

**U.S. FEDERAL RESERVE BOARD:  
INTEREST RATES TO STAY AT 46-YEAR LOW ... FOR THE TIME BEING;  
AND, OIL HITS \$US40 PER BARREL, AS  
EQUITY MARKETS STAND BY FOR THE FALLOUT**

Although many equity markets of Asia were closed for public holidays, of one kind or another, last Monday, May Day celebrations, being the biggest excuse for workers to take a full week off their jobs, starting from the previous Saturday (May 1), in the US, in spite of the US Federal Reserve Board, scheduled to hold its **Federal Open Market Committee Meeting (FOMC)**, the following day (May 4, Washington, D.C. time), Wall Street rebounded, moderately.

On Friday, April 30, on The New York Stock Exchange, the key index, the Dow Jones Industrial Average, lost about 0.45 percent of its value, ending the day – and the trading week – at 10,225.57 points.

That close meant that, for that week, The Dow had surrendered about 2.30 percent of its value.

As for the NASDAQ, its Composite Index, on that fateful Friday, had shed about 1.97 percent of its value, dropping back to 1,920.15 points.

That close represented a one-week fall of about 6.30 percent.

But, last Monday, for no apparent and logical reason, so it seemed, at least, The Dow regained about 0.86 percent of its value, closing the day at 10,314.00 points.

As for NASDAQ's Composite Index, it rose about 0.97 percent to 1,938.72 points.

There were various theories, put forth, justifying the gains on Wall Street, last Monday, but, in view of the forthcoming FOMC Meeting of The Fed, at which time, there was almost a guarantee that the matter of future, interest-rate direction would take centre stage, it would have been more logical for investors in the US to have waited for the penny to drop, one way or another.

(Please see [TARGET Intelligence Report, Volume VI, Number 79](#), published on Wednesday, April 28, 2004, for an assessment of targetnewspapers.com with regard to the situation in respect of a determination of The Fed; and, the likely direction in US interest rates in the near future)

In Europe, major equity markets (those that were open for business, that is) were upbeat, following on from Wall Street's gains at the opening of US stock markets.

DaimlerChrysler A.G. announced that it would be selling its 10.50-percent interest in South Korea's Hyundai Motor Company, bagging about \$US1 billion in the process.

DaimlerChrysler, the previous month, cut off further financial aid to its other Asian, motor-vehicle investment, **Mitsubishi Motors Corporation (MMC)**, in which it holds a 37-percent equity stake.

(Please see [TARGET Intelligence Report, Volume VI, Number 77](#), published on April 26, 2004)

This was how major indices of some of the most-important, European equity markets closed, last Monday:

Amsterdam's AEX Index	Plus 0.65 percent
Great Britain's FTSE 100 Index	Closed
Germany's Frankfurt XETRA DAX Index	Plus 0.65 percent
France's CAC40 Index	Plus 0.85 percent
Switzerland's Swiss Market Index	Plus 0.74 percent
Italy's MIBTEL Index	Plus 0.53 percent

In Asia, equity markets of the People's Republic of China (PRC), proper, were closed for a week-long, public holiday, but, in the Hongkong Special Administrative Region (HKSAR) of the PRC, it was business as usual.

Asian investors' considerations, last Monday, by and large, were centred on The US Fed's forthcoming FOMC Meeting and the measures that the Government of the PRC, proper, would probably take to try to cool down its economy.

Many investors and bankers alike feared that investments in equities in the PRC, proper, would suffer as a direct result of actions to be taken by Beijing.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index, which tracks the direction of blue chips, gained about 0.06 percent, ending the session at 11,950.62 points.

The Total Turnover, however, dropped to about \$HK8.71 billion.

Also, losing counters outran gaining ones by the ratio of about 1.48:One.

Trading in the shares of HSBC Holdings plc (Code: 5) was responsible for nearly 11 percent of the entire volume of activity of the day.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 0.44 percent to \$HK113.50 per share
Sun Hung Kai Properties Ltd (Code: 16)	Unchanged at \$HK67.00 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 1.94 percent to \$HK21.00 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 0.93 percent to \$HK2.725 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Down 0.38 percent to \$HK13.25 per share
PetroChina Company Ltd (Code: 857)	Up 0.74 percent to \$HK3.425 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Unchanged at \$HK59.75 per share
Hang Seng Bank Ltd (Code: 11)	Up 0.25 percent to \$HK99.25 per share
China Telecom Corporation Ltd (Code: 728)	Down 3.23 percent to \$HK2.25 per share
Hutchison Whampoa Ltd (Code: 13)	Unchanged at \$HK52.50 per share

As for the double-digit movers of the day, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia Alliance Holdings Ltd	616		13.48	0.154
Asia Logistics Technologies Ltd	862		10.00	0.018
Buildmore International Ltd	108		12.63	0.415
Capital Prosper Ltd	1003	12.50		0.045
Carry Wealth Holdings Ltd	643		21.55	0.455
CEC International Holdings Ltd	759	10.34		0.16
China Bio-medical Group Ltd	140	21.19		0.183
China Investment Fund Company Ltd	612		38.46	0.08
Chinney Alliance Group Ltd	385		12.50	0.014
City Telecom (Hongkong) Ltd	1137	11.90		1.88
Cosmos Machinery Enterprises Ltd	118	11.43		0.39
Dong Fang Gas Holdings Ltd	432		25.00	0.315
Forefront International Holdings Ltd	885		11.24	0.395
Fujikion Industrial Holdings Ltd	927	12.36		1.00
Great China Holdings Ltd	141		31.71	0.28
Greater China Holdings Ltd	431	33.33		0.48
Haywood Investments Ltd	905	30.43		0.09
Hua Lien International (Holding) Company Ltd	969		17.91	0.55
New Island Printing Holdings Ltd	377		11.11	0.80
New World TMT Ltd	301		10.64	0.84
Omnicorp Ltd	94	10.53		1.26
Singapore Hongkong Properties Investment Ltd	245	12.07		0.13
Sunlink International Holdings Ltd	2336		12.86	0.061
Sunny Global Holdings Ltd	1094	13.33		0.102
Tianjin Development Holdings Ltd	882		12.50	2.625

On The **Growth Enterprise Market** (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover dipped to its lowest level for more than one year: \$HK39.37 million.

The Growth Enterprise Index, the lone index of this speculative market, lost about 0.95 percent of its value, ending the day at 1,107.24 points.

Declining counters were ahead of advancing ones by the ratio of about 2.83:One.

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

Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)	Unchanged at 40.50 cents per share
Golden Meditech Company Ltd (Code: 8180)	Up 5 percent to \$HK3.40 per share
TOM Online Incorporated (Code: 8282)	Down 4 percent to \$HK1.12 per share
Launch Tech Company Ltd (Code: 8196)	Down 5 percent to \$HK1.97 per share
TOM Group Ltd (Code: 8001)	Down 1 percent to \$HK1.72 per share

The biggest movers on this speculative market were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Multimedia Ltd	8061		12.28	0.20
Henderson Cyber Ltd	8023		10.64	0.21
Inworld Group Ltd	8100		10.87	0.041
Recruit Holdings Ltd	8073		12.50	0.014
Shine Science and Technology (Holdings) Ltd	8270		11.43	0.248
WorldMetal Holdings Ltd	8161		10.96	0.065

Japan was closed for a public holiday.

This was how other Asian stock markets, ended their respective trading days, last Monday:

The HKSAR	Plus 0.06 percent to 11,950.62
Indonesia	Closed
Japan	Closed
Malaysia	Closed
The Philippines	Plus 0.49 percent to 1,562.65
Singapore	Minus 0.15 percent to 1,839.23
South Korea	Plus 0.38 percent to 866.11
Taiwan	Minus 1.44 percent to 6,029.77
Thailand	Closed

## **Tuesday**

Dr Alan Greenspan, the Chairman of the US Federal Reserve Board, along with other members of The Fed, delighted investors, worldwide – by taking no further definitive action in respect of the Fed Fund's Rate in the United States of America.

The rate is to stay at the present, 46-year low ... for a little longer, at least.

After holdings its monthly **Federal Open Market Committee Meeting (FOMC)**, The Fed put out the following statement:

*The Federal Open Market Committee decided today to keep its target for the federal funds rate at 1 percent.*

*The Committee continues to believe that an accommodative stance of monetary policy, coupled with robust underlying growth in productivity, is providing important ongoing support to economic activity. The evidence accumulated over the intermeeting period indicates that output is continuing to expand at a solid rate and hiring appears to have picked up. Although incoming inflation data have moved somewhat higher, long-term inflation expectations appear to have remained well contained.*

*The Committee perceives the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal. Similarly, the risks to the goal of price stability have moved into balance. At this juncture, with inflation low and resource use slack, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured.*

The Fed's final paragraph makes it very clear that, sooner, rather than later, '*policy accommodation can be removed at a pace that is likely to be measured.*'

In other words, US interest rates are, definitely, on the way up, all things being equal.

On Wall Street, last Tuesday, The Fed's statements presented, to many investors, a fear of that which was about to materialise.

On The New York Stock Exchange, the world's largest equity market, after an initial flurry of activity, the key index, the Dow Jones Industrial Average, ended the session with a gain of about 0.03 percent, coming to rest at 10,317.20 points.

The initial reaction to The Fed's announcement, however, saw The Dow rise by about 0.46 percent on Monday's closing level.

The Composite Index of the NASDAQ did slightly better than The Dow, by the close of the day, with a gain of about 0.61 percent, rising to 1,950.48 points.

On the US economic front, it was reported by the Commerce Department that factory orders rose strongly in March, up about 4.30 percent, Year-on-Year.

It was the strongest showing in about 2 years.

In Europe, the announcement by The Fed was not made, during trading on equity markets in that part of the world, so that investors determined to sit on their hands, by and large, until Dr Alan Greenspan had had his say.

This was how indices of major European bourses ended their respective trading days, last Tuesday:

Amsterdam's AEX Index	Minus 0.15 percent
Great Britain's FTSE 100 Index	Plus 1.28 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.42 percent
France's CAC40 Index	Minus 0.13 percent
Switzerland's Swiss Market Index	Plus 0.22 percent
Italy's MIBTEL Index	Minus 0.28 percent

On the back of Wall Street's seemingly strong performance, last Monday, major Asian equity markets rose in sympathy.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index rose by about 1.24 percent, running back to 12,098.30 points.

The Total Turnover, however, remained relatively low, at about \$HK14.43 billion, suggesting, no doubt, that the gains were unlikely to be sustained for very long.

Gaining counters were ahead of losing ones by the ratio of about 3.45:One.

The Ten Most Actives, all gainers, by the way, were:

HSBC Holdings plc (Code: 5)	Up 0.44 percent to \$HK114.00 per share
PetroChina Company Ltd (Code: 857)	Up 4.38 percent to \$HK3.575 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.12 percent to \$HK67.75 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 3.33 percent to \$HK21.70 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 6.42 percent to \$HK2.90 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Up 1.89 percent to \$HK13.50 per share
China Telecom Corporation Ltd (Code: 728)	Up 3.33 percent to \$HK2.325 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.84 percent to \$HK60.25 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.95 percent to \$HK53.00 per share
China Life Insurance Company Ltd (Code: 2628)	Up 1.78 percent to \$HK4.30 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Applied International Holdings Ltd	519	16.48		0.106
Asia Commercial Holdings Ltd	104	28.57		0.63
Asia Logistics Technologies Ltd	862	16.67		0.021
Associated International Hotels Ltd	105	16.24		6.80
AviChina Industry and Technology Company Ltd	2357	10.99		1.01
Carry Wealth Holdings Ltd	643	14.29		0.52
Century Legend (Holdings) Ltd	79	10.77		0.072
Chia Tai Enterprises International Ltd	121		10.14	0.195
China Investment Fund Company Ltd	612	18.75		0.095
First Tractor Company Ltd	38	11.67		1.34
Foundation Group Ltd	1182	13.85		0.148
Golden Dragon Group (Holdings) Ltd	329		20.00	0.20
Grandtop International Holdings Ltd	2309		16.13	1.30
Guangdong Tannery Ltd	1058		34.50	0.131
Haier-CCT Holdings Ltd	1169	13.43		0.245
Hanison Construction Holdings Ltd	896		13.21	0.46
I-China Holdings Ltd	2911		12.50	0.021
Lai Fung Holdings Ltd	1125	10.50		0.221
Minglun Group (Hongkong) Ltd	346	13.53		0.235
New Island Printing Holdings Ltd	377		12.50	0.70
Nority International Group Ltd	660		13.04	0.80
Radford Capital Investment Ltd	901	11.11		0.03
Shougang Concord Century Holdings Ltd	103	12.35		0.91
Shougang Concord Grand (Group) Ltd	730	14.58		0.55
Starbow Holdings Ltd	2914		55.00	0.045
Sun East Technology (Holdings) Ltd	365	10.71		0.62
Sunlink International Holdings Ltd	2336	13.11		0.069
Universe International Holdings Ltd	1046	16.92		0.076
Yanion International Holdings Ltd	82	11.54		0.58

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the speculative bourse of the Hongkong Special Administrative Region (HKSAR) of the Peoples' Republic of China (PRC), trading mirrored that of the Main Board.

The Growth Enterprise Index rose by 1.21 percent, ending the day at 1,120.64 points.

The Total Turnover was low, at about \$HK45.04 million, with trading in the scrip of Panva Gas Holdings Ltd (Code: 8132), being responsible for about 30 percent of the entire volume of activity for the day. (Please see the list of the 5, Most Actives, below)

The ratio of advancing counters to losing counters was 1.10:One, exactly.

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

Panva Gas Holdings Ltd (Code: 8132)	Down 5 percent to \$HK3.05 per share
TOM Online Incorporated (Code: 8282)	Up 1 percent to \$HK1.13 per share
Tong Ren Tang Technologies Company Ltd (Code: 8069)	Up 3 percent to \$HK16.00 per share
TOM Group Ltd (Code: 8001)	Up 3 percent to \$HK1.77 per share
MP Logistics International Holdings Ltd (Code: 8239)	Unchanged at \$HK1.31 per share

The biggest GEM movers were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Byford International Ltd	8272		10.81	0.33
CyberM International (Holdings) Ltd	8017		55.56	0.12
HC International Incorporated	8292	10.00		2.20
iMerchants Ltd	8009		14.29	0.12
Satellite Devices Corporation	8172		11.76	0.03

Tradeeasy Holdings Ltd	8163	11.43		0.039
------------------------	------	-------	--	-------

Japan's 3 stock markets remained closed for a public holiday.

And this was how other Asian equity markets closed, last Tuesday:

The HKSAR	Plus 1.24 percent to 12,098.30
Indonesia	Minus 0.49 percent to 779.60
Japan	Closed
Malaysia	Closed
The Philippines	Plus 0.72 percent to 1,573.83
Singapore	Plus 1.42 percent to 1,865.35
South Korea	Plus 0.16 percent to 867.48
Taiwan	Plus 2.63 percent to 6,188.15
Thailand	Minus 0.62 percent to 644.10

### **Wednesday.**

One of the biggest threats to economic stability, internationally, is the ever-increasing price of crude oil: It touched a 13-year high of about \$US39.57 per barrel, last Wednesday.

The Organisation of Petroleum Exporting Countries (OPEC), the international cartel, comprising Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela, was quick to point out that it was not responsible for the oil-price increases.

The Western World had evidence to the contrary, however.

While OPEC seemed, one way or another, to be partially, if not fully, behind the increase in oil prices, worldwide, there was, also, that other matter: The unrest in the Middle East – Iraq and Afghanistan, especially, and not forgetting the growing tensions between Israel and the West Bank.

The relatively high price of oil is inflationary, long term, to be sure.

It will, before long, play a major role in undermining any economic increases in the economies of many countries of the Western World unless checked.

On The New York Stock Exchange, last Wednesday, the Big Board's Dow Jones Industrial Average fell about 0.06 percent to 10,310.95 points, while, on the NASDAQ, its Composite Index gave up about 0.35 percent of its value, dropping back to 1,957.26 points.

Wall Street, of course, was, also, continuing to weigh up the pronouncements of the US Federal Reserve Board of Tuesday; and, trying to ascertain the likely date for the first increase in interest rates in The Land of The Free and The Home of The Brave.

In Europe, the Fed's statements were roundly welcomed, however the shadow of higher interest rates continued to hover over major equity markets in this part of the world.

The Bank of England was scheduled to hold a meeting on the following day, at which time, the matter of interest rates in the United Kingdom would be considered.

Also, the European Central Bank (ECB) was known to have scheduled a meeting to be held just after The Bank of England's meeting, and the ECB, too, would make a determination as to the future direction of interest rates in the European Union (EU).

But parochial considerations took centre stage, by and large, in Europe, last Wednesday, as one company after another reported better financial results for this period or that period.

This was how indices of major equity markets in Europe closed, last Wednesday:

Amsterdam's AEX Index

Plus 0.74 percent

Great Britain's FTSE 100 Index	Plus	0.49 percent
Germany's Frankfurt XETRA DAX Index	Plus	0.79 percent
France's CAC40 Index	Plus	0.77 percent
Switzerland's Swiss Market Index	Plus	1.05 percent
Italy's MIBTEL Index	Plus	0.51 percent

In Asia, equity markets closed mixed.

The 2 equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) were among the losers in the region.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index shed about 1.22 percent of its value, falling to 11,950.46 points on a Total Turnover of about \$HK13.68 billion.

The ratio of declining counters to advancing ones was about 2.63:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK114.00 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 2.77 percent to \$HK21.10 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 2.58 percent to \$HK66.00 per share
Hutchison Whampoa Ltd (Code: 13)	Down 1.42 percent to \$HK52.25 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK3.575 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 2.49 percent to \$HK58.75 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 1.72 percent to \$HK2.85 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Down 0.37 percent to \$HK13.45 per share
Hang Seng Bank Ltd (Code: 11)	Down 1.00 percent to \$HK99.00 per share
China Unicom Ltd (Code: 762)	Down 1.68 percent to \$HK5.85 per share

The double-digit movers on this market were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139	26.32		0.024
Asia Commercial Holdings Ltd	104		28.57	0.45
China Elegance (Holdings) Ltd	476		10.26	0.07
China Motion Telecom International Ltd	989	22.92		0.59
China Silver Dragon Group Ltd	855		16.28	0.18
China United International Holdings Ltd	273		16.67	1.50
Coastal Greenland Ltd	1124		20.00	0.16
Emperor (China Concept) Investments Ltd	296	15.11		8.00
Fortune Telecom Holdings Ltd	110		10.00	0.81
FT Holdings International Ltd	559		21.95	0.032
Guangdong Tannery Ltd	1058	37.40		0.18
Guo Xin Group Ltd	1215	10.94		0.071
Harbin Brewery Group Ltd	249	45.74		4.70
Hua Lien International (Holding) Company Ltd	969		12.28	0.50
I-China Holdings Ltd	2911		28.57	0.015
Kamboat Group Company Ltd	318		15.38	0.44
Matsunichi Communication Holdings Ltd	283		15.00	1.36
Quality HealthCare Asia Ltd	593	10.34		1.92
South China Brokerage Company Ltd	619		10.34	0.052
Starbow Holdings Ltd	2914		15.56	0.038
Swank International Manufacturing Company Ltd	663		13.11	0.053
Tsingtao Brewery Company Ltd	168	16.43		7.00
Unity Investments Holdings Ltd	913		10.71	0.25
Wai Yuen Tong Medicine Holdings Ltd	897	19.72		0.17
Winfair Investment Company Ltd	287		10.81	2.475
Zhongda International Holdings Ltd	909		12.12	0.29

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, its lone index, The Growth Enterprise Index, surrendered 0.23 percent of its value, ending the day at 1,118.04 points.

The Total Turnover was about \$HK80.41 million, with the ratio of losing counters to gaining ones, being about 1.44:One.

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

M21 Technology Ltd (Code: 8153)	Up 19 percent to 50 cents per share
Panva Gas Holdings Ltd (Code: 8132)	Up 6 percent to \$HK3.225 per share
TOM Group Ltd (Code: 8001)	Unchanged at \$HK1.77 per share
MP Logistics International Holdings Ltd (Code: 8239)	Unchanged at \$HK1.31 per share
Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)	Down 1 percent to 40 cents per share

As for the biggest GEM movers of the day, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Multimedia Ltd	8061	14.00		0.228
Century Sunshine Ecological Technology Holdings Ltd	8276	10.91		0.61
CyberM International (Holdings) Ltd	8017		16.67	0.10
Henderson Cyber Ltd	8023		11.52	0.169
iMerchants Ltd	8009	20.83		0.145
Inworld Group Ltd	8100		10.53	0.034
M21 Technology Ltd	8153	19.05		0.50
Satellite Devices Corporation	8172	13.33		0.034

Japan's 3 equity markets continued to be closed for a public holiday.

This was how other equity markets in Asia saw the situation, last Wednesday:

The HKSAR	Minus 1.22 percent to 11,950.46
Indonesia	Minus 2.76 percent to 758.08
Japan	Closed
Malaysia	Plus 1.01 percent to 846.68
The Philippines	Minus 0.74 percent to 1,562.13
Singapore	Plus 0.76 percent to 1,879.44
South Korea	Closed
Taiwan	Minus 5.40 percent to 5,854.23
Thailand	Closed

### **Thursday**

Every index of every equity market in Europe shed material amounts, last Thursday, following a determination of The Bank of England to raise its key interest rate by 25 basis points to 4.25 percent.

While the European Central Bank (ECB) determined to leave interest rates in the European Union (EU) unchanged, at 2 percent, last Thursday, it is a well-worn axiom that higher interest rates beget even higher interest rates.

Equity markets in Europe were expected to see indices lose heavily, once again, when they opened on Friday, with billions of euros, wiped off the values of many companies.

For investors in the United Kingdom, last Thursday's interest-rate increase marked the third such increase in the past 6 months.

The action by The Bank of England was aimed at containing inflation below the 2-percent level.

This was how the most-important equity markets of Europe ended their respective trading days, last Thursday:

Amsterdam's AEX Index	Minus 2.04 percent
Great Britain's FTSE 100 Index	Minus 1.17 percent
Germany's Frankfurt XETRA DAX Index	Minus 2.80 percent



France's CAC40 Index	Minus 1.99 percent
Switzerland's Swiss Market Index	Minus 1.00 percent
Italy's MIBTEL Index	Minus 1.88 percent

On Wall Street, the move by The Bank of England did not go unnoticed.

On The New York Stock Exchange, the Dow Jones Industrial Average gave up about 69.69 points, ending the session at 10,241.26 points.

The fall of about 0.68 percent on the Big Board of The New York Stock Exchange was eclipsed by NASDAQ's Composite Index, however, which surrendered about one percent of its value, falling back to 1,937.74 points.

While the US Federal Reserve Board had, last Tuesday, declined to raise the level of the Federal Funds Rate, June was not far off and, at the next **Federal Open Market Committee Meeting (FOMC)**, an increase could well be on the cards.

**In fact, TARGET's analysts have suggested, strongly, one week prior to May 4, that  
The Fed was likely to raise interest rates in the first week of May.**

The spectre of higher interest rates completely overshadowed a report from the US Labour Department, which announced that, in the final week of April, claims for Unemployment Insurance Benefits dropped to 315,000 Claims, a fall of about 25,000 Claims, compared with the previous week's statistic.

In Asia, all but 2 equity markets took a pounding.

On the Main Board of The Stock Exchange of Hongkong Ltd, the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), investors pulled up the key index, the Hang Seng Index, by one half of a percentage point to 12,010.31 points.

The Total Turnover was about \$HK13.45 billion, with the ratio of gainers to losers, being about 1.79:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Up 0.44 percent to \$HK114.50 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 0.76 percent to \$HK65.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 0.95 percent to \$HK21.30 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Unchanged at \$HK58.75 per share
PetroChina Company Ltd (Code: 857)	Up 2.10 percent to \$HK3.65 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Up 1.12 percent to \$HK13.60 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.48 percent to \$HK52.50 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 1.75 percent to \$HK2.90 per share
Denway Motors Ltd (Code: 203)	Up 7.38 percent to \$HK4.00 per share
China Telecom Corporation Ltd (Code: 728)	Up 1.05 percent to \$HK2.40 per share

As for the double-digit movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia Commercial Holdings Ltd	104	15.56		0.52
China Eagle Group Company Ltd	493	11.63		0.24
China Rich Holdings Ltd	1191	13.16		0.043
Forefront International Holdings Ltd	885	22.37		0.465
FT Holdings International Ltd	559	12.50		0.036
Garron International Ltd	1226	10.47		0.19
Hua Lien International (Holding) Company Ltd	969	10.00		0.55
Lai Fung Holdings Ltd	1125	10.36		0.245
MAXX Bioscience Holdings Ltd	2909		11.58	0.42
Nam Fong International Holdings Ltd	1176	20.69		0.035
Rontex International Holdings Ltd	1142		12.50	0.182
Star East Holdings Ltd	198	18.75		0.057

Starbow Holdings Ltd	2914	15.79		0.044
Swank International Manufacturing Company Ltd	663	13.21		0.06
Vision Century Corporation Ltd	535	16.67		0.21
Wah Yuen Holdings Ltd	2349	20.00		0.60
Wing On Travel (Holdings) Ltd	1189	12.50		0.018

On The **Growth Enterprise Market** (The GEM) of The Stock Exchange of Hongkong Ltd, while the Total Turnover remained low, at about \$HK62.44 million, The Growth Enterprise Index gained about 0.98 percent, rising to 1,129.02 points.

On this speculative market, the ratio of gaining counters to losing ones was 1.50:One, exactly.

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

TOM Group Ltd (Code: 8001)	Up 1 percent to \$HK1.78 per share
Panva Gas Holdings Ltd (Code: 8132)	Up 7 percent to \$HK3.45 per share
Global Digital Creations Holdings Ltd (Code: 8271)	Up 4 percent to 47 cents per share
MP Logistics International Holdings Ltd (Code: 8239)	Down 2 percent to \$HK1.29 per share
Beijing Beida Jade Bird Universal Sci-Tech Company Ltd (Code: 8095)	Up 4 percent to 85 cents per share

The biggest GEM movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Ltd	8231	16.00		0.58
Inworld Group Ltd	8100	26.47		0.043
Kinetana International Biotech Pharma Ltd	8031	10.00		0.077
Ko Yo Ecological Agrotech (Group) Ltd	8042	25.00		0.45
Linefan Technology Holdings Ltd	8166	11.39		0.088
M21 Technology Ltd	8153	30.00		0.65
Medical China Ltd	8186		36.00	0.08
TeleEye Holdings Ltd	8051	19.15		0.112
Yuxing InfoTech Holdings Ltd	8005	12.35		0.455

Japan re-opened for business for the first time in 5 trading days.

But, for many Japanese investors, it would have been better for them to have stayed warm, wrapped up in their futons.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average, which tracks the movements of blue chips, lost about 1.62 percent of its value, ending the day at 11,571.34 yen.

The ratio of losing counters to gaining ones was about 5:86:One.

Japan, as with many other parts of the world, was especially fearful that an interest-rate hike in the US was in the offing – and not too distant away, at that.

This was how other Asian equity markets fared, last Thursday:

The HKSAR	Plus 0.50 percent to 12,010.31
Indonesia	Minus 1.58 percent to 746.12
Japan	Minus 1.62 percent to 11,571.34
Malaysia	Minus 0.46 percent to 842.77
The Philippines	Minus 0.67 percent to 1,551.69
Singapore	Minus 0.68 percent to 1,866.61
South Korea	Minus 3.44 percent to 837.68
Taiwan	Plus 0.95 percent to 5,909.79
Thailand	Minus 1.57 percent to 634.01

## **Friday**

For the first time in 14 years, the price of crude oil hit \$US40 per barrel.

Equity markets, throughout the world, stood by for the fallout, which was sure to follow.

If oil prices remain high, it will fan inflationary flames, to be sure, with airlines, among the first to feel the pinch.

The gain in the price of oil, last Friday, was not the handiwork of OPEC (the **O**rganisation of **P**etroleum **E**xporting **C**ountries), but a reaction to the continued unrest in the Middle East, where fighting, in places such as Iraq and Afghanistan, was continuing apace.

On The New York Stock Exchange, the Dow Jones Industrial Average lost about 123.92 points, or about 1.21 percent, falling back to 10,117.34 points, last Friday.

NASDAQ's Composite Index surrendered about 1.02 percent of its value, ending the week at 1,917.96 points.

It had been another down week for equity markets in the US – and the prospects for the near term, until at least the first week in June, were not holding out much in the way of promise, also.

Although there had been some promising economic news about the US economy, it was disregarded, to a great extent, due to other factors, such as the ever-increasing price of oil and the seeming promise of higher interest rates before the summer.

The Bank of England's pronouncements of Thursday were seen as a harbinger. (Please see Thursday's report)

In Europe, last Friday, as had been well expected, there were losses on all of the major bourses, but the losses were of a fractional nature, by and large.

This was how indices of major European markets closed, last Friday:

Amsterdam's AEX Index	Minus 0.18 percent
Great Britain's FTSE 100 Index	Minus 0.39 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.35 percent
France's CAC40 Index	Minus 0.05 percent
Switzerland's Swiss Market Index	Minus 0.08 percent
Italy's MIBTEL Index	Minus 0.15 percent

The prospects of an interest-rate increase in the US dogged equity markets in Asia, last Friday, also.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), trading was relatively quiet on both equity markets.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gave up about 0.83 percent of its value, ending the week at 11,910.76 points.

The Total Turnover dropped back to about \$HK11.26 billion.

The ratio of losing counters to gaining ones was about 2.63:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Down 0.44 percent to \$HK114.00 per share
PetroChina Company Ltd (Code: 857)	Up 1.37 percent to \$HK3.70 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 1.41 percent to \$HK21.00 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 1.15 percent to \$HK64.75 per share
China Petroleum and Chemical Corporation (Code: 386)	Unchanged at \$HK2.90 per share
Henderson Land Development Company Ltd (Code: 12)	Down 4.07 percent to \$HK33.00 share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 1.28 percent to \$HK58.00 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK13.60 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.48 percent to \$HK52.25 per share
Aluminum Corporation of China Ltd (Code: 2600)	Down 6.49 percent to \$HK4.325 per share

The double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139	11.54		0.029
Capital Strategic Investment Ltd	497		13.64	0.19
Central China Enterprises Ltd	351		13.25	1.80
Cheung Tai Hong Holdings Ltd	199		10.37	0.242
China Eagle Group Company Ltd	493		10.42	0.215
Forefront International Holdings Ltd	885	13.98		0.53
Foundation Group Ltd	1182		10.34	0.13
Grand Field Group Holdings Ltd	115		11.86	0.052
Kong Sun Holdings Ltd	295		12.12	0.029
Massive Resources International Corporation Ltd	70		10.53	0.017
Polytec Asset Holdings Ltd	2913		11.43	0.62
REXCAPITAL Financial Holdings Ltd	555		11.76	0.075
Wah Yuen Holdings Ltd	2349	10.00		0.66

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, while the Total Turnover was low, at about \$HK48.20 million, there were some investors, looking for cheapies.

As a result of bargain hunting on some fronts, The Growth Enterprise Index recorded a gain of about 0.39 percent, ending the trading week at 1,133.43 points.

Losing counters squeezed out gaining counters by the ratio of about 1.19:One.

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

CK Life Sciences International

(Holdings) Incorporated (Code: 8222)	Up 5 percent to \$HK1.53 per share
Panva Gas Holdings Ltd (Code: 8132)	Unchanged at \$HK3.45 per share
TOM Group Ltd (Code: 8001)	Down 2 percent to \$HK1.74 per share
TOM Online Incorporated (Code: 8282)	Up 2 percent to \$HK1.15 per share
MP Logistics International Holdings Ltd (Code: 8239)	Unchanged at \$HK1.29 per share

As for the double-digit movers of this speculative market, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Multimedia Ltd	8061	13.76		0.248
Byford International Ltd	8272		13.33	0.26
Capinfo Company Ltd	8157	12.03		0.27
M21 Technology Ltd	8153	10.77		0.72
Medical China Ltd	8186	46.25		0.117

The tally for the week was:

The Hang Seng Index	Minus 0.27 percent
The Growth Enterprise Index	Plus 1.39 percent

In Japan, the key indices of the 3 equity markets of the country continued to fall.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average lost 132.52 yen, equivalent to about 1.15 percent, ending the 2-day, trading week at 11,438.82 yen.

Losing counters outraced gaining ones by the ratio of about 3.29:One.

Japanese investors were gravely concerned about the uneasy international situation, the price of crude oil, and the prospects of interest-rate increases in the US in the very near future.

News wise

- Fiscal 2003 saw **IY Bank** post a Net Profit Attributable to Shareholders of about 5 billion yen, the bank's Management said. That result compared with Fiscal 2002 when the bank reported a Loss Attributable to Shareholders of about 8.20 billion yen;
- The problems in Iraq and the many outbreaks of Severe Acute Respiratory Syndrome (SARS) throughout Asia took its toll of the 2003 Bottom Line of **Japan Airlines System Corporation**, the country's largest carrier reported, last Friday. A Group Net Loss of about 88.60 billion yen was reported for Fiscal 2003, which compared with a Group Net Profit of about 11.60 billion yen for the 2002-Year;
- In contrast to the results of Japan Airlines System, All Nippon Airways Company, the second-largest carrier in Japan, reported, last Friday, a Net Profit Attributable to Shareholders of about 24.80 billion yen for Fiscal 2003. This airline lost money in the 2002-Year; and,
- **NTT DoCoMo Incorporated** reported a Net Profit Attributable to Shareholders of about 650 billion yen for its Financial Year, ended March 31, 2004. The record profit compared with the Bottom Line for the previous Financial Year when Japan's largest cellular operator reported a Net Profit Attributable to Shareholders of about 212.49 billion yen.

And this was how things came to a halt, last Friday, on Asia's largest equity markets:

The HKSAR	Minus 0.83 percent to 11,910.76
Indonesia	Minus 0.33 percent to 743.64
Japan	Minus 1.15 percent to 11,438.82
Malaysia	Minus 0.88 percent to 835.37
The Philippines	Plus 0.19 percent to 1,554.69
Singapore	Minus 1.24 percent to 1,843.72
South Korea	Plus 0.13 percent to 838.74
Taiwan	Plus 2.21 percent to 6,040.26
Thailand	Plus 0.44 percent to 636.80

-- E N D --

***While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*

