

### EQUITY MARKETS RESPOND TO THE U.S. DOLLAR'S GYRATIONS

Asian stock markets got off to a cracking start on the first full week of the New Year, with all of the major markets, making material gains.

The gains, however, were clouded, somewhat, due to the stepped-up, terror-alert warning in the US.

The tentacles of the US warning spread far and wide, disrupting air traffic, especially from London, England, where one flight after another was delayed or cancelled, for one reason or another.

The American Government's increased vigilance at all ports of entry and, also, at exit points in Europe, for flights and sailings to the US, caused consternation to many businesses and commuters, alike.

Over the Christmas and New Year Holidays, there had been no identified terrorist attack on American soil, but the cost of the increased vigilance by the many US Government Authorities must have been extremely high, with tens of thousands of police officers and other uniformed, disciplinary staff members, roaming high-traffic areas in just about every major city of the US, as well as on rivers and at sea.

The US dollar continued to lose ground against the euro, falling to a low of \$US1.2695.

In Tokyo, Japan, the US dollar was traded at about 106.95 yen, which was skirting a 3-year low.

The price of gold, which has been an historic hedge since the world was born, and continues to remain a traditional hedge, in times of adversity, hit a 14-year high of about \$US418.05 per ounce.

On Friday, January 2, on The New York Stock Exchange, the Dow Jones Industrial Average fell about 0.42 percent to end the first day of trading of 2004 at 10,409.85 points.

As for the NASDAQ's Composite Index, studded as it is with hi-tech counters, it ended its first day of trading at 2,006.68 points, up by the fraction of 0.17 percent, compared with the close of trading on Wednesday, December 30, 2003.

The US equity markets had been hit, on December 23, with the first reported case of Bovine Spongiform Encephalopathy (BSE), also known, popularly, as Mad Cow Disease.

This infectious disease, which was only definitively diagnosed in 1986, has been sweeping the world since it was first discovered.

The US case, of the discovery of one infected cow, one of 74 cows, which had been imported into the US from Alberta, Canada, in 2001, resulted in most countries, round the world, proscribing the importation of US beef.

The \$US27-billion cattle industry of the US reeled at the situation, but there was little that anybody could do about it.

While the cattle industry of the US was on its proverbial knees, the US Institute of Supply Management (ISM) reported that its index of manufacturing in The Land of The Free and The Home of The Brave had hit a 20-year high in December 2003.

It was evident that industrial growth in the world's largest economy was continuing apace.

On European bourses, last Monday, there appeared to be some consternation about the seemingly uninterrupted erosion in the value of the US dollar against other 'hard' currencies, such as the euro and the Japanese yen, just to mention the 2 currencies of the largest trading partners of the US.

In spite of the clear, bullish outlook for the US economy for 2004, many investors were concerned about the ballooning US trade deficit, which was taking its toll of the US dollar vis-à-vis many currencies of the world.

In addition, as a cold snap struck the northern part of the American Continent, it drove up the price of crude oil by more than \$US1 per barrel, as the oil industry speculated that there could well be a shortage of the black ooze before the winter was over.

In early Monday trades, on The New York Mercantile Exchange, light crude was being traded at about \$US33.78 per barrel.

That price was close to a 9-month high for light crude.

Rather disconcerting.

This was how the major European indices fared, last Monday:

Amsterdam's AEX Index	Plus	0.29 percent
Great Britain's FTSE 100 Index	Plus	0.07 percent
Germany's Frankfurt XETRA DAX Index	Plus	0.43 percent
France's CAC40 Index	Plus	0.32 percent
Switzerland's Swiss Market Index	Plus	1.73 percent
Italy's MIBTEL Index	Plus	0.53 percent

In Asia, last Monday, things were popping, as investors determined that it was high time to get fully invested.

The 2 equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) saw investors kick off the first full week of equity trading with a resounding display of confidence.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gained about 1.59 percent, ending the session at 13,005.33 points.

More important than the gains of the Hang Seng Index, however, was the Total Turnover, which rose to about \$HK26.92 billion, an increase of about 39 percent, compared with the volume of activity on Friday, January 2, 2004.

The ratio of gainers to losers was 2.36:One.

The Ten Most Actives were:

China Life Insurance Company Ltd (Code: 2628)	Down 1.53 percent to \$HK6.45 per share
Hutchison Whampoa Ltd (Code: 13)	Up 3.86 percent to \$HK60.50 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK4.85 per share
HSBC Holdings plc (Code: 5)	Up 0.40 percent to \$HK124.50 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 6.04 percent to \$HK70.25 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 5.18 percent to \$HK66.00 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 2.60 percent to \$HK3.75 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 2.25 percent to \$HK24.95 per share
Henderson Land Development Company Ltd (Code: 12)	Up 10.23 percent to \$HK38.80 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK14.80 per share

As for the double-digit movers of the day, there were a total of 64 counters that qualified for this category.

Of that number, 54, double-digit movers gained considerable price ground, while the remainder saw their respective share prices fall by 10 percent or more.

Paladin Ltd (Code: 495) was the biggest gainer of the day, as investors pushed up its share price to 15.20 cents, an increase of about 42.06 percent on the previous close.

Wanji Pharmaceutical Holdings Ltd (Code: 835) had the distinction of being the biggest loser of the day, as investors pushed down its share price by about 23.81 percent to 3.20 cents.

On The Growth Enterprise Market (The GEM), the very speculative equity market of the HKSAR, its Growth Enterprise Index gained about 0.92 percent, rising to 1,212.71 points.

An interesting aspect of trading on The GEM, last Monday, was that The Growth Enterprise Index put on 13.12 points in the 90-minute afternoon session, after languishing, somewhat aimlessly, during the entire morning session.

The Total Turnover on this market remained on the low side, at about \$HK231.04 million, with gainers and losers, nearly equal, at about 1.02:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Wah Sang Gas Holding Ltd (Code: 8035) Down 6 percent to 80 cents per share

tom.com Ltd (Code: 8001) Down 1 percent to \$HK2.475 per share

Wumart Stores, Incorporated (Code: 8277) Up 6 percent to \$HK8.20 per share

Panva Gas Holdings Ltd (Code: 8132) Down 1 percent to \$HK4.00 per share

CK Life Sciences International (Holdings) Incorporated (Code: 8222) Up 2 percent to \$HK1.78 per share

The biggest movers of the day, however, were reserved for the following counters:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
abc Multiactive Ltd	8131	12.50		0.018
AKuP International Holding Ltd	8179		12.50	0.028
CASH Financial Services Group Ltd	8122	13.33		0.425
First Mobile Group Holdings Ltd	8110	10.64		0.26
Glory Future Group Ltd	8071		26.42	0.078
Grandmass Enterprise Solution Ltd	8108	10.00		0.011
hongkong.com Corporation	8006	14.29		0.72
iSteelAsia Holdings Ltd	8080		11.76	0.06
Lai Fai International Holdings Ltd	8183	11.32		0.59
Leadership Publishing Group Ltd	8010	23.15		0.133
M Channel Corporation Ltd	8036		10.53	0.017
Stockmartnet Holdings Ltd	8123		16.67	0.04

#### News wise:

- The Government of the PRC confirmed its first 2004-case of **Severe Acute Respiratory Syndrome (SARS)**, which was discovered in Guangdong where a 32-year-old television producer was confirmed to have contracted the atypical pneumonia-like disease. SARS was first diagnosed in Guangdong in November 2002 and, since its discovery, it has killed about 800 people, around the world. Guangdong was declared free of SARS in July 2003.

In Japan, there was a half-day session for the first trading day of the 2004-year.

Japanese investors were somewhat upbeat about the prospects for the year in The Land of The Rising Sun – and showed such confidence by purchasing stocks and shares on the country's 3 equity markets.

On the premier bourse of the country, The Tokyo Stock Exchange, the Nikkei-225 Stock Average, the key index of this market, rose 148 yen, or by about 1.39 percent, to close out the morning session at 10,825.17 yen.

The ratio of gaining counters to losing ones was about 6.33:One.

And this was the way that other Asian equity markets closed, last Monday:

The HKSAR	Plus 1.59 percent to 13,005.33
Indonesia	Plus 2.98 percent to 725.47
Japan	Plus 1.39 percent to 10,825.17
Malaysia	Plus 0.53 percent to 792.66
The Philippines	Plus 3.12 percent to 1,487.34
Singapore	Plus 2.08 percent to 1,828.66
South Korea	Plus 0.35 percent to 824.10
Taiwan	Plus 1.39 percent to 6,125.42
Thailand	Plus 2.43 percent to 790.93

## **Tuesday**

The value of the US dollar dropped to a record low against the euro, last Monday, New York time, and, against the British pound, it dropped to a 12-year low.

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