

MR INVESTOR
DON'T BE SUCKED IN BY THE SEEMING EUPHORIA

The Hang Seng Index gained about 400 points, ending the week on a solid 14,184.58 points.

It was on Friday that the big push came, however, as the Index shot up about 4.82 percent to the roar of stockbrokers, many uttering such statements as: 'We were right! We told you, so!'

The reason for the 652-point gain of last Friday was put down to an announcement, made by the US Federal Reserve Board, which raised interest rates by one quarter of one percent in the US.

This rate hike, brokers maintained at the close of trading last week, indicated that the Fed is unlikely to hit the US with belt-tightening imperatives.

Other than this factor, there appeared to be no other reason, valid or invalid, for the Hongkong stock market to experience a rise of the magnitude of last Friday.

In fact, on Wednesday (last Thursday, the Hongkong stock market was closed in order for Hongkongers to salute the flag of the People's Republic of China (PRC), the 'motherland' of the Hongkong Special Administrative Region (HKSAR)), the Hang Seng Index shed about 233 points, adding to Tuesday's losses when the Hang Seng Index fell about 74 points.

Last Wednesday's loss on the Hang Seng Index, of about 1.70 percent, was due, in part at least, to the fear of what the Fed might do with regard to interest rates in the US.

Fear is, just about always, the 'engine' which can move a stock index at the quickest speed since all markets are driven either by fear or greed.

The Hongkong stock market of the past few months has been moving, slowly up, for no valid reason, in TARGET's opinion, for, if anything, what is happening in the PRC should frighten away investors from the HKSAR market.

If one had the choice of investing on the Hongkong stock market or the US stock markets, all things being equal, the US markets would have it over the Hongkong market for a number of very important reasons.

The major difference between the US markets and the Hongkong stock market is the stability of the government of the Clinton Administration, versus the uncertainty of the Government of the PRC and the HKSAR where, just about anything is possible – as we have witnessed over the past few months.

TARGET tends to disregard, completely, platitudinous and self-serving statements from most stockbrokers, especially those of the HKSAR, for this type of person is rarely objective -- and, more often than not, is not to be trusted when it comes to giving advice.

While stockbrokers in the HKSAR, last Friday, were singing the praises of the Hang Seng Index, on the news front there was very frightening events taking place in the PRC.

It appears that the PRC Government has moved to slow down the pace of increases of stocks, listed on PRC stock markets.

According to reports from the PRC, the China Securities Regulatory Commission and the Securities Supervision Office have sent out orders to large institutions to the effect: 'Stop buying shares on PRC stock exchanges!'

And so the large institutions in the PRC and elsewhere stopped buying shares on PRC stock markets, in accordance with orders from the Central Government.

Question: At which point will the HKSAR Government issue similar orders to large investment institutions, with offices in the HKSAR?

The second piece of very frightening news, last week, hit the HKSAR at the close of trading last Wednesday: Two former officials of the a Shanghai-listed public company, Dongfang Boiler, were sentenced to death for committing acts of embezzlement.

Their crimes, it appears, was that they sold shares in Dongfang, illegally, just ahead of an Initial Public Offering in 1996.

The amount of their gain: \$HK1.86 million.

Just the thing: If people won't learn and won't follow orders -- Kill them!

Then, there was the walk by some 600 solicitors and barristers in the HKSAR.

They went for a stroll through the Central part of the HKSAR to demonstrate their support of determinations of the Court of Final Appeal, being sacrosanct.

It was enough to send shivers down the spine of any law-abiding individual since, should the Government of Tung Chee Wah have had the audacity to send in the People's Liberation Army in order to keep order (remember Tiananmen Square, June 4, 1989), it could have been an extremely ticklish situation.

The lawyers' march was hoped to send a message to Beijing along the lines that the National People's Congress should not interfere with the rule of law in the HKSAR, regardless of the issue.

It is only too apparent that the Beijing Government does not understand, or appreciate, fully, that there is a difference between a political issue and a legal one.

The Right of Abode Issue -- which touched off the Standing Committee of the National People's Congress, being asked to interfere in HKSAR affairs -- was supposed to be a legal issue, but Chief Executive Tung Chee Hwa decided to make it a political one.

Might is Right, as the Greek philosopher, Gorgias remarked in the 5th Century before Christ.

Recommendation: Don't be sucked in by the seeming euphoria.

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