

**DR ALAN GREENSPAN DOES HIS ‘THING’:
UP GO INTEREST RATES BY 25 BASIS POINTS**

The world was pleasantly surprised when, without any advanced warning, the US Government handed over the reigns of power to the interim government of Iraq, last Monday, 2 days before the appointed day for the handover.

The US exit strategy from the country was in place.

The big question, then, was whether or not the handover of sovereignty would stop the killing by terrorists in Iraq and elsewhere.

On Wall Street, there was some relief that the official end of the US occupation of that Middle-Eastern country was in sight, but the spontaneous, knee-jerk reaction – to the news of the US Government’s handover of the country to the Interim Iraqi Government – on the equity markets in New York was short lived.

There was, of course, still the US Federal Reserve Board’s Open Market Committee Meeting, due to convene the following day and scheduled to spill over into Wednesday.

On the Big Board of The New York Stock Exchange, last Monday, the Dow Jones Industrial Average, a key index of the movements of blue chips, lost about 0.14 percent of its value, falling back to 10,357.09 points.

Over on the NASDAQ, its Composite Index gave up about 0.28 percent, ending the trading day at 2,019.82 points.

The near-term direction of Wall Street appeared, last Monday, to be in the hands of the Chairman of the US Federal Reserve, Dr Alan Greenspan.

The signs, however, looked ominous that The Fed would raise interest rates by at least 25 basis points after the US Commerce Department announced that personal spending in Continental USA was up about one percent in May, Month-on-Month.

In Europe, there was a general feeling of optimism, following the handover of power, back to the Iraqis, resulting in another drop in the price of crude oil on international markets.

On The New York Mercantile Exchange, last Monday, the price of light sweet crude oil for delivery in August was being settled at \$US36.01 per barrel – which was the lowest level of the day.

Things looked promising for European investors, but there was, of course, still the matter of The Fed and its meeting.

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

Amsterdam’s AEX Index	Plus	1.08 percent
Great Britain’s FTSE 100 Index	Plus	0.55 percent
Germany’s Frankfurt XETRA DAX Index	Plus	1.40 percent
France’s CAC40 Index	Plus	0.78 percent
Switzerland’s Swiss Market Index	Plus	0.44 percent
Italy’s MIBTEL Index	Plus	0.45 percent

In Asia, many of the major stock markets took a bit of a tumble, but the largest stock market in the region, The Tokyo Stock Exchange, was having none of it: Up went share prices on this equity market.

In the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), both equity markets struggled to put on fractional gains.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index rose about 0.08 percent to 12,194.60 points on a Total Turnover of about \$HK11.11 billion.

The ratio of gaining counters to losing ones was about 1.38:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK116.50 per share
Ping An Insurance (Group) Company of China, Ltd (Code: 2318)	Up 2.91 percent to \$HK10.60 per share
Li Ning Company Ltd (Code: 2331)	\$HK2.35 per share*
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.19 percent to \$HK63.75 per share
Aluminum Corporation of China Ltd (Code: 2600)	Up 4.35 percent to \$HK4.20 per share
PetroChina Company Ltd (Code: 857)	Up 0.69 percent to \$HK3.625 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 0.21 percent to \$HK23.40 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 1.33 percent to \$HK57.25 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK13.10 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 1.77 percent to \$HK2.875 per share
* This was a new listing	

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
A-Max Holdings Ltd	959		11.54	0.23
Cosmos Machinery Enterprises Ltd	118		13.33	0.26
Fortuna International Holdings Ltd	530	10.00		0.011
Gorient (Holdings) Ltd	729	10.00		0.066
Haier-CCT Holdings Ltd	1169	10.62		0.25
Hon Po Group (Lobster King) Ltd	228	25.00		0.085
I-China Holdings Ltd	240	12.50		0.018
Jinhui Holdings Company Ltd	137	17.07		14.40
King Fook Holdings Ltd	280	13.16		0.43
Le Saunda Holdings Ltd	738	16.67		0.63
Magnum International Holdings Ltd	305	10.00		0.088
Morning Star Resources Ltd	542		10.34	0.052
Pico Far East Holdings Ltd	752	12.00		0.56
Polytec Asset Holdings Ltd	208	14.29		0.64
Rising Development Holdings Ltd	1004	46.34		0.60
Shang Hua Holdings Ltd	371		20.00	0.032
Shun Cheong Holdings Ltd	650		33.33	0.072
Sino Prosper Holdings Ltd	766	23.73		0.73
Sino Technology Investments Company Ltd	1217		23.20	0.192
Starbow Holdings Ltd	397	20.69		0.035
Sunlink International Holdings Ltd	2336		29.55	0.062
Swank International Manufacturing Company Ltd	663	12.00		0.056
UDL Holdings Ltd	620		20.00	0.02
Wing Shing Chemical Holdings Ltd	850	10.71		0.31
Winsan (China) Investment Group Company Ltd	85	11.11		0.40
Wonderful World Holdings Ltd	109	13.56		0.134
Yardway Group Ltd	646		10.91	0.196

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the situation was similar to that which had taken place on the Main Board, with the singular distinction that the volume of activity dropped to one of the lowest levels for some months.

The Total Turnover was just about \$HK39.11 million.

The Growth Enterprise Index gained about 0.36 percent, ending the session at 1,061.84 points.

The ratio of advancing counters to declining ones was about 1.08:One.

An interesting aspect of last Monday's GEM trading was that about 74 percent of all stock transactions was centred on just 10 counters.

That means that 85 counters shared 26 percent of the Total Turnover of \$HK39.11 million: About \$HK10 million.

Needless to say, it was hardly a surprise to the more-experienced traders to note that some 120 counters saw no action at all.

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

Nanjing Sample Technology Company Ltd (Code: 8287)	Up 2 percent to \$HK5.40 per share
TOM Group Ltd (Code: 8001)	Unchanged at \$HK1.58 per share
Panva Gas Holdings Ltd (Code: 8132)	Down 1 percent to \$HK3.35 per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Up 1 percent to \$HK1.46 per share
Tong Ren Tang Technologies Company Ltd (Code: 8069)	Unchanged at \$HK16.65 per share

The biggest movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Creative Energy Solutions Holdings Ltd	8109		16.00	0.168
DIGITALHONGKONG.COM	8007	10.66		0.135
Henderson Cyber Ltd	8023	30.00		0.234
Ko Yo Ecological Agrotech (Group) Ltd	8042	18.03		0.36
Lang Chao International Ltd	8141		11.11	0.32
M21 Technology Ltd	8153		14.29	1.20
New Chinese Medicine Holdings Ltd	8085		17.50	0.033
QUASAR Communication Technology Holdings Ltd	8171	13.21		0.30
Stockmartnet Holdings Ltd	8123	19.05		0.025
TeleEye Holdings Ltd	8051	10.34		0.128
WLS Holdings Ltd	8021	17.65		0.08

On The Tokyo Stock Exchange, The Nikkei-225 Stock Average put on 103.66 yen, running up to 11,884.06 yen, equivalent to a gain of about 0.88 percent.

It was a 9-week high for The Nikkei-225 Stock Average.

The ratio of gainers to losers was about 6.94:One.

Traders on Asia's largest equity markets, by and large, had factored into the prices of stocks and shares an increase in interest rates in the US so that, if The Fed, as had been widely expected, raised The Fed Funds' Rate by one quarter of a percentage point, on Tuesday or Wednesday, it would not matter one iota.

However, an increase of more than 25 basis points might well suggest grave concern in the minds of some of the most-knowledgeable economists in The Land of The Free and The Home of The Brave.

News wise

- The **level of debt** in Japan rose about 4.90 percent, Year-on-Year, as at March 31, 2004, the Government announced. It, now, stands at about 703 trillion yen, or about 1.40 times Japan's **Gross Domestic Product (GDP)** – the total value of goods and services produced in a country over a period of time. That puts Japan as the country with the highest debt burden in the industrialised world. In terms of the 104 million-odd, human inhabitants of the country, it means that the Japanese Government's liabilities total about 5.50 million yen per person.

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

The HKSAR	Plus 0.08 percent to 12,194.60
Indonesia	Plus 0.04 percent to 720.54
Japan	Plus 0.88 percent to 11,884.06
Malaysia	Minus 0.24 percent to 822.22
The Philippines	Plus 0.05 percent to 1,580.35
Singapore	Plus 0.60 percent to 1,816.42
South Korea	Minus 1.04 percent to 770.95
Taiwan	Minus 1.60 percent to 5,709.84
Thailand	Plus 1.22 percent to 651.86

Tuesday

In spite of expectations that the US Federal Reserve Board would only raise interest rates by about 25 basis points, many equity markets, around the world, took a breather, awaiting the outcome of the Open Market Committee Meeting, which started last Tuesday in Washington D.C.

On Wall Street, both of the world's largest bourses, The New York Stock Exchange and The NASDAQ, saw their key respective indices rise, as investors determined that all that was known had been made public, in any event.

What else could happen?

On the Big Board of The New York Stock Exchange, the Dow Jones Industrial Average gained about 0.54 percent, ending the moderate trading day at 10,413.43 points.

Over on The NASDAQ, its Composite Index rose three quarters of a percentage point to hit 2,034.93 points by the time that dinner rolled round.

Europe, however, got the jitters, it appeared.

Many investors sat on the sidelines, awaiting the pleasure of Dr Alan Greenspan, the Chairman of the US Federal Reserve Board.

The question, being asked in some quarters, was whether or not higher interest rates would dent profits of some of the '*darlings*', listed on European equity markets.

The price of crude oil continued to fall on international markets and, as it fell, so, down came the prices of oil stocks.

On The New York Mercantile Exchange, the price of light sweet crude oil for August delivery was being settled at \$US35.62 per barrel at the close of the day.

That was a fall of about 1.08 percent, compared with the last trade on Monday.

This was how indices of major European equity markets closed, last Tuesday night:

Amsterdam's AEX Index	Minus 0.23 percent
Great Britain's FTSE 100 Index	Minus 0.20 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.01 percent
France's CAC40 Index	Minus 0.40 percent
Switzerland's Swiss Market Index	Minus 0.32 percent
Italy's MIBTEL Index	Minus 0.26 percent

It became a vigil: Asia waited for The Fed to do its '*thing*'.

On the 2 equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), there was a decided drop in the volume of activity.

The Main Board of The Stock Exchange of Hongkong Ltd saw its Hang Seng Index fall by about 0.64 percent, ending the day at 12,116.30 points.

But the Total Turnover was only about \$HK9.92 billion: It was the third lightest trading day of the year for this market.

The ratio of losing counters to gaining ones was about 1.99:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK116.50 per share
Ping An Insurance (Group) Company of China, Ltd (Code: 2318)	Unchanged at \$HK10.60 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 1.07 percent to \$HK23.15 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 1.57 percent to \$HK62.75 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 1.31 percent to \$HK56.50 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 1.74 percent to \$HK2.825 per share
PetroChina Company Ltd (Code: 857)	Down 2.07 percent to \$HK3.55 per share
China Telecom Corporation Ltd (Code: 728)	Down 0.93 percent to \$HK2.675 per share

Hutchison Whampoa Ltd (Code: 13)
China Life Insurance Company Ltd (Code: 2628)

Unchanged at \$HK52.25 per share
Unchanged at \$HK4.575 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Beijing Capital Land Ltd	2868	11.88		1.79
Capital Strategic Investment Ltd	497	25.88		0.214
China Elegance (Holdings) Ltd	476		11.94	0.059
Dickson Group Holdings Ltd	313	12.20		0.046
Ezcom Holdings Ltd	312		11.11	0.28
GeoMaxima Energy Holdings Ltd	702		13.04	0.10
Get Nice Holdings Ltd	64		20.00	0.60
Hon Po Group (Lobster King) Ltd	228		15.29	0.072
Hop Hing Holdings Ltd	47	25.00		0.375
I-China Holdings Ltd	240		11.11	0.016
The Kwong Sang Hong International Ltd	189		16.18	0.57
Mansion House Group Ltd	376		10.37	0.242
Playmates Holdings Ltd	635	11.25		0.89
Shang Hua Holdings Ltd	371		25.00	0.024
Sincere Company Ltd, The	244		12.82	0.34
Sino Prosper Holdings Ltd	766		10.96	0.65
Soundwill Holdings Ltd	878		12.58	1.32
Start Technology Company Ltd	706		12.73	0.48
Tomorrow International Holdings Ltd	760		10.64	0.84
V.S. International Group Ltd	1002	11.11		0.20
Wonderful World Holdings Ltd	109		15.67	0.113

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover was about \$HK47.19 million, as The Growth Enterprise Index lost about 0.02 percent of its value, ending the day at 1,061.60 points.

Declining counters outnumbered advancing ones by the ratio of about 1.71:One.

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

TOM Group Ltd (Code: 8001)	Up 1 percent to \$HK1.60 per share
Nanjing Sample Technology Company Ltd (Code: 8287)	Unchanged at \$HK5.40 per share
Tong Ren Tang Technologies Company Ltd (Code: 8069)	Down 1 percent to \$HK16.55 per share
Panva Gas Holdings Ltd (Code: 8132)	Unchanged at \$HK3.35 per share
Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)	Down 1 percent to 41.50 cents per share

The GEM's biggest movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
B.A.L. Holdings Ltd	8079		11.76	0.03
DIGITALHONGKONG.COM	8007	10.37		0.149
Mudan Automobile Shares Company Ltd	8188	11.32		0.59
Northeast Tiger Pharmaceutical Company Ltd	8197		10.26	0.105
T S Telecom Technologies Ltd	8003		28.00	0.036
Techpacific Capital Ltd	8088		28.57	0.025

On The Tokyo Stock Exchange, The Nikkei-225 Stock Average lost 23.25 yen, equivalent to about 0.20 percent, falling back to 11,860.81 yen.

The ratio of losing counters to gaining ones on this equity market was about 1.06:One.

Factors that were affecting the Japanese equity markets, last Tuesday, included some concern over the likely determination of The Fed with regard to interest rates, and a somewhat surprise, coming from the Japanese Government, which indicated that the growth in industrial output in the country had slowed, quite considerably.

According to The Ministry of Economy, Trade and Industry, industrial output in Japan rose about 0.50 percent in May, compared with the growth in output of about 3.50 percent in April.

News wise

- The **unemployment rate** for the month of May was about 4.60 percent, representing a 45-month low, The Ministry of Public Management, Home Affairs, Posts and Telecommunications announced. The total number of unemployed, available for work but unable to obtain positions in The Land of The Rising Sun, stood at 3.19 million workers, which is down about 560,000 people, Year-on-Year.

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

The HKSAR	Minus 0.64 percent to 12,116.30
Indonesia	Plus 0.24 percent to 722.29
Japan	Minus 0.20 percent to 11,860.81
Malaysia	Plus 0.13 percent to 823.28
The Philippines	Plus 0.38 percent to 1,586.35
Singapore	Plus 0.76 percent to 1,830.24
South Korea	Plus 1.01 percent to 778.72
Taiwan	Plus 0.55 percent to 5,741.52
Thailand	Minus 0.34 percent to 649.62

Wednesday

The US Federal Reserve Board did, exactly, that which nearly every well-informed economist of the world had expected: It raised interest rates in the US by 25 basis points.

An announcement from The Fed, last Wednesday, said:

'The Federal Open Market Committee decided today (last Wednesday) to raise its target for the federal funds rate by 25 basis points to 1-1/4 percent.'

'The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. The evidence accumulated over the inter-meeting period indicates that output is continuing to expand at a solid pace and labor market conditions have improved. Although incoming inflation data are somewhat elevated, a portion of the increase in recent months appears to have been due to transitory factors.'

'The Committee perceives the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters are roughly equal. With underlying inflation still expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability...'

'In a related action, the Board of Governors approved a 25 basis point increase in the discount rate to 2-1/4 percent. In taking this action, the Board approved the requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco.'

US equity markets had to wait for most of the day for the determinations of The Fed, with many investors, preferring not to take any definitive action until the official announcement had been made.

On The New York Stock Exchange, last Wednesday, the Dow Jones Industrial Average gained just 25.05 points, equivalent to about 0.21 percent, ending the day at 10,435.48 points.

On the NASDAQ, its Composite Index put on about 12.46 points, or about 0.61 percent, running up to 2,047.39 points.

In Europe, there was continued concern that an increase in interest rates in the US could well reverberate, around the world.

The **European Central Bank** (ECB) was due to hold its meeting and fix interest rates in eurozone, the following day.

As a result of not knowing of the determination of The Fed when Europe was trading, last Wednesday, and fearing that, if the US raised its Fed Funds' Rate, as was well expected, Europe might follow suit, indices of major European equity markets continued to lose ground, throughout the day.

This was how the indices of major bourses ended, last Wednesday:

Amsterdam's AEX Index	Minus 0.35 percent
Great Britain's FTSE 100 Index	Minus 0.98 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.42 percent
France's CAC40 Index	Minus 0.63 percent
Switzerland's Swiss Market Index	Minus 1.22 percent
Italy's MIBTEL Index	Minus 0.35 percent

In Asia, the balance of losing equity markets to gaining ones was in favour of the gaining ones, quite substantially.

The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), on the eve of what is, jokingly, called, '*Independence Day*' – the day that the PRC Government re-established its legal right of sovereignty over the former British Colony of Hongkong – many people were looking forward to a one-day holiday, which took place, last Thursday.

Other people, however, were looking to take part in The March for Independence: The right to choose the next Chief Executive; and, the right to Universal Suffrage.

On The Stock Exchange of Hongkong Ltd, both equity markets made quite substantial gains.

The Main Board of The Stock Exchange of Hongkong saw its key index, The Hang Seng Index, rise by about 1.40 percent, running up to 12,285.75 points.

The Total Turnover rose to about \$HK14.87 billion.

The ratio of gaining counters to losing counters was about 2.71:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 0.86 percent to \$HK117.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 1.94 percent to \$HK23.60 per share
Hutchison Whampoa Ltd (Code: 13)	Up 1.91 percent to \$HK53.25 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.99 percent to \$HK64.00 per share
China Telecom Corporation Ltd (Code: 728)	Up 1.87 percent to \$HK2.725 per share
PetroChina Company Ltd (Code: 857)	Up 1.41 percent to \$HK3.60 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Up 1.53 percent to \$HK13.30 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 1.77 percent to \$HK57.50 per share
Ping An Insurance (Group) Company of China, Ltd (Code: 2318)	Unchanged at \$HK10.60 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.55 percent to \$HK4.60 per share

Of the 33 Main Board, double-digit movers, only 6 of their number lost ground: The rest saw their shares prices rise by 10 percent or more.

Fortune Telecom Holdings Ltd (Code: 110) was the biggest gainer of the day, as investors drove up its share price to \$HK1.00, a one-day improvement of 25 percent.

First Asia Capital Investment Ltd (Code: 1227) was the biggest loser of the Main Board, surrendering about 72.01 percent of its value, as investors pushed down its share price to 44.50 cents.

Over on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, trading in the shares of TOM Group Ltd (Code: 8001) forced up the Total Turnover to about \$HK90.04 million, a distinct improvement of about 91 percent over Tuesday's volume of activity.

Trading in the scrip of TOM Group accounted for about 39 percent of the Total Turnover. (Please see list below)

The Growth Enterprise Index gained about 1.67 percent over Tuesday's closing level, ending the spirited trading day at 1,079.34 points.

Advancing counters outnumbered declining ones by the ratio of about 1.41:One.

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

TOM Group Ltd (Code: 8001)	Up 11 percent to \$HK1.78 per share
Longlife Group Holdings Ltd (Code: 8037)	Up 1 percent to 49.50 cents per share
Nanjing Sample Technology Company Ltd (Code: 8287)	Unchanged at \$HK5.40 per share
Shanghai Qingpu Fire-Fighting Equipment Company Ltd (Code: 8115)	63 cents per share*
Panva Gas Holdings Ltd (Code: 8132)	Up 1 percent to \$HK3.375 per share
* This was a new listing	

The GEM's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Creative Energy Solutions Holdings Ltd	8109	12.50		0.18
Lai Fai International Holdings Ltd	8183	14.29		0.56
Milkyway Image Holdings Ltd	8130		10.34	0.026
Mudan Automobile Shares Company Ltd	8188		11.86	0.52
QUASAR Communication Technology Holdings Ltd	8171	20.00		0.36
Tianjin Tianlian Public Utilities Company Ltd	8290	10.61		0.365
TOM Group Ltd	8001	11.25		1.78
Tungda Innovative Lighting Holdings Ltd	8229		14.47	0.325
Vertex Communications and Technology Group Ltd	8228	60.14		0.237
WLS Holdings Ltd	8021		41.25	0.047

In Japan, trading almost came to a complete halt, last Wednesday.

The 3 equity markets of the country were awaiting the pleasure of Dr Alan Greenspan, the Chairman of the US Federal Reserve Board.

By the time that dinner rolled round, a key index of The Tokyo Stock Exchange, The Nikkei-225 Stock Average, was standing at 11,858.87 yen, an improvement of just 1.94 yen, or about 0.02 percent.

However, despite lacklustre trading conditions, gainers outperformed losers by the ratio of about 1.61:One.

In addition to the matter of an increase in US interest rates, which would not be known in Japan until Thursday morning, there was, also, the matter of The Bank of Japan's quarterly TANKAN Report, due for release on Thursday.

The TANKAN Report charts the sentiment of *'Japan Incorporated'*.

And this was how indices of other Asian equity markets closed, last Wednesday night:

The HKSAR	Plus 1.40 percent to 12,285.75
Indonesia	Plus 1.40 percent to 732.40
Japan	Minus 0.02 percent to 11,858.87
Malaysia	Minus 0.42 percent to 819.86
The Philippines	Minus 0.44 percent to 1,579.40
Singapore	Plus 0.42 percent to 1,838.00
South Korea	Plus 0.91 percent to 785.79
Taiwan	Plus 1.71 percent to 5,839.44
Thailand	Minus 0.46 percent to 646.64

Thursday

Wall Street was in reverse gear, last Thursday, in spite of the US Federal Reserve Board, having done exactly that which everybody had predicted.

On The New York Stock Exchange, the Dow Jones Industrial Average gave up 101.32 points, equal to about 0.97 percent, falling back to 10,334.16 points.

Losses on The NASDAQ were even more pronounced, however, as its Composite Index shed about 1.57 percent of its value, falling to 2,015.15 points.

The losses were broadly based, with only 4 of the component stocks of The Dow, ending the day in positive territory.

Investors were concerned about profits of many of the blue chips.

A number of companies had issued profits' warnings, including some of the automotive producers in The Land of The Free and The Home of The Brave.

The steady increases in the price of crude oil, which had lasted the best part of the previous 2 months, were being conjectured as having hurt a number of companies in the US, in their financial bellies.

And, last Thursday, the price of light sweet crude oil for August delivery rose again on The New York Mercantile Exchange (NYMEX), hitting \$US38.44 per barrel at the close of this market.

In Europe, there was some relief, as investors seemed to be satisfied with the statement of the US Federal Reserve Board. (Please see Wednesday's report)

The European Central Bank (ECB), however, did not follow the line, having been taken by The Fed, and left its main lending rate at a 60-year low of 2 percent.

This was how the indices of major equity markets in eurozone closed, last Thursday:

Amsterdam's AEX Index	Plus 0.21 percent
Great Britain's FTSE 100 Index	Minus 0.65 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.44 percent
France's CAC40 Index	Minus 0.45 percent
Switzerland's Swiss Market Index	Plus 0.12 percent
Italy's MIBTEL Index	Minus 0.48 percent

The equity markets for the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was closed, last Thursday, in commemoration of the Government of the People's Republic of China (PRC), regaining sovereignty over the territory on July 1, 1997.

In Tokyo, The Bank of Japan's quarterly TANKAN Report was published, which indicated that things were popping in The Land of The Rising Sun: Economic activity in the country is spreading to many industries.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average rose about 0.31 percent, ending the session at 11,896.01 yen.

This was how other Asian markets fared, last Thursday:

The HKSAR	Closed
Indonesia	Minus 0.35 percent to 729.81
Japan	Plus 0.31 percent to 11,896.01
Malaysia	Plus 1 percent to 828.1
The Philippines	Plus 0.89 percent to 1,593.6
Singapore	Plus 0.33 percent to 1,844.18
South Korea	Minus 0.98 percent to 778.03
Taiwan	Minus 0.04 percent to 5,836.91
Thailand	Closed

Friday

US investors were hit with a slew of economic reports, not one of which was positive.

On the employment front, The Bureau of Labour Statistics, a branch of the US Department of Labour, announced that the June unemployment rate remained static at 5.60 percent.

Payroll employment increased by 112,000 jobs in June, *'following larger gains in the prior 3 months.'*

The report, then, went on to state:

'Unemployment (Household Survey Data)

The number of unemployed persons, 8.2 million, was essentially unchanged in June, and the unemployment rate held steady at 5.6 percent. The unemployment rate has been 5.6 percent in all but one month this year. The unemployment rates for the major worker groups –adult men (5.0 percent), adult women (5.0 percent), teenagers (16.8 percent), whites (5.0 percent), blacks (10.1 percent), and Hispanics or Latinos (6.7 percent) — showed little or no change over the month. In June, the unemployment rate for Asians was 5.0 percent, not seasonally adjusted.

'Total Employment and the Labor Force (Household Survey Data)

Total employment was 139.0 million in June, and the employment-population ratio – the proportion of the population age 16 and over with jobs – was about unchanged at 62.3 percent. The civilian labor force participation rate also was little changed at 66.0 percent.'

Then, from the automobile industry came more bad news.

General Motors Corporation and Ford Motor Company, both reported double-digit declines for the month of June, compared with the statistics for May.

General Motors reported a drop of about 15.50 percent while Ford reported a fall of about 11.20 percent.

The US branch of DaimlerChrysler AG, known simply as Chrysler, managed to buck the trend of the other 2 automotive giants, with a gain of one percent, Month-on-Month.

Overall, however, sales of motor vehicles in the US fell by about 6 percent to an annually adjusted rate of 15.40 million units – the weakest performance for the previous 6 years.

There were other reports, also, but these 2 reports did most of the damage to investor confidence.

Wall Street was not happy with the news.

On The New York Stock Exchange, the Dow Jones Industrial Average shed 51.33 points, or about one half of a percentage point, ending the week at 10,282.83 points.

On the NASDAQ, the Composite Index was down 8.89 points, equivalent to about 0.44 percent, falling to 2,006.66 points.

Trading was comparatively light, with many US investors, preparing to hit the highways for the 3-day Independence Day Holiday.

Equity markets in the US are closed, today.

In Europe, the news in respect of the labour situation in the US, coupled with the reduced uptake in motor vehicles in the country tended to undermine confidence on the largest bourses of Euroland.

What affects the US economy, it is well known, affects Europe in spades.

All of the indices of the major equity markets were in reverse gear.

This was how indices of major bourses in Europe ended the week of July 2:

Amsterdam's AEX Index	Minus 1.17 percent
Great Britain's FTSE 100 Index	Minus 0.39 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.90 percent
France's CAC40 Index	Minus 0.84 percent
Switzerland's Swiss Market Index	Minus 0.34 percent
Italy's MIBTEL Index	Minus 0.02 percent

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), following the March of the Discontented of last Thursday, when an estimated number of between 200,000 people (the Government's official figures) and 530,000 people (the unofficial figures, produced by the March organisers) took to the streets of the territory, demanding Universal Suffrage and the right to choose their own Chief Executive.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index lost about 0.53 percent of its value, falling back to 12,220.13 points.

The Total Turnover was about \$HK12.55 billion, with the ratio of losing counters to gaining ones, being about 1.32:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 1.28 percent to \$HK116.00 per share
China Mobile (Hongkong) Ltd (Code: 941)	Unchanged at \$HK23.60 per share
China Telecom Corporation Ltd (Code: 728)	Unchanged at \$HK2.725 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 0.39 percent to \$HK63.75 per share
Hutchison Whampoa Ltd (Code: 13)	Unchanged at \$HK53.25 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.43 percent to \$HK57.75 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK3.60 per share
Denway Motors Ltd (Code: 203)	Down 4.42 percent to \$HK2.70 per share
Aluminum Corporation of China Ltd (Code: 2600)	Up 1.20 percent to \$HK4.225 per share
China Shipping Container Lines Company Ltd (Code: 2866)	Up 4.46 percent to \$HK2.925 per share

As for the biggest movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Bossini International Holdings Ltd	592	17.65		2.00
China Nan Feng Group Ltd	979	13.79		0.066
Far East Technology International Ltd	36	14.55		0.189
First Asia Capital Investment Ltd	1227	12.36		0.50
Fortune Telecom Holdings Ltd	110		10.00	0.90
ITC Corporation Ltd	372		11.48	0.27
Mansion House Group Ltd	376	10.20		0.27
Ming Pao Enterprise Corporation Ltd	685		17.65	1.40
Paladin Ltd	495	10.34		0.32
Plus Holdings Ltd	1013	32.50		0.053
Shang Hua Holdings Ltd	371	29.17		0.031
Shun Ho Resources Holdings Ltd	253		24.24	0.25
South East Group Ltd	726	10.45		0.074
Sun Innovation Holdings Ltd	547	10.53		0.021
Veeko International Holdings Ltd	1173	10.95		0.233
World Trade Bun Kee Ltd	380	12.79		0.97
Wo Kee Hong (Holdings) Ltd	720	12.50		0.036
Zhong Hua International Holdings Ltd	1064	11.82		0.123

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, it was a similar story, as that, being told on the Main Board.

The Growth Enterprise Index lost about 0.67 percent of its value, ending the week at 1,071.94 points on a Total Turnover of about \$HK64 million.

Declining stocks beat off advancing stocks by the ratio of about 1.63:One.

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

TOM Group Ltd (Code: 8001)	Down 1 percent to \$HK1.76 per share
Golden Meditech Company Ltd (Code: 8180)	Unchanged at \$HK3.00 per share
Panva Gas Holdings Ltd (Code: 8132)	Down 1 percent to \$HK3.35 per share
Tungda Innovative Lighting Holdings Ltd (Code: 8229)	Down 11 percent to 29 cents per share
Launch Tech Company Ltd (Code: 8196)	Down 1 percent to \$HK1.75 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
DIGITALHONGKONG.COM	8007	10.56		0.178
G.A. Holdings Ltd	8126	18.95		0.113
KanHan Technologies Group Ltd	8175		19.42	0.195
Kinetana International Biotech Pharma Ltd	8031		18.75	0.052
Lai Fai International Holdings Ltd	8183		10.71	0.50
Linefan Technology Holdings Ltd	8166		12.28	0.05
M Channel Corporation Ltd	8036		12.50	0.021
Milkyway Image Holdings Ltd	8130	11.54		0.029
Mudan Automobile Shares Company Ltd	8188	13.46		0.59
Shanghai Fudan Microelectronics Company Ltd	8102		15.63	0.54
Sys Solutions Holdings Ltd	8182		10.87	0.205
Tianjin Tianlian Public Utilities Company Ltd	8290		12.33	0.32
Tungda Innovative Lighting Holdings Ltd	8229		10.77	0.29
WLS Holdings Ltd	8021	17.02		0.055
Zheda Lande Scitech Ltd	8106	11.43		0.39

And so, the tally for the week, ended July 2, for the 2 equity markets of the HKSAR was:

The Hang Seng Index	Plus 0.28 percent
The Growth Enterprise Index	Plus 1.31 percent

In Japan, it was another down day for investors.

Concern over US corporate profits took their toll of Japanese equities, especially in the high-technology sector of The Tokyo Stock Exchange.

A key index of this bourse, The Tokyo Stock Exchange, being the largest in Asia, fell by 174.52 yen, or about 1.46 percent, ending the session at 11,721.49 yen.

The ratio of losing counters to gaining ones was about 4.40:One.

The tally for the premier equity market of Asia was:

The Nikkei-225 Stock Average	Minus 0.46 percent
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And this was how other Asian equity markets finished the week:

The HKSAR	Minus 0.53 percent to 12,220.13
Indonesia	Plus 2.08 percent to 745.03
Japan	Minus 1.46 percent to 11,721.49
Malaysia	Plus 0.31 percent to 830.68
The Philippines	Minus 0.18 percent to 1,590.64
Singapore	Minus 0.26 percent to 1,839.33
South Korea	Minus 2.90 percent to 755.42
Taiwan	Minus 1.54 percent to 5,746.70
Thailand	Plus 0.14 percent to 647.57

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