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IN TIMES OF STRIFE, OPPORTUNITY CAN KNOCK AT ANYBODY'S DOOR

Equity markets hate uncertainty.

This is a cliché that has, over the past century or so, proved to be a truism with experienced investors and institutions, alike.

The equity markets of today, from sea to sea, are going through turbulence, in some cases, of unprecedented proportions, and the uncertainty has caused publicly listed companies to lose tens of trillions of US dollars in market capitalisations.

In such a situation, investors would, probably, be advised to stay clear of equities and keep their cash in their pockets.

In today's world, however, banks are, generally, as helpful as a neutered mosquito, trying to mate in order to proliferate its species.

Keeping a material amount of money in a bank in a savings account, earning what is, actually, a negative interest rate, will not appeal to many people, certain not to this medium, and so consideration must be given to making one's money work for its owner.

As share prices fall to lower levels, opportunities will present themselves when the share price of a company, whose annual dividend payouts have, historically, been in excess of, let us say, 5 percent per annum, falls to what one considers an unreasonably low rate.

Buying into such a company, provided that the financials are sound and the core business(es), in which the target company is engaged, is positioned in a growth industry, could well be rewarding, not just for today, but for many morrows to come.

TARGET () is reluctant to state the names of such companies, but there is quite a number of them, listed on The Stock Exchange of Hongkong Ltd.

This medium is not recommending any particular modus operandi in respect of an investment strategy on an equity market, but common sense should indicate that that which this medium has stated is sound and irrefutable.

No matter into which publicly listed company one makes an investment by purchasing some shares, there is never a guarantee that the share price of the target company will not move south, but since one is going for the long pull and not for a short-term speculation, it does not make too much difference because the annual yield will provide the investor with an interest-free, annual income.

When the equity market uncertainty is over, provided that one has chosen the company into which one buys some shares, carefully, the probability is high that the share price will recover and, if one is lucky enough, it could well rise to a level in excess of the buying-in price.

Suggestions have been made to this medium that, perhaps, now is the opportune time to consider buying shares into select very sound banks, listed on The Stock Exchange of Hongkong Ltd, banks which have a record of paying reasonable annual dividends of 3 percent or more.

A dividend yield of 3 percent per annum might sound on the low side, but the share prices of a number of banks, today, are standing at very attractive levels, relative to their share prices of just a very few months, ago.

When the market turns up again, such banking counters will be among the first to benefit from a determined change in investor perception about the future of the economy.

This is not to suggest that the share prices of banking counters will be immune from falling, along with the direction of the market in general, because banking counters, just like any stock-market dud, will be forced to follow the direction of the general market as its benchmark index falls from one low level to another.

But the point is that one is not as interested (or mesmerised) by the share price of the banking counter, today and tomorrow, as one is on obtaining a reasonable annual return in order to ride out the present, stock-market storm.

The only reason that this medium has mentioned banking counters is that, come the good days again, banks will come back into investor favour simply because, in this world, every industry, every shop on the High Street, every household, every entrepreneur, wanting to expand his empire, will require either long-term loans or bridge financing of one sort or another.

Other than banks, of course, there are many other industries that are just as essential to any economy as is the friendly face of a banker (is there such an animal?): There are many publicly listed companies, selling food products, powdered milk for babies, motor vehicles, refrigerators, clothing of all descriptions, property developers, hotel-owning companies, etc, etc, etc.

Many of these companies could well pay higher dividends than certain banks, but the major difference between banks and other companies is that banks' managements are better-regulated than most other companies because of their known importance to an economy.

Of course, banks can get into financial trouble, too. Look at The Royal Bank of Scotland plc, now owned and controlled by the Government of the United Kingdom, which has in excess of 80 percent of the Issued and Fully Paid-Up Share Capital.

In any prolonged bear-market period, especially one that is affecting many parts of the world, companies, selling luxury items, will be hit very hard, as will companies, selling capital goods or high-priced items, such as motor cars, etc.

Hotel occupancy levels will suffer in such a period, but people will continue to eat, babies will continue to be born (copulation and fornication pay no heed to economic or financial downturns), flats will still be rented and banks will continue to play their part in supporting the economy – because they have to perform or suffer shareholders' scorn.

All in all, therefore, in times of strife, opportunity knocks on everybody's door if one can just find the handle.

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