MR INVESTOR: A TOAST TO CHIEF EXECUTIVE (*COMRADE*) TUNG CHEE HWA!

It would appear that nothing can stop Japan's currency from rising against most other *'hard'* currencies of the world -- and this is going to impact, directly, on Japanese industry, at least, in the short term.

That was the fear over the weekend of September 25 -26, as Finance Minister of The G7 -- Group of Seven Industrialised Nations -- met in Washington.

But it appeared that there was little support for Japan's bid to have its *'friends'* sell yen on the world's foreign exchange markets in order to dampen the international ardour for the currency from international speculators as well as Japanese businessmen, who are bringing back bags of cash in order to purchase scrip, listed on The Tokyo Stock Exchange, in anticipation of a continuation of Japan's economic recovery.

Over the previous week, ended September 24, the yen rose to 103.20 against the US dollar.

It was expected, last Sunday, that the yen would strengthen even further, this week, probably knocking on the 100-yen *'door'*, according to Japanese bankers, contacted by TARGET, last Sunday morning, Hongkong time.

In a statement, issued after the conclusion of the Washington G7 Meeting, on Sunday, September 26, there was no suggestion of an accord, having been reached between G7 members.

All that came out was*: 'We share Japan's concern about the potential impact on the yen's appreciation for the Japanese economy and the world economy'.*

The Bank of Japan's Governor, Mr Masaru Hayami, also made a statement over the weekend, but his statement amounted to something along the lines: *'Thanks for nothing, G7 Ministers'.*

He is reported to have stated that The Bank of Japan *'will respond appropriately and in a timely manner to developments in financial markets, including currency markets …'.*

This must mean that *Japan Incorporated* had decided to be willing to get its feet wet in trying to defend its export-orientated industries.

Fundamentally, there is every reason for the yen's strength, internationally, but a 16-percent increase since May 20, 1999 is a bit rich.

The Nikkei-225 has put on about 26 percent since the beginning of this year, due in part to economic data which indicates that the Japanese economy is, definitely, on the mend, with 2 straight quarters of unexpected and welcomed growth.

But, closer to home, The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), The World Bank announced from Washington that it had re-appraised lending policies to the world's most populous country.

It announced that it would cut lending to the PRC by about 25 percent.

The World Bank has long been a critic of the PRC's inability to reform its economy, with emphasis on State-run enterprises.

Beijing is guaranteed to balk at The World Bank's statements, but it will make no difference because it appears, prima facie, that the PRC Government has been singularly unable to control its own economy, and to reform those parts of the economy, which are sadly in need of reform.

When the bell rang for the opening of The Stock Exchange of Hongkong Ltd, it was sellers who dominated trading, knocking down the Hang Seng Index from the word, *'go'*.

The Index dropped like a rock in a stagnant pool, losing another 2.08 percent, compared with the previous Friday's close, to end the session at 12,760.46.

The statistics, with regard to the Hang Seng Index, according to TOLFIN (TARGET's Computerised On-Line Financial Service) is that, on February 10, 1999, it hit the lowest level this year at 9,076.33. At the same time, the highest point in March was when The Index ran up to 11,107.24.

The question, being asked by TARGET's analysts, last Monday: Will The Index test the March 22 level of 11,107.24?

In Tokyo, the exchange rate of the yen, vis-à-vis the US dollar, improved, in terms of the greenback, running up to 104.40, after hitting a low of 106 during the morning session.

Whether or not The Bank of Japan had a hand in the weakening of the yen was not known on Monday, and nobody from The Bank of Japan was talking.

But The Tokyo Stock Exchange did not like the fact that the Ministers of the G7 Nations would not come to the Japan *'party'* to sell yen in order to protect Japanese interests.

The Nikkei-225 lost 50.67 points to close at 16,821.06. This is the third day in the row that the Nikkei-225 has reported losses, with the aggregate of those losses, being about 6 percent.

All other Asia stock markets lost considerable ground:

Thailand	Minus12.81 percent
Indonesia	Minus 0.79 percent
Malaysia	Minus 2.24 percent
The Philippines	Minus 0.63 percent
Singapore	Minus 1.62 percent
Taiwan	Minus 2.66 percent
South Korea	Minus 4.01 percent

Tuesday

The big new last Tuesday was in Tokyo where the Nikkei-225 jumped about 3 percent on the back of a weakened yen, internationally.

The US dollar advanced about 1.50 percent against the Japanese yen as sighs of relief were said to have been heard on the trading floor of The Tokyo Stock Exchange.

The yen was quoted in both Asia and New York, last Tuesday night, at about 106.10 against the US dollar.

This compared with Monday's rate of about yen 104.40. But, it should be recalled that, on Monday, Tokyo time, the yen-US dollar rate did drop to the 106 level, at one point in trading.

There were strong suggestions that *'Japan Incorporated'* was interceding in the yen's climb against other *'hard'* currencies, thus causing the most important currency in Asia to come under fire.

As the yen sank in its exchange rate against most other currencies, stocks, listed on The Tokyo Stock Exchange, took heart, rising in spectacular fashion.

A weaker yen, as TARGET has pointed out, repeatedly, over the past few months, means that Japanese goods and services are more competitive on the world stage.

The Nikkei ended last Tuesday's session at 17,325.70 for a 504.64-point advance against Monday's closing level. This mark was just about 60 points off the session's nadir.

The Hongkong stock market, however, did not react very much to the Tokyo situation, with the Hang Seng Index, gaining just 84.47 points to end the session at 12,844.93 on reduced volume of $HK7.15 billion.

There was no special news in the HKSAR to stimulate the market so that the prices of most issues just drifted; and, even the gweilo stockbrokers, normally loquacious about the market, were more than somewhat restrained … for a change.

Investors in the HKSAR have witnessed the stock market's ups and downs since the beginning of this year and, therefore, they are not, normally, prone to jump in without very solid reason.

In other parts of Asia, it was a mixed bag, with Thailand, the HKSAR, Indonesia, the Philippines, Singapore and Japan all rising, while Malaysia, South Korea and Taipei registered losses:

Thailand	Plus	1.54 percent
Indonesia	Plus	2.75 percent
Malaysia	Minus	0.06 percent
The Philippines	Plus	0.65 percent
South Korea	Minus	0.34 percent
Singapore	Plus	1.71 percent
Taiwan	Minus	2.35 percent

Wednesday

Again, it was Japan, which hugged the news, last Wednesday, as that Government announced that Japan's industrial August output rose 4.60 percent in the biggest monthly increase in such output in the past 42 years.

The reason for the record-breaking monthly increase has been put down to Japanese motor-car manufacturers and the international demand for their products.

However, the August statistic was calculated when the yen was much lower against the US dollar, especially, and other *'hard'* currencies, generally, so that it was widely expected that the September figures would reflect a declining trend, compared with the August figures.

But, to the amazement of some people, the yen continued to weaken on international markets, falling to 107.21 yen against the US dollar. This compared with a rate of 106.07 in late trading in London on Tuesday.

The Wednesday yen-US dollar rate represented a fall of some 3 percent since the previous Friday's rate.

In the HKSAR, the Hang Seng Index, being down between 146 points and 130 points for most of the trading session, saw a reversal of fortunes as, in the last 30 minutes of toing and froing, prior to the closing bell, some rather funny trading activity was witnessed, activity reminiscent to intervention by vested interests.

For certain, the sudden explosion of buying had nothing to do with supply-demand factors.

The Hang Seng Index ended the session at 12,834.89 for a loss, compared with Tuesday's close, of about 10 points.

The turnover was $HK7.21 billion, about $HK60 million more than Tuesday's volume of activity. And the bulk of this trading took place in the last 30 minutes of the session.

For a change, one European stockbroker made a very telling comment about trading on The Stock Exchange of Hongkong Ltd: *'There was nothing … to bring us* (the HKSAR) *up. The only positive news was about the WTO, but that could be just an excuse …'*.

On The Tokyo Stock Exchange, The Nikkei-225 ended down 43 points, or one quarter of one percent, to 17,282.28 amid concerns as to what was happening on Wall Street.

The Wednesday pattern of trading on The Tokyo Stock Exchange contrasted markedly to Tuesday's market, which saw the Nikkei-225 rise 504.64 points, or about 3 percent.

In other Asian stock markets, it was touch and go as to which way the winds of change would blow:

Thailand	Plus	1.73 percent
Indonesia	Minus	0.52 percent
Malaysia	Plus	0.64 percent
The Philippines	Plus	0.53 percent
South Korea	Minus	3.54 percent
Singapore	Minus	0.34 percent
Taiwan	Plus	0.50 percent

It is evident that most Asian stock markets were watching the antics, being played out on Wall Street, where investors were experiencing a roller-coaster ride, with the Dow Jones Industrial Average, falling dramatically, one day, then rising, dramatically, the next day.

Small Asian investors and the big players, clearly, did not know what to do about the situation; and, that was, probably, the reason that the average daily turnover was uninspiring for the first 3 days of trading, last week.

On the trade front, it was announced that the HKSAR had logged up its first trade surplus in the past couple of years.

In the month of August, the value of all exports from the HKSAR rose 4.40 percent, compared with one year ago.

Re-exports rose, the HKSAR Government announced, 6.70 percent, year-on-year, to $HK108.50 billion.

However, domestic exports fell 9.50 percent, year-on-year, to $HK15.90 billion.

Summing up the situation, the Government announced that the visible trade surplus for the month of August was $HK2.40 billion, equal to about 2 percent of the total value of imports.

Many people fail to realize, however, that it is the growth of imports of a territory, which is a reflection of that territory's economic strength: A population must have disposable income; and, that can only be present in an economy, which is buoyant.

Thursday

It is impossible for international trade to be conducted, expediently, in an atmosphere of uncertainty, either political uncertainty or financial uncertainty.

This was among the major concerns, last Thursday, as the Government of the PRC, obliquely, suggested retaliatory trade moves if it is not admitted to the WTO, this year; and, the Japanese yen went on another roller-coaster ride, moving up 1.18 percent against the US dollar, compared with Wednesday's rate, late in London.

The yen rose to 105.82 on suggestions, in a number of quarters, that The Bank of Japan was slow off the mark to intercede in international currency markets in order to stabilise the currency.

The Bank of Japan failed in its attempts, on the weekend, ended September 26, to have the G7 Nationals come to its aid and sell yen, and, armed with this news and the fact that there was no express indication as to bank intervention, international speculators put their money on the table and took the punt that the yen would run up to the 100 *'door'* vis-à-vis the US dollar.

Meanwhile, The Bank of Japan's survey of business sentiment in Japan was very bullish, fueling The Tokyo Stock Exchange to rise, again.

The Nikkei-225 closed last Thursday up about 1.87 percent, 323.18 points, closing at 17,605.46.

There can be no question, it appears, that the Japanese economy is on course to rapid recovery, but the winds of change could throw it off course if the yen continues to strengthen, thus thwarting the efforts of Japan's many export-orientated companies.

Japanese motor-car sales, internationally, are a large component in the Japanese export formula, but Japan has strong competition from just about every quarter of the earth, and it cannot allow international currency speculators to put a spanner in the works.

In the HKSAR, the Hang Seng Index took another knock, falling 101.65 points, to end the week on a rather weak note at 12,733.24.

(Last Friday, the stock market was closed for the October 1 Celebrations, marking the 50th Anniversary of the coming to power of the Government of the People's Republic of China)

The Turnover was still quite high, however, at $HK7.06 billion -- not a particularly good sign.

Some HKSAR stockbrokers were claiming, last Thursday, that the market was experiencing profit-taking, and that was the reason for the fall.

Jumping locustidae! The bloody market has been falling for the past few weeks so how in the world could there be profit-taking?

In other Asian stock markets, 4 major exchanges experienced falling indices, while 3 exchanges managed modest gains, with the exception of Indonesia, which crashed more than 4 percent:

Thailand	Minus	0.13 percent
Indonesia	Plus	4.08 percent
Malaysia	Minus	1.18 percent
The Philippines	Plus	0.17 percent
South Korea	Minus	3.76 percent
Singapore	Plus	0.20 percent
Taiwan	Minus	0.22 percent

In the US, the Government announced that new home sales had jumped in the month of August to the second-highest level on record.

It appears that higher mortgage rates in the US cannot stop the mad dash of prospective home-owners' desire to have their own pad.

The US Commerce Department announced that the number of new, single-family homes, sold in August, rose to a seasonally adjusted annual rate of 983,000.

This is the second highest rate in history, and it amounted to an increase of about 2.90 percent, compared with July's revised rate of 955,000 new, single-family homes.

The WTO saga continued, last Thursday, with continued suggestions that the PRC Government was getting fed up with one failure after another, year after year.

The differences between the US Government's stance and the PRC Government's stance, especially in respect of the opening up the PRC markets to US products, seems wider than ever.

Even if US Trade Representative Charlene Barshefsky were to agree with her PRC Government counterpart, Foreign Trade Minister Shi Guang Sheng, especially with regard to certain concessions that the PRC Government would have to make in order for the US to endorse the PRC's enrollment into the world trade clique, it is unlikely that the matter could be put on the November Agenda for the US Congress -- and Congress would be needed to ratify any determination of the Department of Commerce.

The PRC Government, during the past week, has been making noises along the lines of retaliatory trade moves on the US -- and, no doubt, the US Government is shivering in its boots at what the PRC Government may be planning.

It was on this note that the HKSAR market quit trading for the week and looked forward to enjoying the dinners and speeches and toasts, marking the rise to international fame of the world's most populous country where the matter of human rights is a thorny point, internationally.

Friday

Amid a 50-gun salute, the HKSAR paid tribute to the fact that the PRC Government had survived 50 years of ruling the most populous country in the world in true authoritarian style.

All HKSAR markets were closed as people in the HKSAR took a rest -- and watched what was happening in other Asian markets.

The Japanese yen was not a factor in trading on The Tokyo Stock Exchange, last Friday, but a report, emanating from the Japanese Government's Management and Coordination Agency (MCA) spurred trading in scrip by Japanese investors.

The MCA announced that unemployment in Japan had fallen to 4.70 percent of the workforce in August, down from 4.90 percent in July.

The statistic is important because Japan is struggling to come back from the worst economic downturn in the past 50 years.

On The Tokyo Stock Exchange, the Nikkei-225 rose 107.10 points to 17,782.26, probably due in part to the news as to the unemployment levels in Japan and, partly, due to the fact that the yen's value, vis-à-vis the US dollar, appeared to be stable at about the 105 level, almost unchanged from the previous day's rate.

In other parts of Asia, all exchanges managed to hold onto early gains:

Thailand	Plus 4.10 percent
Indonesia	Plus 3.30 percent
Malaysia	Plus 0.68 percent
The Philippines	Plus 0.32 percent
South Korea	Plus 0.38 percent
Singapore	Plus 1.39 percent
Taiwan	Plus 1.27 percent
Tokyo	Plus 0.61 percent

The PRC Government was, still, making noises that it expected to be a full member of the WTO before November, but that was more pie-in-the-sky than feet-on-the-ground.

It reminded one of the threats of the late Generalissimo Chiang Kai Shek and his promises to the people of Taiwan, that he would invade the PRC and take back what he claimed was rightfully his country.

Up to his death, every year on his birthday, he would make the same, silly promises.

Meanwhile, tanks and soldiers of the People's Liberation Army paraded in Beijing while the skies over Tiananmen Square were blackened by the flights of PLA fighter planes and lumbering cargo carriers, which roared 3,000 feet above more than half a million Chinese citizens, all cheering the oligarchy which is steering their beloved country to bigger and better things.

Long Live Chief Executive (Comrade) Tung Chee Hwa!

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