

**MR INVESTOR:
SORRY, CHUM, THE BEARS HAVE THE LAST SAY**

It was a bloodbath of no mean dimensions on The Stock Exchange of Hongkong Ltd, during the past week, with The Hang Seng Index, losing 729.26 points, or about 5.54 percent, compared with the close on Friday, August 6, during the first 3 days of trading.

The reasons for last week's falls in The Hang Seng Index were plentiful and they ranged from the war drums, beating across the Taiwan Strait, the ever-strengthening Japanese yen against the mighty US dollar, the economic problems in South Korea when one huge company after another, led by Daewoo Group with a \$US57-billion debt (about \$HK442 billion), is on the verge of total collapse, the banking scandal in Indonesia, the shooting down of a Pakistani aeroplane by the Indian Government and the retaliation of the Pakistani Government, and, of course, the old chestnut: Will the US Federal Reserve raise interest rates in the US?

While everybody and his cat seemed to know the answers to the problems in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), all of the 'experts' of yesterday seemed to be nonplussed at the fast fall of share prices.

It was expected by the more sophisticated investors, however, most of whom, like TARGET, had been stating for the past 100 days that The Hang Seng Index should be closer to the 10,000 level than the 14,000 level.

In Indonesia, as if the troubles in South Korea were not enough, last week, the rupiah came under heavy selling pressure, following more revelations with regard to the financial scandal, involving Bank Bali.

The domino effect was that it hit The Djakarta Stock Exchange and, strangely, it spread to Singapore where that Republic's currency came under pressure.

The previous Friday, August 6, the US Labour Department brought out its much-awaited report on the unemployment rate in the US.

It showed, among other things, that the July figures, at about 4.30 percent, was a 30-year low.

While such statistics should, one may suppose at first glance, delight the stock markets of the US, there was concern that such a strong statistic, from the point of view of commerce, might stir the Fed to try to cool the markets by raising interest rates by as much as 50 basis points.

The Report, also, stated that there had been a gain of about 310,000 jobs in the month of July. This far exceeded economists' expectations.

What really sent the market into a dither, however, was the seemingly inflationary news that the average hourly rate for US workers had increased by about 3.80 percent in July, compared with July 1998.

The world's markets took stock of the Report and waited for the Fed to take action.

By Thursday, nothing had happened and so there was renewed hope that, perhaps, there would be no immediate tax hike in the US.

On Thursday, during the morning trading session, The Hang Seng Index gained about 2.15 percent, about 268 points, to 12,705.

The afternoon session saw even further gains as The Hang Seng Index put on a further 74 points to close at 12,779.75.

However, once again, the volume was pitiful, at just \$HK5.30 billion.

Very unconvincing for those who were hoping for a return of the bulls.

Indicative of a lacklustre stock market was the fact that the volume of trading, throughout most of the week, was low, ranging from a daily high of about \$HK5.87 billion to a low of \$HK3.54 billion.

Friday, however, saw The Hang Seng Index start to lose its lustre, with the morning session, giving up a total of 184.13 points, coming to rest at the morning session's close at 12,595.62 for a loss, compared with Thursday's gains, of about 1.44 percent.

By the close of trading, The Hang Seng Index's results did not delight those who claimed, the previous week, that the market was turning: The Hang Seng Index finished the week at 12,608.18, a loss of 4.24 percent, compared with the close of trading on Friday, August 6.

That the market is falling needs no elaboration.

How far will it fall remains to be seen, but, as TARGET stated, months ago, The Hang Seng Index should be closer to 10,000 than to 14,000.

-- E N D --