

**HUTCHISON AND CHEUNG KONG HIT BY STANDARD AND POOR'S**

The stock exchanges of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Malaysia, The Philippines, Singapore, South Korea, Taiwan and Thailand were closed last Monday for the May 1, 2000 Holiday -- Labour Day -- so that business was especially quiet in Southeast Asia.

And, with The New York Stock Exchange still asleep when Asia was out and about, it was difficult for Asian investors to predict how Wall Street would react to the previous week's US Justice Department's recommendation, backed by 17 US States out of the 19 US States that had filed Anti-Trust complaints against the largest software producer in the world, to slice Microsoft Corporation into 2 parts.

Since Microsoft was to be the unofficial benchmark for stock markets, around the world for hi-tech stocks, at least, investors were more than willing to wait for Wall Street to make the first move on Tuesday, Asian time.

Microsoft is due to send a written response from US District Court Judge Thomas Penfield Jackson by May 10. That response will chart the good judge's determination, whether or not to approve the US Justice Department's recommendations.

Judge Thomas Penfield Jackson was the trial judge who decided that Microsoft had violated Antitrust Legislation.

Microsoft's response to the US Justice Department's recommendations is widely tipped to be that the software company is ready to fight such an Order.

Mr Bill Gates, the Founder of Microsoft, has made it only too clear that Microsoft is innocent of all charges; and, that his company would fight like Hell to thwart any moves to break-up the corporate monolith.

With all but the Indonesian stock market closed -- and that market does not count for very much, in any event -- The Tokyo Stock Exchange traded on its own in Asia.

And the Nikkei-225 roared ahead with a 429.38-yen gain, ending the session at 18,403.08 yen.

Gainers outpaced losers by a ratio of almost 3:One.

The rise in the Nikkei-225 came on the heels of confirmation of the first, Japanese-based, non-life insurance company to go belly up since the cessation of hostilities, marking the end to World War II.

Dai-Ichi Mutual Fire and Marine Insurance Company, a private company which is not quoted anywhere, announced that it was giving up the ghost, leaving, in its wake, debts of about \$HK5.87 billion.

Dai-Ichi Mutual was ranked the Number 16 in its industry in Japan. It had Premium Income of about \$HK4.40 billion, annually.

But it appeared that Japanese investors presumed that another Japanese insurance company would come to Dai-Ichi Mutual's rescue and, as such, Japan's major stock exchanges discounted the news.

The flavour of the day, in spite of Microsoft, was hi-tech and Internet-related issues, with the share price of computer-maker and leading Internet-service provider, Fujitsu Ltd, gaining 9.15 percent to close at 3,340 yen.

Hitachi followed suit, putting on 7.67 percent to 1,389 yen, and Toshiba, following the pack with a gain of 7.63 percent, hitting 1,128 yen.

For counters that specialise on the Internet, the share price of Softbank Corporation rose 7.48 percent to 28,590 yen, and Hikari Tsushin put on 10.90 percent to hit 17,300 yen, extending the previous Friday's gains.

For Hikari Tsushin, the previous Friday's rise (April 28) marked the end of 20 consecutive trading days' losses on The Tokyo Stock Exchange, losses which wiped out about 92 percent of its market capitalisation.

The only other tidbit of news was a Sydney, Australia, report, emanating from the Chief Executive Officer of Pacific Century CyberWorks Ltd, Mr Alex Arena.

Mr Arena was reported to have stated that his company's proposed deal with the Australian telecommunication's giant, Telstra Corporation Ltd, was dependent on Pacific Century CyberWorks's ability to land the big telecommunication's fish, Cable and Wireless HKT Ltd.

While he stated that he did not think that his company's financial arrangements with Cable and Wireless plc, which owns 54.50 percent of the HKSAR company, Cable and Wireless HKT, was on shaky ground, even if Pacific Century CyberWorks lost in its bid to gobble up the HKSAR subsidiary, it was Pacific Century CyberWorks's intention to forge ties with Telstra.

This is the first time that there has been a suggestion, even a vague one, from Pacific Century CyberWorks that there was the remotest possibility of Pacific Century CyberWorks, being kicked out of the Cable and Wireless HKT box.

(Please refer to the previous week's stock market report for further information about this matter)

This is the way that the duo of Indonesia and Japan started off the week of April 1:

Thailand	Closed
Indonesia	Minus 0.40 percent
Malaysia	Closed
The Philippines	Closed
South Korea	Closed
Singapore	Closed
Taiwan	Closed
Japan	Plus 2.39 percent

## **Tuesday**

The Stock Exchange of Hongkong Ltd roared back into life after The Labour Day Holiday, with the Hang Seng Index rising 298.46 points to hit 15,817.76 on a Total Turnover of about \$HK10.56 million.

The HKSAR stock market, like most stock markets in Asia, was reacting to the favourable performance on Wall Street of the share price of Microsoft Corporation and the fact that investors of shares, listed on The New York Stock Exchange, did not appear to be overly concerned about the break-up of the world's largest software manufacturer -- if, indeed, it comes to pass.

The Dow Jones Industrial Average, after experiencing losses for the 3 previous sessions, gained 77.87 points to rise to 10,811.78, about three quarters of one percent, while the NASDAQ Composite Index put on 97.42 points, about 2.50 percent, to close the first day of trading last week at 3,958.08.

All eyes were glued to the Microsoft counter on The New York Stock Exchange, of course, and investors were not disappointed -- because Microsoft's share price rose \$US3.69 (about \$HK28.71) to hit \$US73.44 (about

\$HK571.36).

That seemed to set the trend for stock markets, around the world: Buy hi-tech and Internet-related issues.

A flash in the pan?

The HKSAR stock market was no exception to the worldwide trend, with China Telecom (Hongkong) Ltd and Pacific Century CyberWorks Ltd, being the 2 most active counters.

Share trading in these 2 issues accounted for nearly 24 percent of the Total Turnover.

China Telecom gained about 10.22 percent to end the session at \$HK62 per share after hitting a high of \$HK63 per share.

Gainers were ahead of losers by the ratio of 2.15:One.

What is worrying the stock markets of the world, now, is the May 16 meeting of the US Federal Reserve. At that meeting, it is widely tipped that Chairman Dr Alan Greenspan will raise US interest rates by about one half of one percent.

As a result, in the HKSAR, property counters came under fire for, if the US raised interest rates, the HKSAR would have to follow them up.

On The GEM -- The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd -- the Growth Enterprise Index gained nearly 11 percent, rising to 679.20.

The Total Turnover on this market was about \$HK358.42 million, with tom.com Ltd, being responsible for about 49.41 percent of that figure.

tom.com announced that it had taken a stake in Maya Online and, on the strength of that nebulous announcement, the share price put on about 17 percent to hit \$HK7.30, rising from a low of about \$HK6.50.

Any excuse is better than none.

Hongkong.com Corporation -- one has not seen this counter for some time, now -- was the second most active issue, rising from a low of \$HK1.52 per share to a high of \$HK1.81 per share, a swing of about 16 percent from its intra-day high.

Gainers outnumbered losers on this market by the ratio of 6:One.

In Japan, The Tokyo Stock Exchange extended Monday's gains, but only marginally, as the Nikkei-225 rose just 36.28 yen to hit 18,439.36 yen.

Tokyo, like the rest of the world, was reacting to Wall Street.

But, unlike the rest of the world, Japan was concerned about data, pouring out of the US Government's information mill.

Japan's markets will be closed from Wednesday to Friday for the unique Japanese holiday, known as '*Golden Week*'. As such, Japanese investors were of 2 minds as to whether or not to take a punt on the market, ahead of the 5-day holiday (including the weekend, of course).

Gainers on this market were ahead of losers by the ratio of about 1.30:One.

Some interesting plays included Hikari Tsushin, the Internet investor, which, since the beginning of this calendar year, has lost about 90 percent of its market capitalisation. Its share price eased off of about 2.90 percent,

following Monday's gains of about 7.48 percent.

It was trading at about 241,00 yen in mid-February. It closed at 16,800 yen on Tuesday.

The other hi-flying Internet investor, Softbank Corporation, made no headway in spite of spirited trading.

This is the way that most of the other Asian stock markets started off the week of May 2, 2000:

Thailand	Minus 1.27 percent
Indonesia	Plus 1.27 percent
Malaysia	Plus 0.22 percent
The Philippines	Plus 0.46 percent
South Korea	Plus 3.75 percent
Singapore	Plus 0.13 percent
Taiwan	Minus 1.58 percent
Japan	Plus 0.20 percent

### Wednesday

Standard & Poor's Corporation was said to have been responsible, in part at least, for the rout of some counters, listed on The Stock Exchange of Hongkong Ltd, last Wednesday, the day that reacted to a 4-percent fall in the NASDAQ Composite Index, the previous day in New York.

The Hang Seng Index, the *'barometer'* of The Stock Exchange, lost about 1.52 percent, hitting 15,577.47 on a Total Turnover of \$HK10.27 billion.

Standard and Poor's along with Moody's Investors Service both took swipes at Telstra Corporation Ltd, Australia's premier telecommunications company, due to its proposed \$HK23-billion financial commitment in a joint venture with Pacific Century CyberWorks Ltd. (see Tuesday's report)

Standard and Poor's maintains that the proposed commitment is evidence of a departure from Telstra's traditional business, and likened the investment to a high-risk venture.

Moody's, on the other hand, talked of Telstra's *'enhanced appetite for leverage'*.

Standard and Poor's lowered Telstra's long-term corporate credit rating to AA, down from AA-plus.

Moody's felled Telstra's unsecured ratings from Aa2 to Aa3.

Standard and Poor's, also, placed Hutchison Whampoa Ltd on a review for possible downgrading, following that company's announcement of a \$HK53-billion mobile telephone and data license with Telesystem International Wireless Incorporated.

Standard and Poor's said that it had sliced about 6 notches off Hutchison Whampoa's ratings, from A+ to A.

Any excuse to put the skids under an already shaky stock market is good enough to reverse any market's direction.

The Hang Seng Index, having gained nearly 300 points on the first day of trading for last week, lost a great of investor confidence as Hutchison's share price fell quickly on the news of its credit downgrade.

On a turnover in the counter of about \$HK819.07 million, the third Most Active issue, its share price hovered between a high of \$HK113 and a low of \$HK108.50, closing at \$HK109.50, a fall of about 3.52 percent, compared with Tuesday's closing level.

Cheung Kong (Holdings) Ltd, the '*parent*' company of Hutchison and another of Mr Li Ka Shing's many listed ventures, was the sixth Most Active issue and it, like Hutchison, suffered miserably as investors sold the stock, pushing down the price to \$HK92 per share.

What is sauce for the goose is sauce for the gander.

One feature of last Wednesday's stock market was that a block of some 28 million shares in the Issued Share Capital of HSBC Holdings plc took place at prices, ranging between \$HK86 per share and \$HK87 per share.

The result of this one block of shares was to see trading in this one issue account for nearly 27 percent of the Total Turnover since the volume of activity in the HSBC counter amounted to about \$HK2.77 billion.

The 10 Most Active issues accounted for about 63.77 percent of the Total Turnover.

Losers outpaced gainers by the ratio of about 1.77:One.

Wall Street saw investors dump hi-tech and Internet-related issues on Tuesday, New York Time, causing grave concern in some camps as the NASDAQ gave up more ground and the Dow Jones Industrial Average shed 80.66 points to hit 10,731.12.

Interest-rate concerns (please see Tuesday's report) continued to dog the US stock markets, but more important was, perhaps, that investors were getting tired of waiting for positive news of their favourite hi-tech companies.

But, at the same time, where was a safe haven in a coming storm?

On The Growth Enterprise Market -- The GEM -- The Growth Enterprise Index slipped about 2.60 percent to 661.55 on a Total Turnover of about \$HK351.81 million.

Losers were ahead of gainers by the ratio of about 3.20:One.

Nearly 98 percent of the volume of activity was concentrated on 10 counters, led by tom.com Ltd which saw about 20.14 million of its shares change hands with its share price, fluctuating between a high of \$HK7.35 and a low of \$HK6.75.

This counter, alone, represented about 40.26 percent of the Total Turnover.

This is the way that other Asian stock markets responded to international events, last Wednesday:

Thailand	Minus 1.46 percent
Indonesia	Plus 0.76 percent
Malaysia	Plus 0.47 percent
The Philippines	Minus 0.83 percent
South Korea	Plus 0.02 percent
Singapore	Minus 1.00 percent
Taiwan	Minus .53 percent
Japan	Closed

**Thursday**

As investors in the US dumped their hi-tech and Internet-related stocks, for the second straight day, causing The Dow Jones Industrial Average and the NASDAQ Composite Index to fall, rapidly, and as Britain's FTSE shed the biggest single, one-day loss in the past year, investors in Asia had to take stock of the situation.

And the result was that the Hang Seng Index shed about 1.69 percent of its value to hit 15,314.07 on a Total Turnover of about \$HK7.90 billion.

Hutchison Whampoa Ltd and Pacific Century CyberWorks Ltd, both in the Li Ka Shing '*stable*' of publicly listed companies, led the charge ... backwards.

The share price of Hutchison ranged between a high of \$HK108.50 and a low of \$HK105.50, ending the session at \$HK107 for a loss of about 2.30 percent, compared with Wednesday's closing level.

Pacific Century CyberWorks, on the other hand, shed about 3 percent of its market capitalisation, after gyrating between \$HK15.45 per share and \$HK14.65 per share, closing the day at \$HK15.15 per share.

One of the biggest losers of the day was the showcase company of Mr Li Ka Shing, Cheung Kong (Holdings) Ltd.

The share price of Cheung Kong gave up about 5.16 percent to \$HK87.25 on a turnover in that counter of about \$HK473.35 million.

The volume of activity in Cheung Kong represented about 6 percent of the Total Turnover. It was the fourth most active counter.

Its fall from favour was due to the lowering of the credit rating of Hutchison Whampoa Ltd, with Cheung Kong, also, having been put under the international credit rating spotlight.

Hutchison's fall from favour was due, directly, to the lowering of its international credit rating (see Wednesday's report) and Pacific Century CyberWorks is, still, suffering the possibility of losing its bid to take over Cable and Wireless HKT Ltd.

Cable and Wireless HKT, despite all the hand-clapping and back-slapping for the takeover/merger (however one wants to describe it) by the Li Ka Shing Camp, suffered equally, losing about 2.15 percent of its market capitalisation, falling to \$HK18.20 per share.

And everybody was suffering the distinct probability that interest rates, worldwide, would rise within the next fortnight, or so, following a meeting of the US Federal Reserve, scheduled for May 16.

The Ten Most Active issues accounted for about 51.27 percent of the Total Turnover, with Hutchison, representing about 13.16 percent of the total volume of activity.

Even the bluest of the blue chips, HSBC Holdings plc, suffering under the withering attack of investors, losing about 0.30 percent of its market capitalisation, falling to about \$HK86 per share.

The ratio of losers to gainers was about 1.63:One.

On The GEM, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, the Growth Enterprise Index was little changed, strangely, ending the session at 659.44, a loss of about 0.32 percent, compared with Wednesday's close.

The Total Turnover, however, fell to \$HK228.05 million, with trading in the shares of tom.com Ltd, representing about 39 percent of that figure.

Even though The Growth Enterprise Index registered on a fractional change, the ratio of losers to gainer was still about 3.50:One.

In New York, The Dow had a rough time, last Wednesday, New York time, ending down nearly 251 points, or about 2.34 percent, to hit 10,480.13.

The NASDAQ Composite Index shed 2.06 percent, falling to 3,707.30, with hi-tech stock being battered from pillar to post, as the saying goes.

Under the hail of such bearish sentiments, it was not surprising to see other Asian investors get cold feet:

Thailand	Plus 0.04 percent
Indonesia	Plus 0.68 percent
Malaysia	Plus 0.23 percent
The Philippines	Minus 2.47 percent
South Korea	Minus 0.20 percent
Singapore	Minus 1.14 percent
Taiwan	Plus 0.06 percent
Japan	Closed

### **Friday**

The Hang Seng Index, after being shaved 79 points in early morning trading, recovered more than half of the earlier losses in very thin trading which saw the Total Turnover at about \$HK7.17 billion.

The Index ended the week at 15,268.64, representing a loss on the day of just 45.43 points.

Hutchison Whampoa Ltd, Cheung Kong (Holdings) Ltd and HSBC Holdings plc were the frontrunners in the Top Ten Most Active issues, accounting for about 21 percent of the Total Turnover.

Hutchison and Cheung Kong were still reeling the downgrading of their credit ratings by Standard and Poor's, (see Wednesday's report) with Hutchison, giving up another 0.47 percent of its market capitalisation, falling to \$HK106.50 per share, while Cheung Kong shed about 2 percent of its value, dropping back to \$HK85.50 per share.

HSBC Holdings had been hit for most of the week, due in part to a large block of shares, which had been overhanging the market.

It was unknown, last Friday, who has been unloading up to 28 million HSBC shares, but, without question, the quick sale of this large block of shares, worth at least \$HK2.45 billion, drove down the market capitalisation of one of the largest banks in the world.

The share price of HSBC Holdings stayed firm, last Friday, at \$HK86.

One highlight of last Friday's market was the '*return*' of Swire Pacific Ltd, one of the most solid property companies in the Hongkong Special Administrative Region (HKSAR).

Rarely does one see as much action in this counter, similar, that is, to the amount of interest in such counters as Pacific Century CyberWorks Ltd.

But it caught investors' attention, last Friday, when its share price moved up nearly 5 percent to \$HK46.80 per share.

In spite of the Hang Seng Index falling, gainers outdid losers by the ratio of 1.51:One.

On The Growth Enterprise Market, The GEM, trading was very quiet, with the Total Turnover, being \$HK267.59 million. The Growth Enterprise Index was ahead of the game just 0.44 points.

tom.com Ltd was the most active counter, representing about 66 percent of the Total Turnover.

The ratio of losers to gainers was exactly 2:One.

In New York, last Thursday, New York time, The New York Stock Exchange's Dow Jones Industrial Average fell 67.64 points to 10,412.49, while the NASDAQ Composite Index, heavily weighted in favour of hi-tech and Internet-related issues, gained 12.93 points.

Everybody and his dog was waiting to learn, or getting an inkling, at least, as to which way the US Federal Reserve would lean on May 16 when it meets to decide on US interest rates.

In such a situation, it was not surprising that there was little action in Asian bourses.

Three of the 8 most important, Asian stock markets were closed, last Friday, and, with little fresh news to stimulate trading, things were, indeed, very dull:

Thailand	Closed
Indonesia	Plus 1.23 percent
Malaysia	Plus 2.07 percent
The Philippines	Minus 0.09 percent
South Korea	Closed
Singapore	Minus 0.12 percent
Taiwan	Plus 3.24 percent
Japan	Closed

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