VOLUME XI No. 69 **W E D N E S D A Y** **April 15, 2009**

SHOULD ONE BUY, SELL OR HOLD ?
TARGET REITERATES: STEER CLEAR OF EQUITIES !

Keep The Cash: It Will Not Burn A Hole In Your Breeches

There is as much chance of the key indices of major equity markets of world, rising substantially over the next 6 months or so, as there is in the probability of a sexy mouse, mating successfully with a female hippopotamus.

In fact, **TARGET ()** would be willing to go further and state that, by the end of this year, there is little likelihood of a turnabout situation in the developed economies of the world, most of which are more than a little wobbly at this time.

Yet, stockbrokers on Wall Street, in London, England, in Frankfurt, Germany, in Tokyo, Japan, and in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) are telling speculators and investors that now is the time to buy into stocks and shares.

Their logic: Buy now and hold for the future!

One is told: *'You will not be sorry!'*

This is utter rubbish!

You will be sorry, especially when your banker asks you for cash because of your account is overdrawn.

Responsible managements of publicly listed companies, operating in the HKSAR, are not loath to issue profits warnings, one after another.

Last Thursday, for instance, Finet Group Ltd () (Code: 8317, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd) issued its profit warning, stating, among other things:

> *'The Board of Directors (the "Board") of Finet Group Limited (the "Company") wishes to inform the shareholders of the Company and potential investors that the earnings of the Group for the year ended 31 March 2009 will be significantly worse than those of the previous year, and the Company is expected to record a loss for the full year. Such expected losses are mainly attributable to the realized and unrealized losses relating to the decrease in fair value of investment properties, an increase in expenses attributable to the Company's gaming segment and the impairment of the Group's goodwill arising from the acquisition in 2007.*
>
> *'The Company is evaluating its financial position and may consider various alternatives to strengthen its capital base and enhance its financial position.*
>
> *'The information as contained in this announcement is only the preliminary assessment by the Company's management based on to the management accounts of the Group for the year ended 31 March 2009, which has not been confirmed by the Company's auditors. Shareholders of the Company and potential investors should read the Company's annual*

results announcement for the year ended 31 March 2009 carefully, which is expected to be published in June 2009 …'.

To Subscribers of **TARGET**, the above statement should hardly have been considered startling because this medium has been suggesting for months that this company was having one problem after another and, on February 20, 2009, **TARGET** went as far as to state that insider trading was taking place, resulting in the creation a false market in the shares of this company.

Please Refer To:

TARGET Intelligence Report, Volume XI, Number 33,

Pages 1-6

Finet Group Ltd has finished selling the *'family'* jewels – because the drawer is empty: The family silver, no more.

The share price of Finet Group Ltd, as at last Thursday, was about 8 cents.

Today, the share price is about 7.40 cents.

The share price of Finet Group Ltd could easily sink to much lower levels … probably all the way to below one cent, the way that things stand, today, because the company has precious little to offer to existing or prospective shareholders.

It is noted that Finet Group Ltd used the term, in its profit warning: '*to strengthen its capital base and enhance its financial position'*.

This is not too dissimilar to the wording of HSBC Holdings plc () (Code: 5, Main Board, The Stock Exchange of Hongkong Ltd) when it pitched its Rights Issue, recently, in order to raise $US17.70 billion (about $HK138 billion).

TARGET wrote in full about that situation, suggesting, also, that it might well prove to be foolhardy to invest in the shares of this bank – in spite of the success of the Rights Issue.

This medium has gone on record as stating that senior management of HSBC Holdings plc cannot possibly know how its fortunes would be affected, during the next 9 months or so, but it must be an adverse effect, nevertheless.

Translation: Stand by for more worms, crawling out of the bank's woodwork.

TARGET Intelligence Report, Volume XI, Number 66,

Published On Wednesday, April 8, 2009, Pages 1-4; and,

TARGET Intelligence Report, Volume XI, Number 43,

Published On Friday, March 6, 2009

Then, last Wednesday, one was informed that the Chairman and Managing Director of CITIC Pacific Ltd () (Code: 267, Main Board, The Stock Exchange of Hongkong Ltd), Messrs Larry Yung Chi Kin () and Henry Fan Hung Ling (), had, both, resigned, effective immediately, and had been replaced by Mr Chang Zhen Ming ().

That followed a company announcement, dated March 25, 2009, to the effect that the conglomerate had suffered a Net Loss Attributable to Shareholders of about $HK12.66 billion for the Financial Year, ended December 31, 2008.

That result compared with a Net Profit Attributable to Shareholders of about $HK10.84 billion for the 2007-Year.

TARGET cannot say more about this situation since there is an investigation in progress by certain departments of the Government of the HKSAR into the affairs of the CITIC Group of Companies.

Also, last Thursday, Ping An Insurance (Group) Company of China Ltd [()] (Code: 2318, Main Board, The Stock Exchange of Hongkong Ltd) announced that, for its Financial Year, ended December 31, 2008, it had suffered a complete reversal of fortunes, compared with the previous Financial Year.

Ping An Insurance (Group) Company of China Ltd announced that it had recorded a 2008 Net Profit Attributable to Shareholders of about 477 million renminbi on Total Income of about 95.19 billion renminbi.

For the 2007 Financial Year, this company had recorded a Net Profit Attributable to Shareholders of about 19.22 billion renminbi on a Total Income of about 138.21 billion renminbi.

The Chairman and Chief Executive Officer of Ping An Insurance (Group) Company of China Ltd, Mr Ma Ming Zhe (), stated, inter alia:

> *'Looking ahead into 2009, the negative impact of the global financial crisis will continue. The global economy slowdown intensifies, domestic economy remain severe and financial market is uncertain and unstable. All of these factors contribute to a more complex and unpredictable operating environment in which our performance will face much pressure and ongoing challenges …'.*

And so it goes on, with the managements of one HKSAR and/or PRC company after another, relating stories of woe.

And yet, still, many HKSAR stockbrokers, obviously eager to earn commissions from investors/speculators, buying or selling scrip on The Stock Exchange of Hongkong Ltd, talk up the market, stating all kinds of rubbish as to the reason that now is a good time to buy stocks and shares.

Trillions, If You Please, Not Billions

Up until the tail-end of 2008, the word, trillion, was rarely used anywhere in everyday life.

One learned the word in school, of course, but it was only thought to be of academic importance, only, unless one was seriously studying astronomy.

The word, trillion, actually, has 2 meanings:

1. One followed by 12 zeros — The number equal to 10^{12}, written as one followed by 12 zeros; and,

2. One followed by 18 zeros – The number equal to 10^{18}, written as one followed by 18 zeros.

When the US Government mentioned, recently, that it would be injecting $US1 trillion into the economy, it did not state which trillion it meant.

The same was true with the European Union when it stated that it would be inject €1 trillion into this industry or that industry.

It matters little, actually, which trillion was being considered by the US Government or by a government of one of the members of the eurozone because most people cannot even visualise the concept of a trillion … anything.

It is something akin to a bottomless pit – whatever that means.

The word, however, has entered everybody's vocabulary, now: The current financial crises, around the world, has made this a requirement.

When one hears that the US Budget will be in the trillions of US dollars for Fiscal 2009 and/or Fiscal 2010, or that the International Monetary Fund is putting aside more than $US1 trillion for this or that, or that banks in the US are known to be sitting on $US10 trillion-worth of toxic assets, the mythical bubble that *'trillion'* was only a word has been well and truly burst.

One could say that the word, *trillion,* has replaced the antique word, *billion*.

One cannot deny, today, that the world has entered a new order – it is The Order of the Trillion.

Soon, the richest men in the world, one could well imagine, will be rated according to the trillions of dollars/pounds/euros that they possess or control.

The billionaires of tomorrow will be relegated to the status of today's millionaires, and, then, replaced by trillionaires.

The US Government is pumping so much money into its economy that the Government's printing presses must be working, round the clock.

Inflation is sure to follow and the US dollar, as the world's reserve currency, will become more and more shaky.

It was not that long ago that the British pound was the world's reserve currency.

Serious questions are being raised as to whether or not the dollar will be dislodged from its high perch.

Could the euro be the replacement?

Time will tell.

The Government of the PRC, no doubt, is praying that the US dollar will continue to be the world's reserve currency – because the PRC Government is the biggest, single lender to the US.

Exactly, how much money the PRC Government has lent to the US Government by way of its purchases of US Government bonds is still not known except that it has to be in the many trillions of US dollars.

The developed countries of the world are facing a period of significantly decreased annual growth in their **G**ross **D**omestic **P**roducts (**GDP**) – a country's income minus foreign investments: The total value of all goods and services, produced within a country in a year, minus net income from investments in other countries.

Ever-increasing deficits will follow.

Debt will continue to rise and GDP growth will be whittled down as the months roll on.

Taxes will have to be increased – at a time of extreme hardship for many a family, around the world.

The US Government has embarked on a policy of throwing to the wind the fear of galloping inflation in favour of discretionary spending: Domestic inflation, being considered far more acceptable to further increases in external debt.

Thus far, it has been noted that the amount of money, thrown into the US economy by successive governments, during the tenure of office of President George W. Bush and, then, by President Barack Hussein Obama, has not resulted in the desired effect of reflating the economy or even enticing consumers, back to the High Street, in sufficient numbers.

Spending in the US, by and large, is by the US Government, not by private enterprise.

Meanwhile, at the corporate level, earnings' growth is weak, throughout the entire US economy.

Unemployment continues to rise; the dole lines lengthen; tent cities are proliferating; civil unrest is on the rise.

The natives are restless.

Many a household does not know from week to week whether the pay cheque will cease.

For Fiscal 2009, one cannot see even a glimmer of hope for the US economy.

President Barack Hussein Obama, only yesterday, reiterated that he saw a glimmer of hope in the US economy.

Does he need glasses, also?

In Europe, the situation is just as bad as in the US.

European countries, such as Spain, are experiencing the highest unemployment levels in more than 3 decades.

One is bombarded, almost daily, now, by so many startling statistics about this economy or that economy, of this industry or that industry, being in serious trouble, that one losses track of whether or not it is in the trillions of euros, dollars, pounds, etc, or billions of euros, dollars, pounds.

Meanwhile, on Wall Street and other financial capitals of the world, including the HKSAR, the gurus and ga-gas continue to try to talk up equity markets with their verbal garbage.

There used to be a trite expression in England, many years ago: Penny wise and pound foolish.

Keep the cash, **TARGET** continues to maintain: It will not burn a hole in the pockets of your breeches.

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