O.K., TIMES ARE TOUGH: SO, WHERE DO YOU GO FOR HONEY ?

While it is nice to be loved and little children require outward displays of adoration/devotion, especially from their parents in whom they place all of their trust, the truth is that, in the adult world, love and being loved are not necessarily the requirements to maintain one's mental health.

And loving and being loved should not be equated with being correct: One has nothing to do with the other, you see.

In sport, it has been proved that the coach, who is tough and rough and does not, outwardly, care very much about the emotions of the athletes, in his charge, is, usually, much more effective than the coach who, outwardly, shows a supportive, caring and loving manner to his charges.

In the hard-nosed world of business, the loved ones, more often than not, are not the most successful people.

Just look at the immense success of Mr Li Ka Shing (): He is not loved by that many people, outside of his family, to be sure.

Of late, one has read, in the popular Press of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), that a certain, Chinese mogul, one of the richest men in the territory, has forecast that the key index of the Main Board of The Stock Exchange of Hongkong Ltd, known as The Hang Seng Index, would reach a certain higher level before a certain date.

From time to time, the popular Press compares this mogul of the HKSAR with certain other, international stock-market soothsayers, especially those of the Wall Street-guru contingent.

In **TARGET**'s opinion, this HKSAR mogul is bordering on being potty.

What he states, many times, borders on irresponsibility.

In today's world, it is nearly impossible to state which way the investment winds will blow because, day, after day, after day, the weather pattern is changing.

And the changes are coming so quickly that, as this medium has stated, on many occasions, one has to be like the chameleon which, as it crawls across a tartan rug, it changes its skin colour.

TARGET () assumes that this report will result in many people not loving us, any more.

This medium will lose little sleep over any paucity of adoration.

The facts

In the most-recent past, where-ever **TARGET** has written about equity markets, this medium's report usually ended with the suggestion that investors would do well to stick to Asia.

This medium continues to maintain this stance.

At the same time, however, **TARGET** cannot state, definitively, the level to which any key index of any equity market, at any time, will rise or fall.

What this medium can state, definitively, however, is that the direction of the key indices of the 2 equity markets of the PRC and of the HKSAR will, more than likely, rise before the end of the year.

That is as far as this medium would care to go, based on the situation that exists, today: One may prognosticate about an economy's direction, based on known facts, but not about definitive points as to the future highs or lows of a stock-market's indices.

However, having said that, it is noted that the situation in the US and in Europe is far from being bullish; and, Asia will suffer as a direct result of those situations.

Asia cannot stand alone in the world; exports continue to be its lifeblood.

The US has a terrible financial *'cold'* and its viral infection has spread to most parts of the world.

It was only on Wednesday, June 18, 2008, contained in **TARGET** Intelligence Report, Volume X, Number 113, at Pages 8-10, that **TARGET** stated: **'*THERE'S MUCH MORE BAD NEWS COMING'* .**

It came:

- Morgan Stanley, the second-largest investment bank in the US, reported a 57-percent fall in its second-quarter profits, compared with the like period in the previous Financial Year;
- Fifth Third Bancorp of Cincinnati, Ohio, a Midwest bank in the US, announced that it has to raise another $US2 billion to bolster its balance sheet. It, also, announced a cut in its dividend;
- Rising energy costs in the month of May caused, in large part, the biggest jump in US wholesale prices of the past 6 months, causing widespread consternation among economists since this situation, if it continues, could exacerbate an already shaky US economy; and,
- The motor-vehicle industry in the US acknowledges that it is in dire straits, with suggestions that Chrysler LLP, one of the *'former'* Detroit *'darlings'*, said to be considering its options: Letting the company go to the wall; or, alternatively, getting more money, pumped into the company's coffers … from somewhere.

The above 4 points are by no means comprehensive, but they are among the latest events that have been unearthed, publicly.

Meanwhile, the price of crude oil on international commodity exchanges continues to reach for new, record highs.

On Wednesday, the price of a barrel of light sweet crude oil for delivery in July came in at $US136.68, up about 1.99 percent, compared with Tuesday's closing level.

This was in spite of Saudi Arabia, over the weekend of June 14-15, stating that it would lift oil production by 500,000 barrels per day in order to try to stabilise oil prices, internationally.

The output of crude oil, today, therefore, stands at about 85.50 million barrels per day, including the promise from Saudi Arabia.

The global consumption of crude oil, however, still stands at about 87 million barrels of crude oil per day – and rising.

Supply-demand factors predominate.

Airlines are *'bleeding'* money because, as the price of crude oil stays at the current levels, management of airline companies finds it exceedingly difficult to turn a profit.

At the same time, airlines cannot continue *'to hit'* the consumer with more and more fuel surcharges, forever, because this would result in fewer people, taking to the skies.

Transportation companies, throughout Europe, have, already, voiced concern and, even in the HKSAR, there have been protests (of sorts) over the high price of fuel oil, with the Government, being forced to look for a solution to the problems that lorry drivers, taxis owners/drivers, bus companies, etc, etc, etc, are facing.

Banks, around the world, are suspect with few exceptions.

There appears to be no safe haven for investors, at this juncture, because, as has been witnessed in the US, the bluest of the blue chips have seen their share prices whittled down since the beginning of this year.

There is, also, no end in sight to the losses which many – if not most – banks are facing as was made painfully obvious by the statements, emanating from Senior Management of Fifth Third Bancorp, last Wednesday.

While many corporate entities still have valuable assets that could well find ready buyers, companies cannot deplete their coffers of the family jewels forever.

Ford Motor Company unloaded quite a lot of its prized assets over the past few years; it has precious little left to sell, now.

General Motors Corporation, no doubt, is mulling over the notion of unloading some of its prized assets in order to shore up its leaking financial dyke.

Turning to properties, the situation in the US, with its mountains of homes that nobody seems to want, continues to dog the US economy.

This situation is unlikely to right itself this year; and, it could take the best part of 2009 before the bulk of the inventory of homes finds buyers.

In the PRC, proper, being distinct from the HKSAR of the PRC, it was reported, only this week, that a number of would-be buyers of new flats are walking away from newly completed complexes, forfeiting their deposits.

This will, if it continues, put a strain on the finances of property companies in the PRC, proper, in due course.

Such a situation has not been seen in the HKSAR for some time, at least not to any great extent.

But one would be silly, in the extreme, to think that it could not happen, again.

It is fact that the PRC has created a large, domestic consumer market, thus making the country somewhat less dependent on exports than in the past, but, still, exports are the lifeblood of the country.

With the US economy in trouble, relatively cheaper goods, being produced in Asia, will continue to be in demand in The Land of The Free and The Home of The Brave, and this will help to contain, to some extent, inflationary pressures because similar goods, produced in the US, are much more expensive than those, being churned out in Asia.

And, in many cases, US-manufactured goods are considered prohibitively expensive for the average consumer of the country.

<u>Where To Go; What To Do</u>

Without **TARGET**, trying to play the Jesus Christ card, it is not easy to pick which company will ride out the many economic storms, the clouds of which have gathered in the firmament.

Even if this medium could pick the winner(s), it does not follow that the share price(s) of this winner(s) will rise to meet the expectations of investors.

Long-term, it is easy to state: Stay with Asia.

Short-term, it is nearly impossible to state in which company one should invest – unless one is irresponsible or is a loon.

Is it a safe bet to invest in the shares of HSBC Holdings plc (Code: 5, Main Board, The Stock Exchange of Hongkong Ltd)?

One should ask an investor of Lehman Brothers Holdings Incorporated, the fourth-largest investment bank in the US, what he/she thinks when looking at the 60-percent collapse of this bank's share price since the beginning of this year.

Banks, that is any bank, anywhere in the world, are as suspect as any hawker of chickens in any wet market of the HKSAR, today: One never knows when the chicken virus will make itself manifest, again, thus *'killing'* the hawker's business for 21 days or more – and has, recently, been announced.

As for transportation companies: Forget them, for the most part although there could be exceptions, here and there.

As for trading companies: They should, if they are in the correct line of business, weather the present storm, provided that one can trust the managements (which is not easy to know).

As for property companies in the PRC, proper, they should, if they are well-heeled and have not overstretched their finances, be able to make profits, but, for the time being, one would be wise not to expect record-breaking gains.

While high-technology is, definitely, here to stay, it does not follow that every company, engaged in producing consumer electronics, will make the grade.

Some will, undoubtedly, die.

Who, today, has heard of the Pierce Arrow?

It was a prestige motor-car producer, which was extremely popular since it introduced, in 1903, the Pierce Motorette.

In 1938, the Pierce-Arrow Motor Corporation was declared insolvent and liquidation was ordered by the Court.

And, thus, the 35-year life of a once, prestige motor-car company, whose vehicles were considered among the pride of the road, came to a swift end.

It happened.

It could happen, again.

Today, it is not the time to consider maximising profits, but it is the time to safeguard capital, in **TARGET**'s opinion.

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