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STAND BY FOR A CREDIT CRUNCH !

A credit-crunch is in the offing in both the US and Europe.

Whether or not it will cascade into Asia, there is no guarantee, but it seems quite likely.

This is the opinion of **TARGET ()**, following an evaluation of certain pertinent facts.

On Wednesday, it was announced in the US that Cerberus Capital Management, the legal owner of the Chrysler marque, had postponed a $US12-billion, syndicated loan.

This syndicated loan is badly required if Cerberus Capital Management intends to honour its financial commitment to DaimlerChrysler A.G. (of Germany), the giant, motor-vehicle conglomerate which agreed to sell the Chrysler Group, its former, US motor-vehicle division, to Cerberus Capital Management.

Cerberus Capital Management put on a stoic face, last Wednesday, stating that it was confident that it would be able to come up with the required cash in the current quarter.

That being the case, one may well ask: Then, what was the reason for the postponement of the syndicated loan?

Then, there is the case of Alliance Boots plc.

This British-based company, which is engaged in the sales of medicines and health and beauty products, has been trying to arrange the sales of some £9-billion worth of its loans (about $HK145 billion).

A total of 8 banks are (or, perhaps, were?) engaged in this mammoth task in order to pull off the biggest management buyout in the history of the United Kingdom.

It has turned out to be a daunting task, by all accounts – because the 8 banks have been unable even to place £5-billion worth of Boots's Senior Loans (about $HK80.65 billion).

In spite of very favourable interest rates in respect of the above-mentioned, much-needed loans, and in spite of all the sweeteners, suggested by the respective banking syndicates, there was a decided paucity of takers for the offerings, at hand.

Investors are, clearly, averse to the risks, associated with these syndicated loans.

Size matters, of course, but the name of Chrysler and Boots are, both, well-respected, internationally.

But these names, it is obvious, mean nothing to the potential investors, lobbied by the respective investment bankers, when it came to picking up the shekels at the end of the day.

The chances, now, exist that the international appetite for underwriting might well be curbed in the very near future.

It has been confirmed that a number of international banks have sent memos to staff to the effect that all new financial commitments of materiality must pass through a management sieve.

According to **TARGET**'s confirmed information, some of the biggest investment banks are keeping their doors ajar, but there is stop on their doors, preventing them from opening too far, inward.

What this all boils down to is that the days of wine and roses may well be coming to an end as far as underwriting massive amounts of money is concerned.

When the above becomes widely known, the key indices of major equity markets could well start to collapse, quietly at first, but leading up to a major fall.

The US housing market is facing a terrible situation, with The National Association of Realtors (of the US), reporting that sales of homes, during the month of June, hit a 5-year low.

And sales continue to fall.

And there is, still, the matter of the subprime, mortgage-lending crisis which is, now, confirmed to have spread to The Land of The Rising Sun where some $US8-billion-plus is at risk.

Meanwhile, there is a decided slowdown in economic growth in the US.

It does not bode well, does it?

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