MR INVESTOR
BEWARE THE FIRECRACKER! BANG! IT'S GONE!

Like the firework, The Shooting Star, the Hang Seng Index shot up on the first day of trading last week -- and then fizzled out, losing just about all of Monday's gains.

The week ended on the weak note of 14,222.57, which translated into a gain for the entire week of just about 40 points, compared with the close on Friday, July 2, of 14,184.58.

This was hardly surprising for international institutions which must look at the Hongkong stock market more as a 'play' than as a serious market in which to invest, at this juncture.

In the US, the stock markets are running hot, and many of the listed companies can justify the high prices of their stocks since profits, historic and prospective, warrant high multiples, in many instances.

Not so for many issues, listed on The Stock Exchange of Hongkong Ltd, however, since the recurrent earnings of most listed companies are such as to warrant pulling out of this market, at least for the time being.

An example of a very poor showing came from the Wheelock Camp -- Wheelock and Company Ltd, The Wharf (Holdings) Ltd, Lane Crawford International Ltd and New Asia Realty and Trust Company Ltd -- when it reported that the conglomerate's 1998 Results were the worst for the past decade.

The Bottom Line fell in the last Financial Year, ended March 31, 1999, from the 1997 figure of $HK1.44 billion to about $HK602 million for 1998.

All kinds of reasons have been given, but, in the final analysis, what it all boils down to is a combination of poor management and the weak financial situation, which persisted in Asia for the past few years.

Then, last Friday, came news from a couple of retailers: Goldlion Holdings Ltd and The Sincere Company Ltd.

Goldlion reported a Net Loss for the Financial Year, ended March 31, 1999, of about $HK181 million while Sincere reported a Loss of nearly $HK149 million.

In both cases, it was only too clear that lack of consumer spending had cut deeply and that both companies were knocking off huge sums of money as provisions against slow-moving stock.

More telling, perhaps, was news from the HKSAR Government's Census and Statistics Department, which was released on Friday, July 3, and appeared to have been overlooked, to a large extent.

The Census and Statistics Department reported that the volume of domestic exports from the HKSAR in April fell about 14.10 percent, compared with the like period in 1998, while, on the same basis, re-exports for the same period dropped by about 2.70 percent.

If imports are a better indication of a territory's financial success, then the HKSAR is a loser, all round, for the volume of imports in April fell 11.30 percent, compared with the like period in 1998.

In the first 4 months of 1999, to April 30, domestic exports fell 10.40 percent against the comparable 1998 period.

Translation: The HKSAR is doing very badly in the most important aspect of its economy -- trade -- while residents and tourists are spending less in the HKSAR, indicating less disposable income, becoming available.

While TARGET does not like to quote statistics, derived from private enterprise, for fear that such published statistics could be interpreted as being advertising, when Centaline Property Agency put out a report, the contents of which tended to confirm TARGET's prognostications of the present HKSAR financial situation, it could not be denied.

Centaline, on Thursday, July 1, reported that the number of property deals, consummated in the month of June 1999, fell about 27 percent, compared with June 1998 figures.

The report came just days before Sun Hung Kai Properties Ltd announced that it would give away a new Mercedes Benz with each of the flats which the company sold in its new New Territories' housing project, while many other property companies announced substantial reductions in the published sales price of new flats, about to come on to the market.

Centaline maintains that HKSAR interest in primary housing projects is fast fading while, with regard to the secondary housing market, registrations for properties, worth less than $HK20 million, dropped about 7 percent in June, compared with the like 1998 period.

Yet, despite poor fundaments for the HKSAR, week after week the Hang Seng Index continues, stubbornly, to refuse to fall to a level at which, rationally, it should now stand -- closer to the 10,000-mark than the 14,000-mark.

TARGET cannot help but wonder whether or not the HKSAR Government, from time to time, is interfering in the stock market and, perhaps, large conglomerates are joining in on the fun.

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