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MR INVESTOR: DON'T BE SUCKED IN BY VESTED INTERESTS

There are those who claim that the stock market in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is in a bull phase; and, now is the time to buy.

TARGET repeats: Beware! Fundamentals will, always, out.

The Hang Seng Index of last Thursday, the last trading day of the week of June 14, stood at about 75 points higher than it was on May 3, 1999, at 13,408.27.

This means that, in 49 days, or 7 trading weeks, the Hang Seng Index has managed to make headway of only about one half of one percent.

Hardly an indication of a bullish market, is it?

Further, it should be noted that the average, daily volume of trading, during the past 49 days, has been about $HK6 billion. This is a long way off the highs when the stock market was in a bullish phase, with the daily turnover of more than $HK14 billion.

Further evidence, that this is not a bull market, may be gleaned by simply noting that, so far this year, the Hang Seng Index has hit a high of 13,586 and a low of 9,076.

Hardly an indication of a bullish market, is it?

Then, just last week, more unemployment statistics were issued by the Government of the HKSAR to the effect that, in fact, the situation, with regard to unemployment, is deteriorating.

According to the Director of the Hongkong Council of Social Service, the high unemployment is causing an escalation in the incidence of crime among the younger sect of the HKSAR.

The HKSAR Government has confirmed that there is an ever-increasing rate of unemployment in youths between the ages of 15 years and 19 years: 23 youths out of every 100 youths in this age bracket cannot find employment.

The situation, the Government said, is expected to worsen later in the year.

Translation: The HKSAR economy is not expanding fast enough to absorb those people, entering the labour market.

Hardly an indication of a bullish situation, is it?

In the PRC, just last week, while the PRC Government fanned the flames of the seemingly bullish sentiment, there, grave concern is being, openly, voiced about the mad scramble by PRC residents to purchase shares on the Shenzhen Stock Exchange at, seemingly, any and all price levels, since economic fundamentals did not warrant such a rally.

It is indeed rare for respected international stockbrokerage houses to come out to suggest that the economic reality in the PRC is far removed from stock-market sentiment, bearing in mind that these same brokerage houses make most of their money when the market is running 'hot'.

Naturally, with the Shenzhen B-Share Index doubling in less than one month, and with the Shanghai Index, having risen by more than 62 percent within that same period of time, some of the surplus cash, taken out of the stock market by PRC investors, will dribble down to the HKSAR, looking for a new home.

But, sooner or later, the penny will drop: The economic fundamentals do not justify the current price levels of many, if not most, issues, traded on The Stock Exchange of Hongkong Ltd.

On a final note, in view of the strength of the US economy, of the very likely prospects that US stock markets will continue to make further and more spectacular gains, as more and more US companies turn in better and better results, as dividend yields continue to climb for investors, holding US listed securities, in which market would a sensible man prefer to be invested: The HKSAR stock market or the US stock market?

The number of financial collapses in the public sphere in the HKSAR is among the highest on record: For what reason should one take unnecessary risks?

TARGET remains even more cautious now than on May 3 because it is only too clear that vested interests, with very deep pockets, including, but not limited to the PRC Government, are artificially supporting the present levels of the Hang Seng Index, either by design or accident (TARGET tends to lean toward the former rather than the latter).

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