

**MR INVESTOR:
GIVE IT UP! STOP FARTING AGAINST THUNDER**

The crude statement, '*One cannot fart against thunder*', must have had a new meaning for those people who were trying to talk up the Hongkong stock market over the past few months -- because last week's stock market saw The Hang Seng Index slip right back, below the 13,333-level of May 3.

TARGET had, repeatedly, warned that this was a strong probability in spite of certain foreign-based stockbrokers, with offices in The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), making utterances to the contrary.

Last Friday, The Hang Seng Index shaved off about 2 percent, coming to end the week on the lowest point for the past 90 days or so at 13,093.70.

On Friday, alone, the loss was 275.36 points.

Naturally, different brokers, in this little town of ours, had, what they considered to be, logical explanations for the big drop on Friday; and, all of their utterances failed to hit the real reason behind the fall: The HKSAR economy is still in a lot of trouble.

The rot started last Monday when The Hang Seng Index shed 98.11 points, or about 0.72 percent.

Tuesday's market made a quick spurt to the 13,600 level, for a gain of 153.27 points, or 1.14 percent, over Monday's close.

By Wednesday, there was a quick reversal, with The Hang Seng Index giving up all of Tuesday's gains, plus a little more: The Index was off 180.74 points, or 1.33 percent, coming to rest at 13,419.66 when the closing bell sounded.

On Thursday, there were more losses with The Index, falling another 50.60 points, or 0.38 percent.

This was followed on Friday with the big fall of 275.36 points.

In aggregate, The Hang Seng Index gave up a total of 451.54 points, or 3.33 percent, during the 5 trading days of the week, ended July 23.

The reasons for the losses have been repeated, week after week, in TARGET since May 3: There is no reason for this market to be at the present high levels, all things considered.

The fact is that we are not out of the woods by a long shot: Things, economically, are not healthy in the HKSAR.

Further, there is reason to believe that things could get worse, especially with the political uncertainty in the region, and with Macau, set to be returned to the Government of the PRC at the end of the year.

It is all well and good for the PRC Government to say that the stock markets must pick up, but stock markets are only barometers of the economic situation of a region; by themselves, stock markets have no bearing on an economy, other than to indicate sentiment ... perhaps.

While there was a suggestion that the main reason for some of the big falls, last week, was the tense situation between the PRC Government and the Government of Taiwan, that, in TARGET's opinion, was just a red herring.

President Jiang Ze Min and his predecessors have been making threats to Taiwan for years.

Taiwan and the PRC have been at each other's throats for at least the past 4 decades.

One day, no doubt, the PRC Government will take some definitive action in order to bring Taiwan into the PRC fold.

It is inevitable, just as inevitable as was the situation with Hongkong when the British Government was in control of these 412 square miles and Prime Minister Margaret Thatcher had to bow to the pressure of the late Paramount Leader of the PRC, Mr Deng Xiao Ping.

But overriding potential, political problems in South-East Asia, there were the real problems, right on the HKSAR doorstep.

On Friday, July 16, the HKSAR Government announced that orders in hand for manufacturers in the HKSAR had fallen about 21 percent in May, compared with May 1998.

Orders for fabricated metal products, it appears, were the hardest hit, and it appears that this category suffered to the extent of a fall of 62 percent, year-on-year.

Orders for plastics were down about 47 percent, while orders for electrical components were off by about 44 percent.

And so it went on.

Miramar Hotel and Investment Company Ltd let loose its Results for the 1998 Financial Year, ended March 31, 1999.

The public company stated that it had recorded a Profit Attributable to Shareholders of \$HK152 million.

This was a fall of about 23.55 percent compared with the previous Year.

On Monday, the HKSAR Government announced that unemployment was showing signs of abating, albeit only slightly. This was the one positive piece of news, last week.

According to Government statistics, between April and June this year, unemployment fell to about 6.10 percent of the labour force. This means that about 215,000 workers cannot find a job, at this time.

For the comparable period in 1998, the unemployment rate was 6.30 percent.

The important point, however, is that this is the first time in the past 18 months that unemployment in the HKSAR has not increased.

On Tuesday, ATV announced that it was retrenching, and was about to sack 500 of its staff.

The move would save the ailing television station about \$HK100 million a year.

Clearly, since the media relies on advertising for its daily bread, and since the economy of the HKSAR is not, exactly, bubbling over, the advertising 'cake' is much smaller than it was a couple of years ago.

Ergo, cut back on expenses in order to make ends meet.

Then, on Wednesday, The Ocean City Restaurant and Night Club in Tsimshatsui announced that it was closing its doors for the last time: Business cannot be sustained and the owners are tired of losing money.

The 140-odd restaurant workers will have to find alternate employment, if that is possible.

This kind of throws off the Government's statistics that only about 215,000 people are out of work, doesn't it?

For the past 90 days, The Hang Seng Index has not moved forward a mite in spite of all the artificial moves by the Governments of the PRC and the HKSAR to try to push up the prices of shares on The Stock Exchange of Hongkong Ltd and on PRC Exchanges.

The HKSAR has, still, a long way to go before it can be said, with some conviction, that things are turning, economically, in this little enclave that, once, was described as being one of the last bastions of free trade.

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