

**MR INVESTOR:
DON'T BE MISLED BY ONE SWALLOW
IN A HOT, HONGKONG SUMMER**

There were more reasons, given by vested Chinese interests, for The Hang Seng Index to rise last week than there are feathers on a chicken.

But if the truth were known, nobody really understood the reason for the rise on Monday, August 16 – because the stock-market pundits of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) had been suggesting that The Stock Market would fall with a crash, the previous Saturday, August 14.

It did not happen and the Hongkong stock market did not crash, at least, not last Monday.

The Hang Seng Index put on about 287 points, to come to rest at 12,894.78 by the closing bell on August 16.

The turnover for the day was an unconvincing \$HK4.81 billion; and, this kind of volume is hardly an indication of a bull market.

It was said by some that the gains on Monday were due to the previous Friday's report in the US, a report that stated that the PPI – Producer Price Index – rose only 0.20 per cent in July.

This is supposed to indicate that inflation in the US is not as bad as some people imagine.

These days, it does seem that every little hiccup in the US marketplace is a sign of a dreaded malaise in that country's economy.

It is a generally accepted belief in the US that there are going to be bad times ahead for the US economy, even though there are no visible signs of such on the economic horizon.

Tuesday's stock market saw The Hang Seng Index in a bit of a retreat, losing nearly 40 percent of Monday's gains. The Hang Seng Index fell 111.62 points to 12,783.16 on a volume of about \$HK4.38 billion.

Again, the low turnover was indicative of a definite lack of interest in the market.

On Wednesday, however, it was *'back to business, as usual'*, it appeared, as the Hang Seng Index gained back all of Tuesday's losses and added another 98 points, to boot.

The Hang Seng Index gained a total of 209.94 points, last Wednesday, ending the session at 12,993.10. Once more, however, the gains were on a lowish volume, equaling about \$HK6.69 billion, which was an improvement of about \$HK2.31 billion over Tuesday's volume.

Last Wednesday, the Japanese yen strengthened against the US dollar and this, market watchers were stating, was to be considered ominous; perhaps, painting Asia into an economic corner whereby there could be more financial problems, of a macroeconomic nature, looming soon.

What many people may have forgotten, however, was that strength of the Japanese yen assists the profits of Cathay Pacific Airways Ltd, a company which derives a great deal of its business from the Japanese market and, more often than not, receives Japanese yen payments, while the bulk of its purchases are made in US dollars.

Last Thursday's stock market gave every indication of being a bull, however, as the Turnover hit a high of about \$HK9.36 billion, up about \$HK2.17 billion on Wednesday's volume of trading.

The Hang Seng Index hit 13,403.59 by the close of trading. This was a 410-point jump, compared with last Wednesday's close.

In terms of the past 3 months or so, it means that The Hang Seng Index has just managed to rise above the May 3 level.

This was all but forgotten by many investors, last Thursday.

But there appeared to be no valid reason for the market's sudden spurt, with the only seemingly interesting suggestion, that could have given Hongkong investors an injection of confidence, was the unconfirmed report that the PRC Government is out to give stock-market investors and speculators a bit of a boost by supporting stock markets on the Mainland.

Good stuff, one may state, but it does not alter the economics of the HKSAR, or of the PRC, does it?

On Friday morning in the HKSAR, there were further reports to suggest that the PRC Government was waging another attempt to join the World Trade Organisation (WTO), and had, once again, enlisted the support of the US Government in its attempts.

There is no way to confirm this report, of course, and it would be unreasonable to think that the Government of the PRC would not be lobbying support of the US Government to grab a seat on the WTO.

But, with Presidential elections in the US in high gear, it is questionable that any candidate, running for the most powerful position in the world, would risk sticking his neck out for an Asian government, which is considered by the West to be authoritarian in nature and a possible threat to the West, militarily.

Also, the continuing sabre-rattling between Taiwan and the PRC is not helping matters because it is well known that the PRC Government is '*planting*' reports in HKSAR media about its military strength and what could happen to Taiwan if it continues with its suggestion of trying to be an independent state, independent, that is, of the PRC.

Friday's market, from the very opening, saw a swarm of hungry HKSAR speculators, seemingly afraid that they might miss the touted, new bull-bus.

As a result, by the noon close, the Hang Seng Index had put on a further 216.94 points, up about 1.62 percent, compared with the close of Thursday. It appeared that few people wanted to take profits in the morning session. It was buy, buy, buy!

The afternoon session saw profit-taking hit the market, as had to happen since the Hang Seng Index had risen about 1,000 points in 4 trading days out of 5 trading days. This represented a gain of about 8 percent in one week.

There was no news to generate any special interest in the stock market of the HKSAR, last Friday, and, if anything, there was good reason to be wary of the market's fast rush to try to hit the 14,000 level.

The Hang Seng Index ended the week on a positive note, coming to rest at 13XXX.

One swallow, as the saying goes, does not make a spring; and, one high-flying bird in a hot and humid Hongkong summer does not mean that the eagle has landed.

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