MR INVESTOR: BE LIKE THE CHAMELEON, CRAWLING OVER A TARTAN RUG

It is said that, when a stock market is likened to a roaring bull, the smallest piece of positive news is likely to push the relevant index to another higher level.

Conversely, a negative piece of news, during a bull run, would have to be likened to an atom bomb before a stock market would reverse its direction.

But, when a stock market is on the way down, following a fairly good run-up, the smallest piece of material negative news is more than likely to send the market into a tailspin, while most important, positive pieces of news will have little to no effect.

For investors, who cashed in some of their stock ‘chips’ last week – in accordance with TARGET’s May 3 suggestion – they are looking at their profits … and smiling.

For the greedy investors of the Hongkong Special Administrative Region (HKSAR) – and who among us is not greedy? – they may be feeling a little upset that they did not take TARGET’s advise and pocket a little profit while the going was good.

The Hang Seng Index fell last week by about 2.52 percent, due, in the main, to certain statements, made by Mr Alan Greenspan, Chairman of the US Federal Reserve Board (equal to the Central Bank of the USA).

The thrust of his speech, of last Thursday, New York time, was, clearly, aimed at cooling down the US economy, with emphasis on the stock markets and the money markets.

Mr Greenspan is concerned about inflation in the US; and, the most powerful weapon that he has in his arsenal is interest rates.

The question is whether or not Mr Greenspan will pull the pin on his interest-rate grenade in order to exercise more control over the US economy.

If US interest rates move up, the HKSAR will have to follow suit.

And that was the worry last week.

The HKSAR took the speech to heart and, as a direct result, the Hang Seng Index fell about 4.22 percent on Friday, closing the week at just below the 13,000 level.

But, if it had not been Mr Greenspan, who shook up the market, it would have been something, or somebody, else – because it was in the mood to reverse its course, having run up from 7,565.54 on October 5, 1998 to 13,333 .20 on April 30, a gain of about 76 percent in a period of 6 months.

Throughout most of last week’s 5 trading days, the market seemed to be directionless: A market, which cannot go up by any material extent, will, invariably, fall.

Since the TARGET Intelligence Report of May 3, 1999, the Hang Seng Index has shed about 336 points, or about 2.52 percent, a fact which was in line with our stock-market analyst’s opinion of the HKSAR stock market.

Looking at past events is interesting, no doubt, and it may lead an investor, down the line to profits … if he heeds the lessons of the past.

During the entire 5 trading sessions of last week, there was nothing more than lacklustre buying and selling, with the exception of spurts of interest in a handful of companies, due to one reason or another, but all of no material value for the market, in general.

The bottom of the market's present, perceived level, by investors, is still unknown, without question, so that there is plenty of time before one should make a material commitment: Let the dust settle, first.

In the same way that this observer suggested, in the *Viewsletter* of May 3, that the Hang Seng Index could be in for a bit of a beating, and that, taking a profit now (meaning, last week, before the 'hit') could means smiles, all the way to the bank, so, it would appear to be prudent to wait until a definite direction of the Hang Seng Index had been established before jumping back into the market.

Of course, the artificial jacking-up of prices, by vested interests in the HKSAR, may appear, on the surface, to make this piece of homespun market philosophy look incorrect, but, in the long pull, it will prove to be the right thing to do.

For those with profits, having been banked, wait for the stock market to shake off the negative news and then, when the market has recovered a sizeable chunk of its losses, there will be plenty of time to go back in.

Shares to watch are still the 'big boys' -- HSBC Holdings Plc, Hang Seng Bank Ltd, The Bank of East Asia Ltd, Cheung Kong Holdings Ltd, New World Development Ltd, etc.

When the market is on the way up, following a bit of a shakeout, it is nearly always that the blue chips are the first to benefit.

The 'penny' stocks only get a bit of a push at the end of a bull run … so disregard these stocks for a while.

A final thought: The best investor in a stock market, here and everywhere, is one who, like the chameleon, crawling over a tartan rug, changes colour in keeping with the patch of wool over which he is passing.

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