

The Betty Letters

My Dear Grandchild,

I have lost a bundle on the Hongkong stock market and I am keeping it a secret from Bo-Bo, your froglike grandfather, who berates me every time he hears that I am playing with stocks and shares. I bought only shares in banks and insurance companies whose domiciles are in the Motherland – I am patriotic, you know – in the belief that my government would look after me, come what may. I knew that the United States was headed for a recession because I read The Frog's secret reports from Beijing. I, also, knew that China would not be badly hurt by a recession in the United States because, actually, the economy of China is not dependent on any one trading partner (the phrase, 'country dependency', is the term, used in The Frog's memoranda from you know whom in Beijing). According to The Frog's intelligence, the export sector of the economy of China contributes about 9 percent to the country's Gross Domestic Product. Gross Domestic Product, I have just learned, is defined as being the total market value of a country's output of goods and services that are exchanged for money or traded in a market system over a certain period (usually a year or a quarter), regardless of who owns the productive assets. The export sector of China employs about 7 percent of the country's total workforce and accounts for about 5 percent of total fixed asset investment. One of the memoranda that I read stated that China is the least exposed to a falloff in exports to its trading partners compared with other, export-driven economies, such as Singapore, Taiwan, Malaysia, etc. Armed with this intelligence, I thought that I was pretty clever in buying shares in companies, domiciled in the Motherland, companies that would not be hurt too badly by the coming recession in the United States. However, to my amazement, even the prices of shares of some of the largest banks and insurance companies in China have fallen, dramatically. Now, I feel like a nut, but I cannot tell The Frog of my 'paper' losses due to my investments in the stock market for fear of having to listen to another of his outrageous outbursts. And I cannot tell him that I read his secret memoranda from Beijing, of course. Actually, it would not be unfair to state that, due to his leaving his secret memoranda, all over the house, making it impossible for me not to read them, I would not have invested in stocks and shares in the first place. One way to look at this situation is that The Frog is partially responsible for my losses. That, having been established, then, he should bear some of the losses – if not all of the losses. But how to extricate money from him to pay for my losses? That is the big question. There is, always, the housekeeping money, but I don't like to touch that money because it could come to mean that I would not have sufficient money to be able to get my hair highlighted on a weekly basis. What to do? Life can be so complicated, can't it?

I maintain that wives do not make mistakes, only husbands make mistakes. If a wife is seen to have made a mistake (which is never admitted, of course), it is because her husband allowed the mistake to be made. Case in point: Those secret memoranda from Beijing. The Frog knows that all ladies are nosey and, as such, he is well aware that, if there is some juicy bit of scandal, lying around the house in the shape of a secret document, it would be quite impossible for me not to look at it. I have luncheons with my girl friends from the Social Welfare Department and we, all, discuss things, such as: Who is getting a divorce from whom? Whose children are in trouble with the law and how the matter is being swept under the Government's mat? Where will the next major property development take place in the New Territories? Which Hongkong Minister is eating in which luxury restaurant in a swank, 5-star hotel, buying \$HK30,000 bottles of wine – and billing the Government for the luncheon? Insider information from this publicly listed company and that one? And so on. Very interesting stuff, you understand. Also, it is very important to keep abreast of such information. One never knows when the information could be useful. When I mentioned to the girls, some weeks ago, that I was going to purchase some shares in China, Government-controlled banks as well as some China, Government-controlled insurance companies, they all looked at me in amazement. I, then,

explained that I had information that led me believe that these types of companies were considered a 'defence' against a recession in the United States. Anyway, investor interest in Hongkong banks is very little, these days, in any case, but banks, domiciled in China, pay good dividends and are very popular. Then, came the pressure from the girls. I had to spill a few of the beans after some pressure, explaining that I had seen some 'documents' which I should not have seen. They just nodded in unison, understanding my meaning.

I suppose you are wondering as to the reason that I am telling you this little story, at this point. It is because, now, I cannot even have luncheon with the girls – because they, too, are looking at 'paper' losses, they, having followed my lead and purchased shares in China banks and insurance companies. What am I to do about that mess? For certain, if I go to luncheon with the girls again, I shall be terribly embarrassed about their losses in addition to mine. The subject is bound to be brought up, during the luncheon. What I am thinking is that I should encourage the girls to double their investments on the premise that the total cost of their investments, that is the original cost of the shares plus the cost of the latest tranche of purchased shares, would be, in the lingo of stockbrokers, averaged out. Then, when the price of the shares goes up a little, the hurt to their wallets would not be very great because they could claim that they only lost a little bit of money, not a great deal – as would be the case if they did not average out. I know that this all sounds complicated and, to be honest, I am not completely au fait with it, myself, because how many times may one average out in a stock market whose key indices continue to fall to lower and lower levels? It is, really, a difficult thing to ponder, don't you agree? Oh! I wish I owned a bank, then, I would not have these money problems. Life is so difficult and complicated. Was it, always, like this? I really can't recall, when I was a girl, if I ever heard of such complications. Is marriage worth all this tsuris?

Talk to you, next week.

Chief Lady

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