

STAY A WHILE LONGER; THE PARTY IS JUST GETTING WARMED UP

As prospectuses of Initial Public Offerings in both the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) and the PRC, proper – being distinct from the HKSAR – pile up on office desks, day after day, the inevitable question arises: When will the Asian stock-market party end?

In **TARGET**'s view, not for a while.

There is just too much at stake while, at the same time, too many people are chasing too few counters on 2 of the most-important equity markets in the region.

The initial excitement for quick profits may well be tapering off, but the party will, no doubt, continue although, perhaps, at a slightly less-ebullient pace.

The Asian stock-market party, actually, is just beginning, in this medium's view, although there are bound to be material rises and dips from time to time, for one reason or another.

Following the corporate '*haircuts*' of the 1997 and 1998 period throughout most of Asia, there has been a tremendous and very impressive recovery as profits of many companies, listed on the stock markets of the HKSAR, Taiwan, the Philippines, South Korea, the PRC, proper, India, Malaysia, Indonesia and Thailand, bounded up to unexpected heights.

For the PRC, proper, of course, this country – the most-populous in the world – has benefitted among the most of any other country in Asia.

This has been reflected in the seemingly endless, effervescent appetite of basically unsophisticated investors of the country to invest their life-savings into stocks and shares and real property in the country.

Foreign companies and entrepreneurs have flocked to the PRC, proper, in order to try to get a slice of Asia's fastest-growing economy.

The number of foreign companies continue to knock on the PRC's doors, looking for the keys to unlock the various '*safes*' in the country, from the manufacture of ships, to the building and assembly of motor vehicles, to the production of garments and condoms, they have come ... and continue to come.

The PRC, proper, has a definite advantage over India due to the rock-solid stability of its government and that government's willingness to encourage and promote a market-driven economy, one which is a significant improvement over the direct and indirect financial subsidies that were afforded to State-controlled corporate entities in days of yore, the hunger of the population to improve their lot by dint of hard work, the drive for acquisitiveness, and the insatiability by the population for all things that are of a Western flavour.

The doors of the Macau Special Administrative Region (MSAR) of the PRC were opened widely after sovereignty of the territory was assumed by the PRC Government in December 2000 ... and in came tens of billions of dollars from the US, specifically from Las Vegas, Nevada.

Definitely, the tiny PRC enclave of about 28.60 square kilometres with a population of about 500,000 residents is just beginning to hum, financially.

The former Portuguese territory has been transformed into the gambling Mecca of Asia, and it is almost guaranteed to grow by leaps and bounds, during the next few years.

Malaysia's gambling resorts (and dens) have been completely upstaged by the MSAR: They are passé.

As the MSAR's economy gains in stature, so the profits will rub off onto the HKSAR.

While the HKSAR and the MSAR are, today, competitors for the tourist dollar/pataca, at the same time, these 2 areas are interdependently complementary.

The MSAR is, compared with the 416 square miles of the HKSAR, limited insofar as to what it can offer to the tourist, other than an escape from reality, gambling and gourmet dining.

This is where the HKSAR comes into its own and it offers complementary services to the MSAR.

The well-oiled economy of the HKSAR offers much more than gambling, women of the night (and day), and an abundance of restaurants.

The HKSAR offers a sophisticated service industry, complete with a well-established and efficiently policed equity market.

The HKSAR has evolved into one of the most-important financial hubs of Asia.

It, also, boasts of a Disneyland, an Ocean Park, one of the largest entertainment complexes of its kind in Asia, shopping of every description and of a diversity not found anywhere else in Asia, restaurants of every conceivable kind, and an efficient and well-trained police force in order to ensure the safety of the visitor.

In short, the HKSAR offers that which the MSAR cannot offer at this juncture of its history.

The Stock Exchange of Hongkong Ltd is among the best in Asia.

The amount of money, raised in Initial Public Offerings over the past few years, has astounded many a cynic of the territory.

Between January to September of this year, alone, the amount of money, raised in securities trading, via the good offices of The Stock Exchange of Hongkong Ltd, has topped \$HK301 billion.

This is unprecedented in the history of the territory.

And more is on the way, to be sure.

The Government of the PRC needs the HKSAR and the MSAR, both of which territories are filling the coffers of the Middle Kingdom to overflowing.

The trillions of US dollars in the treasury of the PRC are being used to purchase overseas commodity companies, oil-refinery facilities, and, as was made public only a fortnight ago, the PRC Government has established its own corporate entity to make investments outside of the PRC, proper, in order to obtain a higher return on its money, with the HKSAR to be among the beneficiaries of some of this money.

In due course, the border between the HKSAR and the PRC, proper, will disappear, with free access and egress for the resident populations of Guangzhou and the HKSAR.

India is unlikely, ever, to be able to compete with the growth in profits of the PRC, proper.

Other countries, such as The Philippines, Malaysia, Indonesia and Thailand, due to a number of reasons, cannot even hope to start to try to race against this Leviathan of Asia.

For The Philippines, Malaysia, Indonesia and Thailand, due in large part to innate and prospective political instability, their economies will, from time to time, become stalled.

For the PRC, proper, it is unlikely that its economy will go anywhere but up in the foreseeable future.

No, the Asian stock-market party is far from being over, regardless of the sour grapes that one hears from time to time.

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