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THE ANIMAL MAY WELL BE EXTINCT

It seems that regardless as to how low interest rates fall, in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) or in the US, there is little impact on the overall economies.

Interest rates in Japan have been, for the past few decades, at below one percent – and that has not done a thing for the economy of the second-largest economy of the world.

Consumers are not buying, confidence continues to plunge, retail sales are way down, and manufacturing is slowing to a trickle.

Overseas US and European buying houses are delaying or, in many cases, cancelling standing orders with their suppliers, outright, especially for product, made in the PRC: These houses cannot be blamed for their actions because inventory levels are not being moved, sufficiently quickly.

Questions abound as to whether or not there will be much of a Christmas shopping spree: The situation looks ominous.

If the US economy cannot get started again, in a hurry, then, the rest of the world will suffer, proportional to various countries' dependence on the US market for their goods and services.

Recent data paints a bleak picture of the US economy, to be sure.

The growth in the fourth quarter **G**ross **D**omestic **P**roduct (GDP) is expected, generally, to be sharply negative due to contractionary forces, which are still making themselves known.

Before the end of the year, it is quite likely that US Federal Reserve Board will lower interest rates, yet again, but the aggressive (and very proper) stance of the Fed has, thus far, accomplished very little, except flash-in-the-pan spurts on Wall Street.

The wild card, today, of course, is that, should the Muslim extremists determine to make a further terrorist attack on the US, where-ever that attack might be, and should such an attack be a sustained and violent one, it could tip the US economy, back on its heels – again.

Consumer confidence has, already, been badly dented, with real consumer spending, slowing in the third quarter, to September 30, to about 1.20 percent, which was down from about 2.50 percent in the second quarter (to June 30).

In the fourth quarter, it is likely that real consumer spending could fall, perhaps into negative territory.

The motor-car industry of the US is offering zero-percent, financing packages to prospective purchasers in order to move stocks of motor cars on display floors and those vehicles, piled up in factory carparks.

But such programmes are not particularly profitable for US motor-car manufacturers and such programmes do not appear to be sustainable for too long a period of time.

Rising unemployment and slowing income generation are strangling the US economy.

Last Thursday, it was announced by the US Commerce Department that, although new unemployment insurance claims retracted by about 46,000 claims, for the week, ended November 3, continuing claims rose by 34,000 claims in the week ended October 27, to about 3.72 million.

The fact that claims from those out of work in the US continue to rise must indicate that workers are unable to alternate employment.

Meanwhile, the number of sackings in the US continues to rise.

Unemployment is continuing to escalate in the US at a rate that, no doubt, Dr Alan Greenspan did not envisage at the end of 1999 when he stated, publicly, that the US economic contractions would not last very long.

How wrong he was – sadly!

In October, it was reported that the unemployment rate had hit about 5.40 percent of the total workforce.

That was history: One might well expect it to reach, closer to 6 percent at the rate that things are moving in the largest economy of the world.

An aspect of lower interest rates in the US, now down to 2 percent for Fed Funds, is that more and more people are looking to refinance their precarious situations. This is especially true for mortgage financing, with applications, flooding banks and finance houses on a daily basis.

This will result in some funds, released back into the economy – but that will only be after the milkman, the bread man, the meat man, etc, have had their bills settled by US households.

Coupled with a flood of mortgage refinancing applications to banks and finance houses is the fact that banks in the US are reporting higher-than-usual cash savings, being lodged with them.

This indicates that consumers either have no ready use for their funds or, alternatively, they are unsure as to how to redeploy their surplus funds.

As for manufacturing in the US, TARGET reported the dismal state of that situation in our stock-market roundup for the week, ended November 2.

But to reiterate, the National Association of Purchasing Management (NAPM), in its survey of October's manufacturing activity in the US, said that not since 1936 had the figures been so low.

And production and new orders for US-manufactured goods continue to fall.

Inventory liquidation is the name of the game, today.

Until existing inventories are partially or effectively depleted, there can be little to no resurgence in the manufacturing side of the US economy.

Factories in the US can hardly be expected to increase productivity – because there are too few buyers for their products.

The US, unwittingly, is exporting its problems to Europe and Asia: It is inevitable that this should take place.

Japan is, perhaps, the one nation, which is feeling the brunt of the US economic slowdown; and, the only thing that is saving the country, to some extent, at least, is the weak yen vis-à-vis the US dollar.

As long as the yen stays weak, Japanese motor cars and Japanese-produced electronics are able to compete with their US counterparts.

In Europe, if the facts were known, it would indicate that many countries are, already, enjoying recession.

In Latin America, it is well known that countries, such as Argentina, are on their proverbial knees.

Major banking houses, such as HSBC Holdings plc (Code: 5, Main Board, The Stock Exchange of Hongkong Ltd) Bank of America, the Citibank Group and many more may well have to bite the bullet on non-performing loans in quite a number of Latin American countries.

Argentina has, already, defaulted on a $US60-billion debt.

What all the above points to is a very bleak picture of the situation for those, heavily involved in the equity markets of the world, with special emphasis on the HKSAR stock markets, Japan, and stock markets of the European Union (EU).

While banks are offering little in the way of an interest factor to customers, the alternative, purchasing stocks and shares on registered bourses, may not be a viable solution.

Which publicly listed company could be said not to be suspect of being hit, from one direction or another, due to the economic fallout, worldwide?

The answer: The animal may well be extinct, today.

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