung Kai Properties Ltd saw its share price drop 2.90 percent to \$HK66.75 per share.

On the hi-tech front, the share price of Pacific Century CyberWorks shed 6.40 percent to fall to \$HK19.10 per share while Cable and Wireless HKT Ltd witnessed an erosion of 5.22 percent in its share price, which fell to \$HK20.85 per share.

On the GEM -- Growth Enterprise Market -- the share prices of 2 former high-flyers, tom.com Ltd and Sunevision Holdings Ltd, both lost ground, with tom.com, falling to \$HK10.50 per share, down about 6.30 percent, and Sunevision, giving up 4.90 percent, dropping down to \$HK15.30 per share.

In Japan, The Tokyo Stock Exchange had the Nikkei-225 up just 36.04 points to 19,602.36 after a day, which saw the benchmark in negative territory most of the time.

It was propitious, no doubt, that the Japanese stock markets were closed on Monday since they were able to escape the political situation in Taiwan.

However, they could not escape the Fed's determination of last Tuesday, with most Japanese stockbrokers, preferring to wait and see how much would be the interest-rate increase before making a commitment, one way or the other.

Gainers and losers were, just about, equal.

Some of the highlights of trading, last Tuesday, was Softbank Corporation, the share price of which rose limit 20,000 yen to 125,000 yen, and Digicube Corporation which saw its share price rise limit 500,000 yen to close at 4.05 million yen

While Asia awaited the determinations of Chairman Alan Greenspan and the US Federal Reserve, this is what happened on Asia's most important bourses:

Thailand	Minus 0.66 percent
Indonesia	Minus 1.01 percent
Malaysia	Plus 1.16 percent
The Philippines	Minus 0.34 percent
South Korea	Plus 1.52 percent
Singapore	Plus 2.00 percent
Taiwan	Plus 5.49 percent
Japan	Plus 0.18 percent

### **Wednesday**

The expected 25 basis-point, interest rate came on schedule in the US, as the Federal Reserve Board kept its word, pushing up the Fed Rate -- actually, it is the equivalent of the overnight lending rate, the interest rate at which one bank lends to another bank in the Hongkong Special Administrative Region (HKSAR) -- to 6 percent.

The stock markets of the world were unmoved by the news since it had been widely expected and, since it was one quarter of one percent and not higher, such an event had already been factored into stock market and brokers' equations.

The Taiwan-PRC yelling match continued, but at a lower key, with Beijing, stating that it would wait until President-elect Chen Shui Ban (or Bian) was sworn in on May 10 before starting to tighten the thumbscrews on Taiwan to reunite with the *'Motherland'* -- the People's Republic of China (PRC).

The fear of war between Taiwan and the PRC appeared to have receded, at least for the time being.

And, on The Stock Exchange of Hongkong Ltd, the Hang Seng Index gained 2.02 percent, ending the session on a high note of 17,199.98 on a Total Turnover of about \$HK11.06 billion.

The Top Ten Most Active issues accounted for \$HK5.48 billion-worth of the total share-trading activity, at 49.55 percent.

Pacific Century CyberWorks Ltd was the most active counter, representing about 7.73 percent of the Total Turnover, as about 76.35 million Pacific Century CyberWorks's shares changed hands.

But the share price of this investment company continued its descent, hitting \$HK18.30 per share, before making a partial recovery to close the day out at \$HK18.70 per share, a fall of about 2.09 percent, compared with Tuesday's closing level.

The second largest bank in the world, by market capitalisation, HSBC Holdings plc, saw a small recovery as its share price rose to \$HK89.50, up \$HK2 per share.

Even so, HSBC Holdings has seen its market capitalisation eroded by about 17 percent in the past quarter.

Last Wednesday, according to Mr Peter Redhead, the man in charge of research at the HKSAR office of Jardine Fleming, formerly a high-flying investment house, HSBC Holdings has hit rock bottom, in terms of the market price for its share.

Such twaddle!

There was some concern in the HKSAR that Pacific Century CyberWorks may have bitten off more than it could chew with regard to the takeover of Cable and Wireless HKT Ltd.

How would Pacific Century CyberWorks be able to service the massive debt, which must amount to about \$HK12 billion, annually, at least. And, if the repayment of the principal sum were added to debt service, at 10 percent repayment per annum, Pacific Century CyberWorks is looking at a bill of not less than \$HK22 billion per year.

From where can it garner this kind of money without garage sales?

The share price of Cable and Wireless HKT fell another 0.72 percent in Wednesday's trading session to \$HK20.70.

On The Tokyo Stock Exchange, the Nikkei-225 gained another 131.23 yen to close off the day at 19,733.59.

Losing issues dominated gainers by a ratio of 1.14:One.

There was no special news in Japan and so the markets were relatively quiet, with the Fed's decision to raise interest rates by 25 basis points being just another yawn.

On other Asian stock markets, the story was just about the same with only South Korea's Seoul Composite Index, making any type of a gain, equal to that of the Hang Seng Index:

Thailand	Minus 0.78 percent
Indonesia	Plus 1.36 percent
Malaysia	Plus 1.02 percent
The Philippines	Minus 0.27 percent
South Korea	Plus 2.02 percent
Singapore	Plus 0.71 percent
Taiwan	Plus 0.72 percent
Japan	Plus 0.67 percent

### **Thursday**

Taiwan's stock market was the best-performing Asian bourse, last Thursday, as the Taipei Weighted Index rose 5.12 percent in a booming session.

The reasons: It was clear that there would be no shooting war between the Government of the People's Republic of China (PRC) and Taiwan; and, President Lee Teng Hui, the outgoing President, having lost the confidence of his political party, the Kuomintang, due to the success of the previous Saturday's Presidential Elections, which saw Mr Chen Shui Ban swept into power, thus ending 51 years of domination of the Kuomintang, had agreed to an early '*retirement*' -- last Saturday, in fact.

President Lee Teng Hui, for all the criticism, heaped on him of late, had done a cracker-jack job in pushing the Taiwanese electorate to consider independence of their homeland; this legacy will stay with the 22 million inhabitants of Taiwan for decades to come.

With the political problems in the past, the Taipei Stock Market went to town and pushed to a much higher level.

In the Hongkong Special Administrative Region (HKSAR), the Hang Seng Index, the barometer of The Stock Exchange of Hongkong Ltd, gained just short of one percent, rising to 17,710.58 on a Total Turnover of about \$HK12.22 billion.

The Top Ten Most Active issues accounted for just under 47 percent of the total volume of activity, led by Pacific Century CyberWorks Ltd, Hutchison Whampoa Ltd and China Telecom (Hongkong) Ltd.

These 3 counters, alone, were responsible for nearly 25 percent of the Total Turnover.

On The Growth Enterprise Market (The GEM), the Total Turnover was \$HK741.44 million, with about 111.45 million shares, changing hands.

The '*Top Dog*' on this speculative market was tom.com Ltd, which saw about \$HK295.39-million worth of its scrip change hands, with the price, fluctuating between a low of \$HK10.60 per share and a high of \$HK11.35 per share.

This one counter was responsible for just about 40 percent of the trading on this market -- and tom.com has yet to make a penny in profit.

The Li Ka Shing '*stable*' started reporting its financial results for the Financial Year, ended December 31, 1999.

Hutchison reported a Net Profit of \$HK117.35 billion, brought about, in the main, by its sale of shares in Orange plc, those share sales, netting the Group about \$HK118 billion.

The share price of this counter rose 4.70 percent to \$HK145 per share.

Cheung Kong (Holdings) Ltd, the '*principal corporate residence*' of Mr Li Ka Shing and his squillions of dollars, gained 3.60 percent to \$HK116 per share.

Cheung Kong reported a Net Profit for the 1999 Year of \$HK59.40 billion to Hutchison's one-off gains in share sales and what-have-you.

Of the Hang Seng Index's 163.54-point gain, Hutchison accounted for the lion's share, amounting to about 70 percent.

In Tokyo, the Nikkei-225 lost 28.99 points to 19,704.60.

Trading was somewhat subdued on this market with losers outnumbering gainers by a ratio of 1.25: One.

Nippon Telegraph and Telephone Corporation (NTT) was one of the outstanding performers, putting on 7.91 percent to close at 1.50 million yen.

The rise in the price of this counter was due to a report, unconfirmed, that Management had reached, or was about to reach, a favourable agreement with the US Government over deregulation of the telecommunications industry in Japan.

But the big shocker was defunct supermarket chain, Nagasakiya Company -- the shares of which, strangely, are still permitted to be traded on The Tokyo Stock Exchange -- as its share price rose the equivalent of 600 percent to 14 yen.

The reason for this company's glamour was based on reports that a '*white knight*' may be coming to its rescue.

On the hi-tech end of the market, Softbank Corporation was under pressure, once again, with its share price, falling 9.82 percent to 101,000 yen.

Hikari Tsushin had its headaches, too, as its share price was felled by limit 5,000 yen, closing at 83,800, down about 5.63 percent on the day.

And this is what happened on other Asian markets:

Thailand	Plus 0.98 percent
Indonesia	Minus 0.15 percent
Malaysia	Plus 2.33 percent
The Philippines	Plus 2.04 percent
South Korea	Minus 1.68 percent
Singapore	Minus 0.32 percent
Taiwan	Plus 5.12 percent
Japan	Minus 0.15 percent

### **Friday**

The Stock Exchange of Hongkong Ltd was still digesting the record-breaking profits of Hutchison Whampoa Ltd and Cheung Kong (Holdings) Ltd, last Friday, even though the 1999 Results had been broadcast for more than 48 hours.

It is hard to believe that a company in the small territory, known as the Hongkong Special Administrative Region of the People's Republic of China, can earn an amount of money in one 12-month cycle, which is equal to the national budget of some African nations.

The Hang Seng Index, for all that, hardly moved last Friday, as the Total Turnover rose to about \$HK14.26 billion, with The Index, putting on just 73.99 points, 0.42 percent.

The Top Ten Most Active issues accounted for about 42.92 percent of all trading, with Pacific Century CyberWorks Ltd, the most active counter, representing nearly 10 percent of the action on The Stock Exchange.

As had been expected, The Hongkong Association of Banks pushed up interest rates, in line with interest-rate increases in the US, announced on Tuesday.

Effective today, deposit rates will be lifted to 4.25 percent while Prime will be at 9 percent -- both rates, having been increased by 25 basis points.

The market had been expecting this because, normally, the HKSAR follows US interest rates.

That may have been a bit of a damper for trading, but, if it was, it was minimal.

For all that, HSBC Holdings plc, the giant international banking group which has been out of favour for the past few months, managed to make a gain of 2.50 percent, closing at \$HK92 per share.

It was the second most-active counter, with more than 13.64 million shares, changing hands.

For no particular reason, the '*Top Dog*' of the Most Active List, Pacific Century CyberWorks, saw its share price rise 7.20 percent to \$HK20.15 per share.

Pacific Century CyberWorks, it would appear, is going to be hard-pressed to service a debt of about \$HK279 billion, with hardly no income to speak of. That is the cost to this company of acquiring Cable and Wireless HKT Ltd.

Gainers outnumbered losers by a ratio of 2.23:One.

On The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, The GEM, the volume of business rose to about \$HK1.10 billion, as about 134 million shares, changed hands.

The most active issue was tom.com Ltd, representing about 43.51 percent of total trading on that market.

Gainers outpaced losers by 4:One.

In Japan, the big news was a report that the talks, between the US Government and the Japanese Government, over deregulation of the Japanese telecommunications industry, had broken down.

Nippon Telegraph and Telephone Corporation (NTT) has a stranglehold with regard to international connection fees in the Land of the Rising Sun, with the Japanese Government, owning about 60 percent of the Issued and Fully Paid-Up Share Capital of the giant company.

NTT had offered a cut of 22.50 percent in international connection fees over a period of 4 years. The US Government said that that was insufficient.

The US Government has been pressing the Japanese Government to abide by World Trade Organisation (WTO) agreements -- and that means, giving fair treatment to all.

On The Tokyo Stock Exchange, the Nikkei-225 rose 253.48 points to close the week at 19,958.08, after breaching the 20,000-yen barrier.

Gainers and losers were, just about, equal.

Softbank Corporation, which had been perceived as being on a roll, lost a lot of its lustre, yet again, as the share price fell nearly 14 percent to 87,000 yen.

Another Internet stock, Hikari Tsushin, fell limit 5,000 yen to close at 78,800 yen, a drop of nearly 6 percent.

One has to be brave of heart to take a punt on counters, such as these.

Another shocker was Sega Enterprises Corporation, a manufacturer of computer chips, which saw its share price fall 8.13 percent to 1,911 yen.

The reason for this fall was due to a report that the US chip designer, Rambus Incorporated, had sought an investigation into Sega over suggestions of infringements of Rambus's intellectual property rights.

After the Tokyo market closed, it was announced that Japan's Merchandise Trade Surplus with the world was running hot, again, with the February statistics, showing a rise of nearly 27 percent, compared with the like period in 1999.

The Merchandise Trade Surplus is a measure of a country's trade with the rest of the world after netting the effects of imports.

The cash value of Japan's February, Merchandise Trade Surplus statistics amounted to \$US11.10 billion (about \$HK86.36 billion).

Quite an improvement, one is tempted to suggest.

The only other piece of important news, last Friday, was that it was confirmed: President Lee Teng Hui of Taiwan had agreed to step down as the Leader of the Kuomintang and, possibly, take early retirement as Head of State.

And this is the way that other Asian markets ended the week of March 24, 2000:



Thailand	Plus 1.29 percent
Indonesia	Minus 0.77 percent
Malaysia	Minus 0.09 percent
The Philippines	Plus 0.07 percent
South Korea	Plus 2.49 percent
Singapore	Plus 0.91 percent
Taiwan	Minus 0.54 percent
Japan	Plus 1.29 percent

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